

State of Rhode Island  
**Comprehensive Annual Financial Report**

*Fiscal year ended June 30, 2019*



**Gina M. Raimondo, Governor**

Department of Administration

Michael DiBiase, Director of Administration

Office of Accounts and Control

Peter B. Keenan, CPA, State Controller

**2019**

## Table of Contents

	<u>Page</u>
<b>Introductory Section</b>	
Letter of Transmittal .....	5
Certificate of Achievement for Excellence in Financial Reporting .....	10
Organization Chart .....	11
Officials of State Government .....	12
 <b>Financial Section</b>	
Independent Auditor's Report - Report of the Auditor General .....	14
Management's Discussion and Analysis .....	18
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position .....	44
Statement of Activities .....	46
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds .....	47
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position .....	48
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	49
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities ....	50
Statement of Net Position – Proprietary Funds .....	51
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds .....	52
Statement of Cash Flows – Proprietary Funds .....	53
Statement of Fiduciary Net Position – Fiduciary Funds .....	54
Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	55
<b>Component Unit Financial Statements:</b>	
Combining Statement of Net Position .....	56
Combining Statement of Activities .....	60
Notes to the Basic Financial Statements .....	61
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule – General Fund .....	194
Budgetary Comparison Schedule – Intermodal Surface Transportation Fund .....	197
Notes to Required Supplementary Information - Budget and Actual .....	198
Schedule of State's Proportionate Share of the Net Pension Liability - Employees' Retirement System - State Employees - Governmental Activities ...	200
Schedule of State's Proportionate Share of the Net Pension Liability - Employees' Retirement System - State Employees - Business-Type Activities ..	201

## Table of Contents

Schedule of State's Proportionate Share of the Net Pension Liability - Employees' Retirement System - State Share - Teachers (Special Funding Situation) .....	202
Schedule of State Contributions - Employees' Retirement System - State Employees - Governmental Activities .....	203
Schedule of State Contributions - Employee's Retirement System - State Employees - Business-Type Activities .....	204
Schedule of State Contributions - Employees' Retirement System - State Share - Teachers (Special Funding Situation) .....	205
Schedule of Changes in Net Pension Liability and Related Ratios - State Police Retirement Benefits Trust .....	207
Schedule of Changes in Net Pension Liability and Related Ratios - Judicial Retirement Benefits Trust .....	208
Schedule of Changes in Net Pension Liability and Related Ratios - RI Judicial Retirement Fund Trust .....	209
Schedule of Changes in Net Pension Liability and Related Ratios - State Police Retirement Fund Trust .....	210
Schedule of State Contributions - State Police Retirement Benefits Trust .....	211
Schedule of State Contributions - Judicial Retirement Benefits Trust .....	212
Schedule of State Contributions - RI Judicial Retirement Fund Trust .....	213
Schedule of State Contributions - State Police Retirement Fund Trust .....	214
Schedule of Changes in Total Pension Liability - Judicial Non-Contributory Retirement Plan .....	216
Notes to Required Supplementary Information - Pensions .....	217
Schedule of State's Proportionate Share of the Net OPEB Liability - State Employees - Governmental Activities .....	221
Schedule of State's Proportionate Share of the Net OPEB Liability - State Employees - Business-Type Activities .....	222
Schedule of State's Proportionate Share of the Board of Education Plan Net OPEB Liability .....	223
Schedule of State Contributions - State Employees - Governmental Activities .....	224
Schedule of State Contributions - State Employees - Business-Type Activities .....	225
Schedule of State Contributions - Board of Education Plan .....	226
Schedule of Changes in Net OPEB Liability and Related Ratios - Teachers Plan ..	228
Schedule of Changes in Net OPEB Asset and Related Ratios - Judges Plan .....	229
Schedule of Changes in Net OPEB Liability and Related Ratios - State Police Plan .....	230
Schedule of Changes in Net OPEB Asset and Related Ratios - Legislators Plan ..	231
Schedule of State Contributions - Teachers Plan .....	232
Schedule of State Contributions - Judges Plan .....	233
Schedule of State Contributions - State Police Plan .....	234
Schedule of State Contributions - Legislators Plan .....	235
Notes to Required Supplementary Information - OPEB .....	236

**Other Supplementary Information - Combining Financial Statements:**

Combining Balance Sheet – Nonmajor Governmental Funds .....	239
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	240
Budgetary Comparison Schedule – RI Temporary Disability Insurance Fund .....	241
Budgetary Comparison Schedule - Rhode Island Capital Plan .....	242
Combining Statement of Net Position – Internal Service Funds .....	247
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds .....	249
Combining Statement of Cash Flows – Internal Service Funds .....	251

## Table of Contents

Combining Statement of Fiduciary Net Position – Pension and Other Employee Benefits Trust Funds .....	257
Combining Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefits Trust Funds .....	258
Combining Statement of Fiduciary Net Position – Pension Trust Funds .....	259
Combining Statement of Changes in Fiduciary Net Position – Pension Trust Funds .....	260
Combining Statement of Fiduciary Net Position – Other Employee Benefit Trust Funds .....	261
Combining Statement of Changes in Fiduciary Net Position – Other Employee Benefit Trust Funds .....	262
Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds ..	263
Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds .....	264
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds .....	266
Combining Statement of Net Position – Nonmajor Component Units .....	267
Combining Statement of Activities – Nonmajor Component Units .....	271

### Statistical Section

Index .....	273
Schedule of Net Position by Components .....	274
Schedule of Changes in Net Position .....	275
Schedule of Fund Balances of Governmental Funds .....	277
Schedule of Changes in Fund Balances of Governmental Funds .....	278
Schedule of Taxable Sales by Industry .....	280
Schedule of Personal Income by Industry .....	281
Schedule of Personal Income Tax Revenue as a Percent of Personal Income .....	282
Schedule of Personal Income Tax Rates .....	283
Schedule of Resident Personal Income Tax Filers & Liability by AGI .....	284
Schedule of Ratios of Outstanding Debt by Type .....	286
Schedule of Pledged Revenue Coverage .....	287
Schedule of Nominal Personal Income and Per Capita Personal Income .....	288
Principal Employers .....	289
Full Time State Employees by Function .....	290
Schedule of Operating Indicators by Function .....	291
Schedule of Capital Asset Statistics by Function .....	292

# Introductory Section



State of Rhode Island  
Comprehensive Annual Financial Report  
Fiscal year ended June 30, 2019

**2019**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
DEPARTMENT OF ADMINISTRATION

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

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

December 31, 2019

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, 2019.

## 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 State Reporting Entity includes the primary government and its discretely presented component units. The primary government of the State of Rhode Island includes all funds, departments and other agencies that make up its legal entity. In addition to these primary government activities, this report includes information related to discretely presented component units for which the primary government is financially accountable. Although such information is provided in this report, the MD&A and basic financial statements focus on the primary government and its activities. Separately issued financial statements are available from the discretely presented component units and should be read to obtain a better

understanding of their financial conditions. Additional information on all discretely presented component units can be found in Note 1B to the financial statements.

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

## PROFILE OF THE STATE

*Government Structure:* As shown in the organizational chart that follows this transmittal letter, State government is divided into three separate branches: legislative, executive, and judicial. The duties of each branch are outlined in the State's Constitution, which can be amended only by a majority vote of the State's citizens, and in the Rhode Island General Laws, which can be amended only by the General Assembly. State government services provided to citizens include building and maintaining roads; providing public safety, health and environmental protection services to protect the general 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 5% of the total general revenues and opening surplus, the excess is transferred to the Rhode Island Capital Plan Fund to be used for capital projects. The Reserve, or any portion thereof, may be appropriated in the event of an emergency involving the health, safety or welfare of the citizens of the State or in the event of an unanticipated general revenue deficit in any given fiscal year caused by a general revenue shortfall, such appropriations to be approved by a majority of each chamber of the General Assembly.

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 2019 was 3.6%. The rate has decreased by 40 basis points from the rate recorded in October 2018 and is 7.7% points less than the recession era high unemployment rate of 11.3%. The State's unemployment rate matched the U.S. unemployment rate for October 2019. During the period between November 2018 and October 2019, the Rhode Island unemployment rate was below the national unemployment rate for the months of June, July, and August. Rhode Island's unemployment rate ticked up to 3.6% in September, above that of the U.S. before drawing even with the U.S. unemployment rate in October.

In testimony to the November 2019 Revenue Estimating Conference, IHS Markit (IHS) noted that Rhode Island's economy is projected to grow rapidly, with Rhode Island non-farm employment growth coming in at 1.7% for fiscal 2020 before slowing to 0.5% for fiscal 2021. Non-farm employment growth in fiscal 2022 is projected at 0.3% , falling to no growth in fiscal 2023 and negative growth in fiscal 2024 and 2025. With respect to nominal personal income, growth is projected at 4.2% in fiscal 2020 decelerating to 3.8% in fiscal 2021 before stabilizing in the 3.8 to 3.9% range in fiscal 2023 and 2024. Nominal personal income growth picks up in fiscal 2025 when it ramps up to 4.1%.

The Rhode Island Department of Labor and Training (DLT) testified at the November 2019 Revenue Estimating Conference that "since the end of the recession, RI-based jobs have increased by over 48,000 with nearly all of that growth occurring in the private sector. RI's total employment has increased by 10.6% since 2009, the third highest growth rate among the New England States." Among private sector industries, only the information services and manufacturing sectors have shown a decline in jobs between July 2009 and September 2019, shedding 2,500 and 2,000 jobs respectively with respective annual wages of \$74,361 and \$58,474 in 2018. This compares to fourteen private sector industries which have added 52,500 jobs over this same period with 25% of these jobs being added in higher wage industries (industries with an average annual wage of \$65,000 and above).

The November 2019 Consensus Economic Forecast projects that the State will experience its peak rate of growth in non-farm employment in fiscal 2020 at 1.7%, surpassing the growth rates reached in fiscal 2014 and fiscal 2015 of 1.5%. Over the fiscal 2021 through fiscal 2025 forecast period, Rhode Island non-farm employment growth is forecasted to stagnate with rates of growth well below 1.0%. The stagnation in non-farm employment growth is attributable to an increasingly older working age population and anemic population growth. Personal income growth is projected to peak in fiscal 2020 at 4.2%, higher than fiscal 2019's growth of 4.0% but substantively less than fiscal 2018's growth rate of 5.0%. Rhode Island personal income growth should stabilize in the 3.8% to 4.1% range over the rest of the forecast period. Wage and salary growth is projected to accelerate to 5.1% growth in fiscal 2020 from 2.8% in fiscal 2019 before stabilizing in the 4.0% range for fiscal 2021 through 2025. Finally, the unemployment rate is expected to remain at 3.6% for fiscal 2020 and 2021 before rising in a stepwise manner to 4.8% in fiscal 2025.

*Major Initiatives:* The following section highlights several notable initiatives that will likely impact revenue and expenditure trends in fiscal 2020 and beyond.

Several changes were authorized in the fiscal 2019 session of the General Assembly that will impact future state revenues. These include:

- Expansion of Sports Betting to include play using a computer or mobile device.
- Expansion of the number of Medical Marijuana compassion centers from three to nine, along with an increase in the application and licensing fees.
- Requiring previously exempt entities to collect and remit sales and use tax, consistent with the United States Supreme Court *South Dakota vs. Wayfair* decision.
- Expanding the sales and use tax to include video, music and audio digital products.

The fiscal 2020 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 raised the Rebuild RI program cap from \$150.0 million to \$210 million and required sales and use tax project exemptions to be funded from this program. In addition, the sunset date for many of these economic development programs was extended by six months to December 31, 2020. The Budget also increases the amount of the Motion Picture Tax Credit that can be awarded in a calendar year from \$15.0 million to \$20.0 million and extended the sunset date for this program to July 1, 2027.

The fiscal 2020 budget also included legislation to establish an annual \$5.0 million assessment on opioid manufacturers, distributors, and wholesalers registered in the State. Companies will be assessed based on their in-state market share of all distributed or manufactured opioids. Revenues from this fee will be restricted to support programs that provide opioid treatment, recovery, prevention and education services.

Also included in the fiscal 2020 budget is legislation to establish a Market Stability and Reinsurance program under the Health Benefit Exchange. The legislation imposes a penalty for individuals who do not have health insurance coverage, effective for the tax year beginning January 1, 2020. The penalty would be collected by the Tax Administrator and would be deposited into a restricted receipt account. The funds from this account would be used to provide reinsurance to health insurance carriers, as a means of ensuring that premiums do not increase drastically.

The fiscal 2020 budget includes the ninth year of the implementation of the Education Funding Formula, which resulted in an overall increase in funding of \$33.4 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 2020 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 2020 budget includes \$94.3 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.

Cost of living increases previously negotiated with state employees will impact fiscal year 2020 and later years, with an increase of 2.0% in July 2019 and 1.0% in January 2020. Most state employee contracts expire on June 30, 2020. The Administration will begin negotiations on a new contract or extension of existing contracts during the fiscal year.

The fiscal 2020 budget includes several savings initiatives in the human services function, including a 1.0% rate increase for nursing facilities and a 7.2% rate increase for hospitals; elimination of the inpatient upper payment limit reimbursement to hospitals; and elimination of the performance goal program that provided incentives to managed care plans to meet certain achievements.

The fiscal 2020 budget provides \$12.0 million of financing needed to maintain the current prekindergarten program in the face of the expiration of federal funds, and it adds \$2.9 million to expand access to high-quality seats. The additional funding is expected to allow for increased capacity in the current state-run classrooms and extend the school day for some Head Start students.

\$7.0 million is provided for in the fiscal 2020 budget for the RI Promise Scholarship program. Fiscal 2020 is the third year of this program at the Community College of Rhode Island.

The fiscal 2020 budget includes reforms to the State's injured-on-duty (IOD) statute as it relates to state employees. The new language is expected to reduce the length of time eligible individuals remain on IOD status.

## 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, 2018. This is the eighth 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, 2019 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**

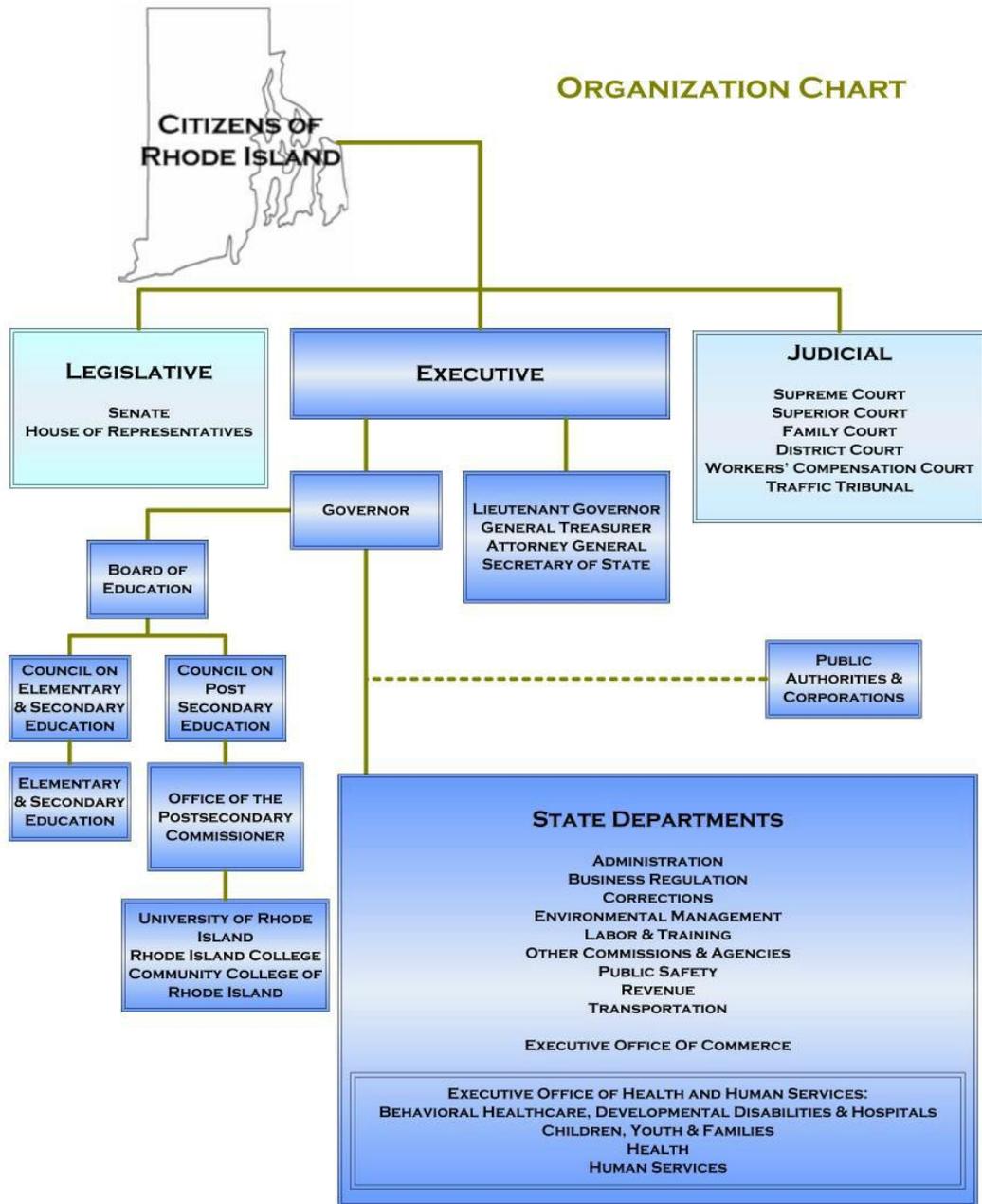
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**



**AS OF JUNE 30, 2019**

***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. Neronha

**LEGISLATIVE BRANCH**

**Senate**

**President of the Senate**

Dominick J. Ruggiero

**House of Representatives**

**Speaker of the House**

Nicholas A. Mattiello

**JUDICIAL BRANCH**

**Chief Justice of the Supreme Court**

Paul A. Suttell

# Financial Section



State of Rhode Island  
Comprehensive Annual Financial Report  
Fiscal year ended June 30, 2019

**2019**



# Office of the Auditor General

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

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

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

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Rhode Island and Providence Plantations (the State), as of and for the year ended June 30, 2019, 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 24% of the assets and deferred outflows and 2% of the revenues of the business-type activities;
- the HealthSource RI Trust, an agency fund, the Ocean State Investment Pool, an investment trust fund, and the Rhode Island Higher Education Savings Trust, a private-purpose trust fund, which collectively represent 35% of the assets and 23% of the revenues of the aggregate remaining fund information; and
- all the component units comprising the aggregate discretely presented component units.

The financial statements for these entities were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the governmental activities, the business-type activities, the aggregate discretely presented component units, the Convention Center Authority major fund, and the aggregate remaining fund information, are based solely on the reports of the other auditors.

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Matters of Emphasis***

As described in Note 16 – the State disclosed contingencies regarding potential federal overpayments related to the Medicaid program.

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 15% of the assets of the aggregate remaining fund information, have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or general partners.

Our opinions are not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the

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

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

*Other Information*

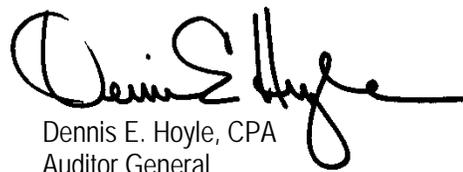
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis and are not a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

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

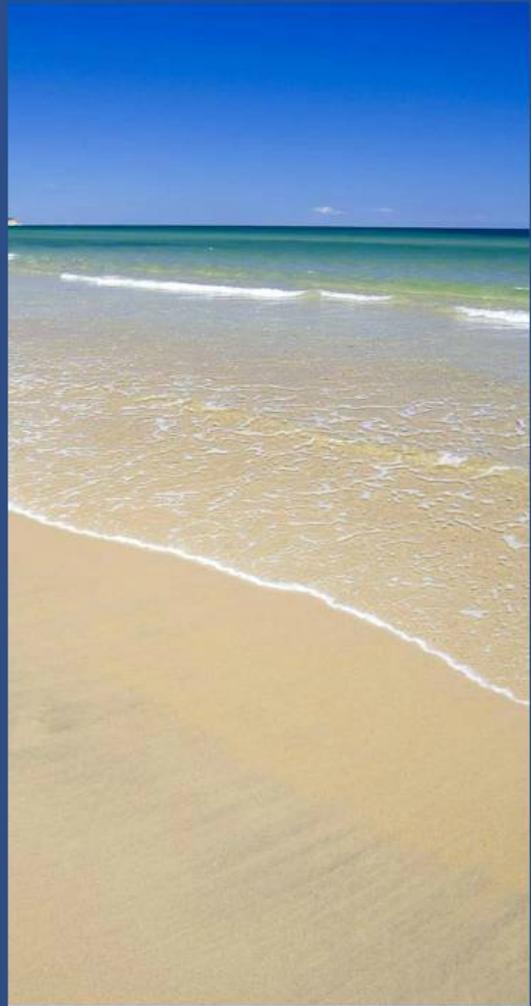
In accordance with *Government Auditing Standards*, we will issue our report dated December 31, 2019 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report will be included in the State's 2019 *Single Audit Report*. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



Dennis E. Hoyle, CPA  
Auditor General

December 31, 2019

# Management's Discussion and Analysis



**State of Rhode Island**

Fiscal Year Ended

June 30, 2019



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, 2019. 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 at June 30, 2019 by \$265.5 million. This amount is presented as "net position (deficit)" on the Statement of Net Position for the Total Primary Government. Of this amount \$1.4 billion was reported as restricted net position, \$3.5 billion as net investment in capital assets and \$(5.2) billion was reported as unrestricted net position (deficit).
- **Changes in Net Position:** The net increase in the primary government's net position in fiscal year 2019 of \$102.4 million, which reduced the overall net deficit reported by the State, at June 30, 2019 was mostly attributable to business-type activities which experienced an increase in net position of \$97.6 million during the fiscal year. This was primarily due to the Employment Security Fund operating at an \$89.2 million surplus in fiscal 2019. The Lottery also contributed approximately \$397.3 million in resources to fund governmental activities in fiscal year 2019, an increase of \$32.3 million over fiscal 2018.

### Fund Financial Statements

#### Governmental Funds

- The State's governmental funds reported a combined ending fund balance of \$1,251.7 million, a decrease of \$49.5 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 \$91.9 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, 2019, the State's General Fund reported an ending fund balance of \$371.0 million, an increase of \$8.5 million as compared to the prior year restated fund balance.
- The most significant source of General Fund revenues, taxes, increased by \$96.6 million as compared to fiscal 2018. 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 \$209.8 million greater than in fiscal 2018 due to greater spending across a number of categories the most significant of which are discussed below.

\* There was an increase of \$105.5 million in the Human Services function which is attributable to several factors. Spending in the Medicaid program increased by approximately \$85.2 million due to increased caseloads and continued general growth in healthcare costs. The new Veterans' Home accounted for increased spending of \$3.3

million, primarily due to higher staffing level requirements and operating costs. Spending for Child Welfare programs within the Department of Children, Youth and Families increased by over \$10.6 million due to a sharp rise in caseloads, particularly in more expensive congregate care settings.

- \* Expenditures for Education rose by \$62.1 million primarily as a result of the continued transition to the Education Funding Formula, which required almost \$19.8 million in additional funding in fiscal 2019 compared to fiscal 2018. The State's share for Teacher Retirement costs, plus funding for State-operated schools, increased spending by \$5.5 million. Additional federal funds expended within the Department of Elementary and Secondary Education accounted for \$23.7 million of the year-over-year increase in spending. Finally, additional state support of \$6.9 million was provided for the three institutions of higher education, including \$2.6 million for the continuation of the Governor's RI Promise scholarship program.
- \* The State fully funded its State Budget Reserve and Cash Stabilization Account (the Reserve) within the General Fund in the amount of \$203.9 million as required by Chapter 35-3 of the RI General Laws.

### **Proprietary Funds**

- The Rhode Island Lottery transferred \$397.3 million to the General Fund in support of general revenue expenditures during the fiscal year, an increase of \$32.3 million in comparison with the previous fiscal year. Sales of traditional lottery products were up 1.9% year-over-year. Changes to the Mega Millions® game, including an increase in ticket price, a record \$1.5 billion Mega Millions® jackpot in October 2018, and new high price point instant games significantly contributed to the overall increase in traditional lottery games revenue. Video lottery net terminal income revenues increased 8.6% in fiscal 2019 with the opening of Tiverton Casino Hotel in September 2018. Net revenues from the operation of table games increased by 12.1% in fiscal 2019 due to the opening of Tiverton Casino and the commencement of Stadium gaming at both Twin River Casino and Tiverton Casino in the fall of 2018. Lastly, Sports Book betting operations began in November 2018 at Twin River Casino and December 2018 at Tiverton Casino. Sports Book gross revenue totaled \$127.6 million through June 30, 2019.
- The Employment Security Fund ended the fiscal year with a net position of \$559.2 million, an increase of \$89.2 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 State's historically low unemployment levels.
- The Rhode Island Convention Center Authority ended the fiscal year with a net position deficiency of \$47.7 million, a deficit decrease of \$7.5 million compared with the prior year. The Authority has historically had a net position deficiency, because the amount of debt related to capital assets has exceeded the net book value of the capital assets and because the repayment term for the debt is generally longer than the depreciable life of the assets.

## **Overview of the Financial Statements**

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

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

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

---

## Government-wide Financial Statements

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

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

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

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

## Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar

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

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

- **Proprietary funds:** Services for which the State charges customers a fee are generally reported in proprietary funds. The State maintains two different types of proprietary funds - enterprise funds and internal service funds. Enterprise funds report activities that provide supplies and services to the general public. Internal service funds report activities that provide supplies and services for the State's other programs and activities. Similar to the government-wide statements, proprietary funds use the accrual basis of accounting. The State has three enterprise funds - the Lottery Fund, the Rhode Island Convention Center Authority (RICCA) Fund, and the Employment Security Fund. These funds are each presented in separate columns on the basic proprietary fund financial statements. The State's internal service funds are reported as governmental activities on the government-wide statements, because the services they provide predominantly benefit governmental activities. The State's internal service funds are reported on the basic proprietary fund financial statements in a single combined column. Individual fund data for these funds is provided in the form of combining statements and can be found in the supplementary information section of the State's CAFR.
- **Fiduciary funds:** These funds are used to account for resources held for the benefit of parties outside the State government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the State's programs. These funds, which include the pension and other 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 \$(265.5) million at the end of fiscal 2019, compared to \$(367.8) million at the end of the prior fiscal year, as restated. Governmental activities reported unrestricted net position (deficit) of \$(5,124.9) 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, 2019 and 2018  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018*	2019	2018	2019	2018*
Current and other assets	\$ 2,412,885	\$ 2,365,680	\$ 624,805	\$ 550,828	\$ 3,037,690	\$ 2,916,508
Capital assets	4,468,440	4,298,377	158,121	134,409	4,626,561	4,432,786
Total assets	6,881,325	6,664,057	782,926	685,237	7,664,251	7,349,294
Deferred outflows of resources	813,673	855,400	10,693	11,606	824,366	867,006
Long-term liabilities outstanding	6,969,022	6,899,323	232,013	248,029	7,201,035	7,147,352
Other liabilities	1,319,338	1,201,446	69,485	54,053	1,388,823	1,255,499
Total liabilities	8,288,360	8,100,769	301,498	302,082	8,589,858	8,402,851
Deferred inflows of resources	163,488	180,339	726	935	164,214	181,274
Net position (deficit):						
Net investment in capital assets	3,517,242	3,356,040	(42,225)	(50,807)	3,475,017	3,305,233
Restricted	850,784	584,682	561,601	471,070	1,412,385	1,055,752
Unrestricted	(5,124,876)	(4,702,373)	(27,981)	(26,437)	(5,152,857)	(4,728,810)
Total net position (deficit)	\$ (756,850)	\$ (761,651)	\$ 491,395	\$ 393,826	\$ (265,455)	\$ (367,825)

\*Restated.

As indicated above, the State reported a balance in unrestricted net position (deficit) of \$(5.1) billion as of June 30, 2019. 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, 2019 the net pension liability related to governmental activities was \$3.63 billion and the net pension liability related to business-type activities was \$17.1 million. In addition, the net OPEB liability related to governmental activities was \$496.7 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, 2019 approximately \$622.3 million of principal and \$109.9 million of accreted interest are included in the State's debt.
- Historic Tax Credit Bonds - The R.I. Commerce Corporation (RICC), on behalf of the State, issued \$301.9 million of revenue bonds under the Historic Structures Tax Credit Financing Program. The bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof. The State is obligated under a Payment Agreement to make payments to the trustee. This obligation is subject to annual appropriation by the General Assembly. The proceeds of the bonds are being used to provide funds for redemption of Historic Structures Tax Credits. As of June 30, 2019, approximately \$120.8 million of such bonds are outstanding.

- The State has entered into certain capital lease agreements, known as Certificates of Participation (COPS), the proceeds of which are sometimes used to benefit certain entities outside of the primary government, for example, by the State's university and colleges for energy conservation projects or by local school districts to improve technology infrastructure on a state-wide basis. Obligation of the State to make payments under lease agreements is subject to and dependent upon annual appropriations being made by the General Assembly. As of June 30, 2019, approximately \$204.1 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

### Governmental Activities

The State's overall net position for the primary government improved by \$102.4 million during fiscal 2019. Total revenues of \$8,902.1 million increased by \$505.8 million compared to fiscal 2018. The favorable results were aided by a number of factors including increased general revenues due mainly to increases in tax revenues for personal income and sales taxes, as well as increases in capital grants primarily related to transportation infrastructure improvements. In addition, the charges for services category of revenue increased due to expanded Lottery operations.

The State's expenses, which cover a wide range of services, increased by \$624.6 million. The most notable increases were in the human services, education and public safety categories.

The increase in Human Services expenditures of \$98.7 million is attributable to several factors. Spending in the Medicaid program increased by approximately \$85.2 million due to increased caseloads and continued general growth in healthcare costs. The new Veterans' Home accounted for increased spending of \$3.3 million, primarily due to higher staffing level requirements and operating costs. Spending for Child Welfare programs within the Department of Children, Youth and Families increased by over \$10.6 million due to a sharp rise in caseloads, particularly in more expensive congregate care settings.

The primary driver of the increase in Education function expenditures of \$94.9 million is the continued transition to the Education Funding Formula, which required almost \$19.8 million in additional funding in fiscal 2019 compared to fiscal 2018. Additional federal funds expended within the Department of Elementary and Secondary Education accounted for \$23.7 million of the year-over-year increase in spending. Finally, additional state support of \$6.9 million was provided for the three institutions of higher education, including \$2.6 million for the continuation of the Governor's RI Promise scholarship program.

The increase in Public Safety expenses of \$146.6 million primarily is a result of a pension expense credit of \$96.5 million in fiscal 2018 relating to the measurement of the net pension liability for certain retired members of the State Police. This credit resulted 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. Additionally, federal spending for capital projects under the National Guard (\$6.8 million); disaster reimbursement expenses under the Emergency Management Agency (\$5.1 million); Crime Victims' Assistance and federal forfeiture spending within the Department of Public Safety (\$5.1 million) and additional spending of \$4.2 million in the Department of Corrections due to increased personnel costs contributed to the increase.

## Business-Type Activities

- The Employment Security Fund net position increased significantly as a result of taxes collected exceeding benefits paid due primarily to the very low unemployment rate in the State.
- Lottery revenue and associated expenses both grew significantly due to the opening of the new Sportsbook operations in the fall of 2018.

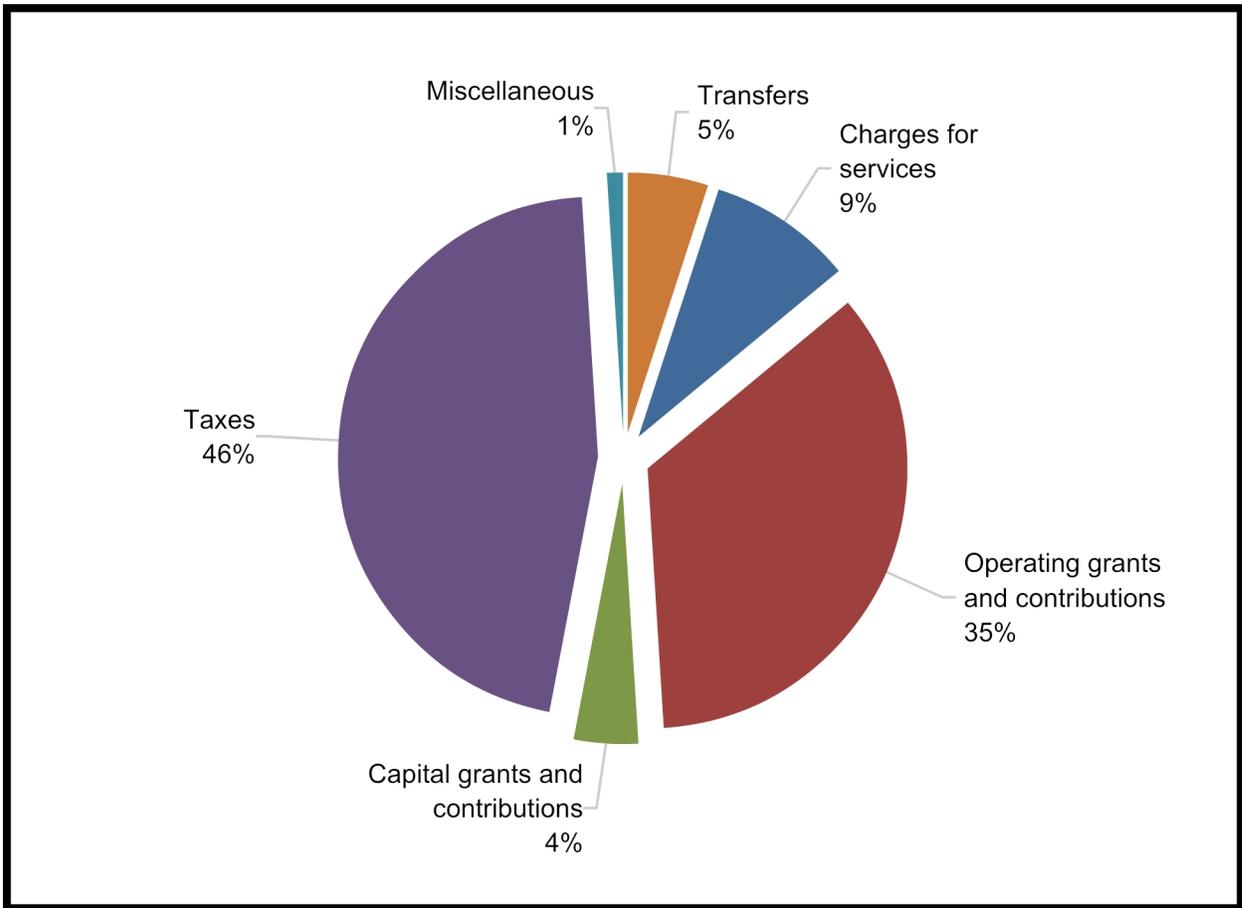
A more detailed analysis of changes in revenues and program expenses for both governmental activities and business-type activities is as follows:

State of Rhode Island's Changes in Net Position  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 713,955	\$ 641,305	\$ 1,332,911	\$ 1,142,564	\$ 2,046,866	\$ 1,783,869
Operating grants and contributions	2,817,912	2,784,544	1,278	1,259	2,819,190	2,785,803
Capital grants and contributions	295,979	207,673	—	—	295,979	207,673
General revenues:						
Taxes	3,609,427	3,474,545	—	—	3,609,427	3,474,545
Interest and investment earnings	19,028	10,548	639	604	19,667	11,152
Miscellaneous	101,495	124,370	11,461	8,946	112,956	133,316
Loss on sale of capital assets	(1,977)	—	—	—	(1,977)	—
Total revenues	<u>7,555,819</u>	<u>7,242,985</u>	<u>1,346,289</u>	<u>1,153,373</u>	<u>8,902,108</u>	<u>8,396,358</u>
Program expenses:						
General government	841,779	751,362	—	—	841,779	751,362
Human services	4,063,865	3,965,185	—	—	4,063,865	3,965,185
Education	1,803,273	1,708,408	—	—	1,803,273	1,708,408
Public safety	580,367	433,815	—	—	580,367	433,815
Natural resources	103,477	97,253	—	—	103,477	97,253
Transportation	426,522	403,365	—	—	426,522	403,365
Interest and other charges	99,971	92,231	—	—	99,971	92,231
Lottery	—	—	680,356	521,594	680,356	521,594
Convention Center	—	—	51,698	52,684	51,698	52,684
Employment Security	—	—	148,430	149,227	148,430	149,227
Total expenses	<u>7,919,254</u>	<u>7,451,619</u>	<u>880,484</u>	<u>723,505</u>	<u>8,799,738</u>	<u>8,175,124</u>
Excess (deficiency) before transfers	(363,435)	(208,634)	465,805	429,868	102,370	221,234
Transfers	368,236	343,273	(368,236)	(343,273)	—	—
Change in net position	<u>4,801</u>	<u>134,639</u>	<u>97,569</u>	<u>86,595</u>	<u>102,370</u>	<u>221,234</u>
Net position (deficit) - Beginning	(768,024)	(448,902)	393,826	310,832	(374,198)	(138,070)
Cumulative effect of prior period adjustments	6,373	(453,761)	—	(3,601)	6,373	(457,362)
Net position (deficit) - Beginning, as restated	<u>(761,651)</u>	<u>(902,663)</u>	<u>393,826</u>	<u>307,231</u>	<u>(367,825)</u>	<u>(595,432)</u>
Net position (deficit) - Ending	<u>\$ (756,850)</u>	<u>\$ (768,024)</u>	<u>\$ 491,395</u>	<u>\$ 393,826</u>	<u>\$ (265,455)</u>	<u>\$ (374,198)</u>

**Chart 1** depicts the State's sources of revenues from Governmental Activities for the fiscal year ended June 30, 2019.

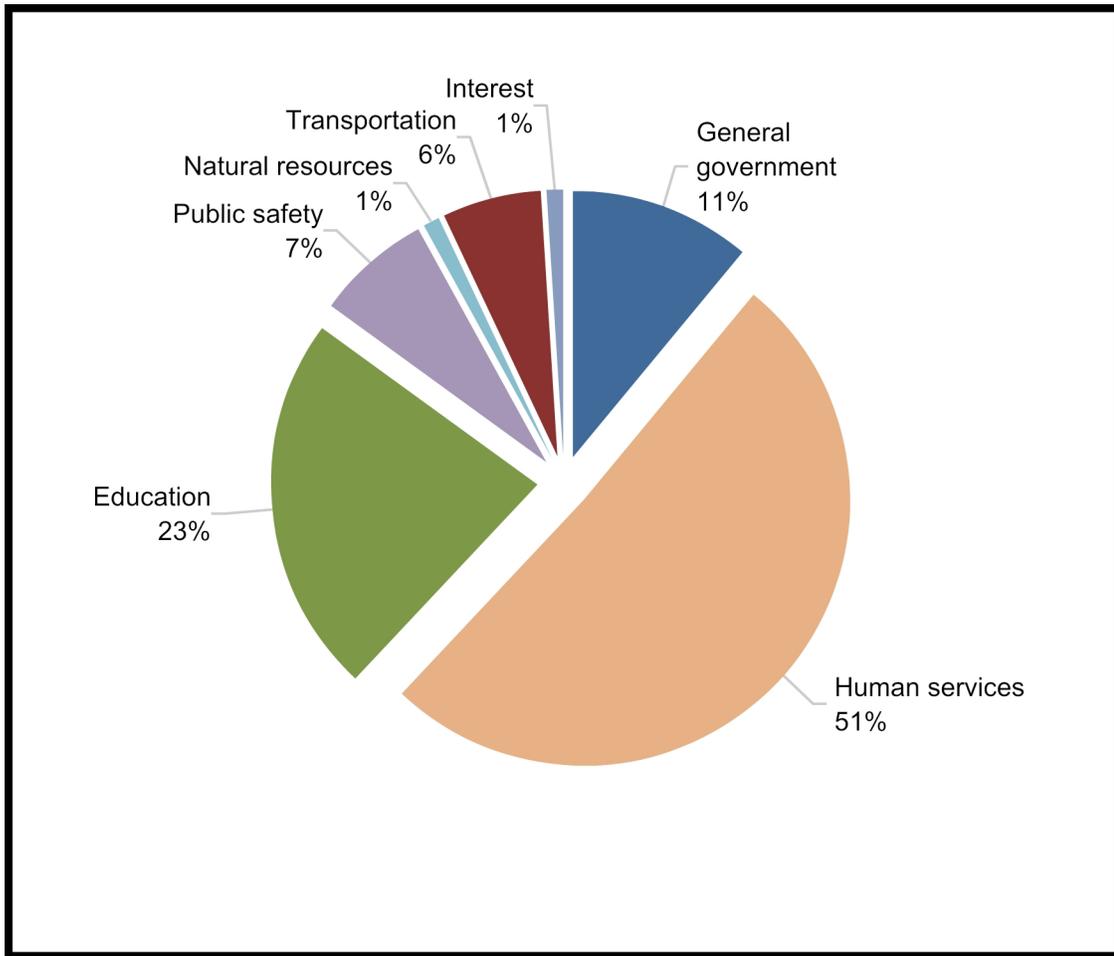
**Chart 1 - Revenues and Transfers - Governmental Activities**



The relative mix of revenue and transfers by source for governmental activities remained fairly constant in fiscal 2019 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 35% of the total in fiscal 2019.

**Chart 2** depicts the purposes for which program expenses related to Governmental Activities were expended during the fiscal year ended June 30, 2019.

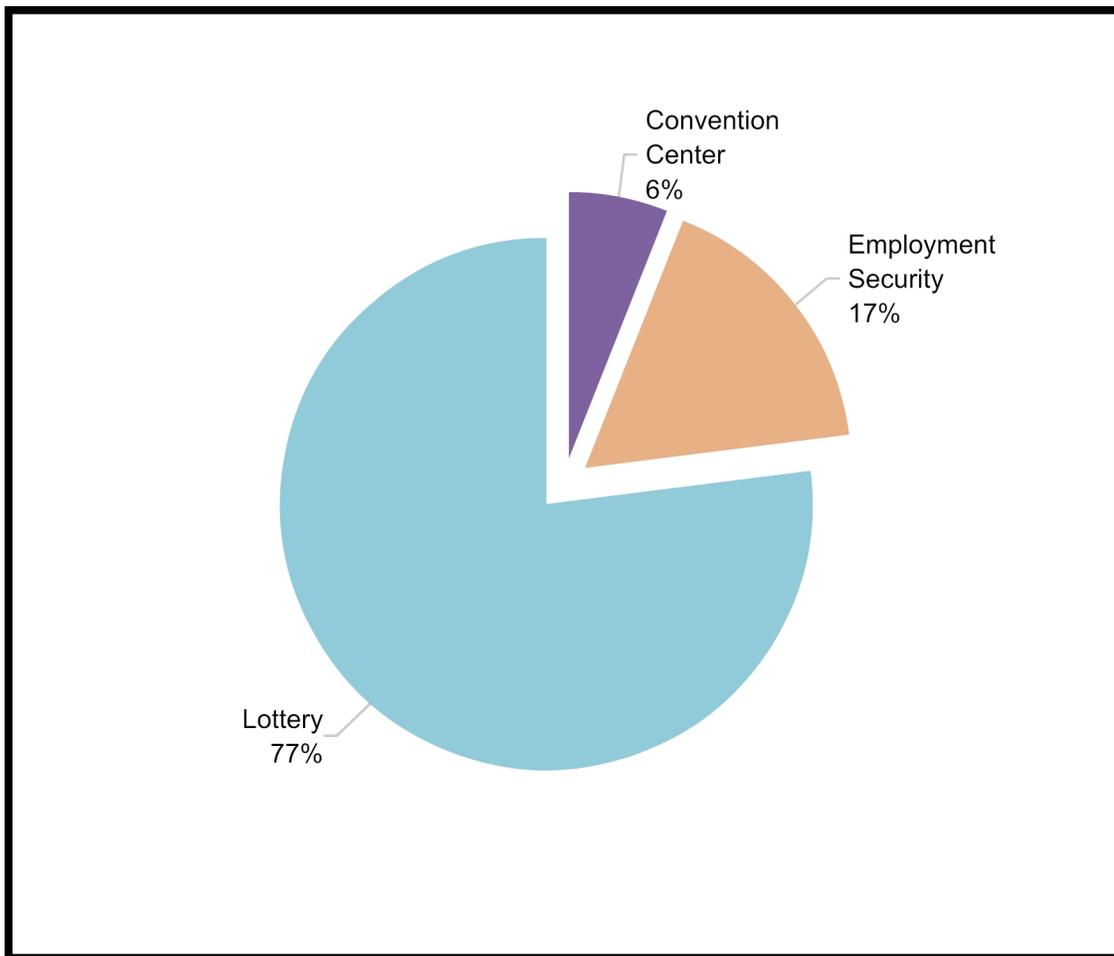
**Chart 2 - Program Expenses - Governmental Activities**



The relative mix of program expenses for governmental activities remained about the same in fiscal 2019 as in the prior fiscal year. There was a slight decrease in human services expenditures as a percent of total expenditures and slight increases in general government and public service 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, 2019.

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



There was an increase in Lottery expenses as a percent of total expenses due the increase in Lottery prize awards associated with the introduction of Sportsbook operations in November 2018 at Twin River Casino Hotel and December 2018 at Tiverton Casino Hotel.

## 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 \$1.252 billion, a decrease of \$49.5 million from June 30, 2018 (restated). A breakdown of the components follows (expressed in thousands):

	2019	2018 (Restated)	Increase (decrease) from 2018	
			Change	Percent
Governmental Funds				
Nonspendable	\$ 1,732	\$ 1,800	\$ (68)	(3.78)%
Restricted	913,729	959,989	(46,260)	(4.82)%
Unrestricted				
Committed	92,317	79,992	12,325	15.41 %
Assigned	37,255	42,385	(5,130)	(12.10)%
Unassigned	206,642	217,006	(10,364)	(4.78)%
Total	<u>\$ 1,251,675</u>	<u>\$ 1,301,172</u>	<u>\$ (49,497)</u>	<u>(3.80)%</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 \$46.3 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 impact of this was partially offset by proceeds from new borrowings in Special Revenue and Capital Project funds.
- The net increase of \$12.3 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 \$5.1 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.
- The net decrease of \$10.4 million in the unassigned portion of fund balance primarily results from a reduction in remaining fund balance available for appropriation offset to an extent by an increase in the Budget Reserve and Cash Stabilization Account.

#### 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):

	2019	2018 (Restated)	Increase (decrease) from 2018	
			Change	Percent
Nonspendable	\$ 1,558	\$ 1,626	\$ (68)	(4.2)%
Restricted	119,677	97,185	22,492	23.1 %
Unrestricted				
Committed	5,206	3,210	1,996	62.2 %
Assigned	37,255	42,385	(5,130)	(12.1)%
Unassigned	207,336	218,136	(10,800)	(5.0)%
Total	<u>\$ 371,032</u>	<u>\$ 362,542</u>	<u>\$ 8,490</u>	2.3 %

Revenues and other sources of the General Fund totaled \$7.2 billion in fiscal 2019, an increase of \$247 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):

	2019	2018	Increase (decrease) from 2018	
			Amount	Percent
Revenues				
Taxes:				
Personal income	\$ 1,391,890	\$ 1,339,798	\$ 52,092	3.9 %
Sales and use	1,286,024	1,244,806	41,218	3.3 %
General business	433,460	426,783	6,677	1.6 %
Other	61,917	65,325	(3,408)	(5.2)%
Subtotal	<u>3,173,291</u>	<u>3,076,712</u>	<u>96,579</u>	3.1 %
Federal grants	2,826,622	2,744,485	82,137	3.0 %
Restricted revenues	281,236	230,156	51,080	22.2 %
Licenses, fines, sales, and services	398,221	383,325	14,896	3.9 %
Other general revenues	57,226	81,439	(24,213)	(29.7)%
Subtotal	<u>3,563,305</u>	<u>3,439,405</u>	<u>123,900</u>	3.6 %
Total revenues	<u>6,736,596</u>	<u>6,516,117</u>	<u>220,479</u>	3.4 %
Other sources				
Transfer from Lottery	397,321	364,974	32,347	8.9 %
Other transfers	67,878	73,354	(5,476)	(7.5)%
Subtotal	<u>465,199</u>	<u>438,328</u>	<u>26,871</u>	6.1 %
Total revenues and other sources	<u>\$ 7,201,795</u>	<u>\$ 6,954,445</u>	<u>\$ 247,350</u>	3.6 %

Fiscal 2019 personal income taxes rose from fiscal 2018 levels, increasing \$52.1 million or 3.9%. Final payments, payments made with a return and extension payments, increased by 26.7% while estimated payments fell by 11.3% when compared to fiscal 2018. It is believed that the \$10,000 cap on the deductibility of state and local taxes (SALT) for federal income tax purposes has disincentivized upper income taxpayers from making estimated payments in December of the tax year, shifting those payments to April when they are recorded as final payments. The rate of growth in personal income tax withholding payments fell to 2.6% in fiscal 2019, down two percentage points from fiscal 2018. Personal income tax refunds and adjustments rose a modest 2.6% in fiscal 2019 vs. fiscal 2018, an increase of \$8.8 million. Finally, the personal income tax net accrual increased 7.1% or \$1.1 million in fiscal 2019.

The State's unemployment rate declined to 3.9% in fiscal 2019, according to IHS Markit, from 4.3% in fiscal 2018. Nominal personal income growth declined 20% in fiscal 2019 to 4.0% from a solid 5.0% growth in fiscal 2018. General sales and use tax revenues posted a substantive increase of 3.3% in fiscal 2019 over fiscal 2018, bolstered by increased sales tax collections from remote sellers and continued strength in the state's housing market. Fiscal 2019 use tax payments paid at the time of registration of a new motor vehicle increased by 5.7%, up from the 1.7% rate of growth between fiscal 2017 and fiscal 2018. Sales taxes collected from the provision of prepared meals and beverages increased 0.8% in fiscal 2019 reaching just under \$200.0 million in tax revenues.

General business tax revenues increased by 1.6% in fiscal 2019, driven by outsized gains in business corporation taxes of 27.5%. This increase was offset by year-over-year decreases in public utilities gross earnings tax, financial institutions tax, and insurance company gross premiums tax revenues, with financial institutions tax and insurance company gross premiums tax revenues down double digits on a percentage basis, -27.5% and -10.2% respectively, from fiscal 2018.

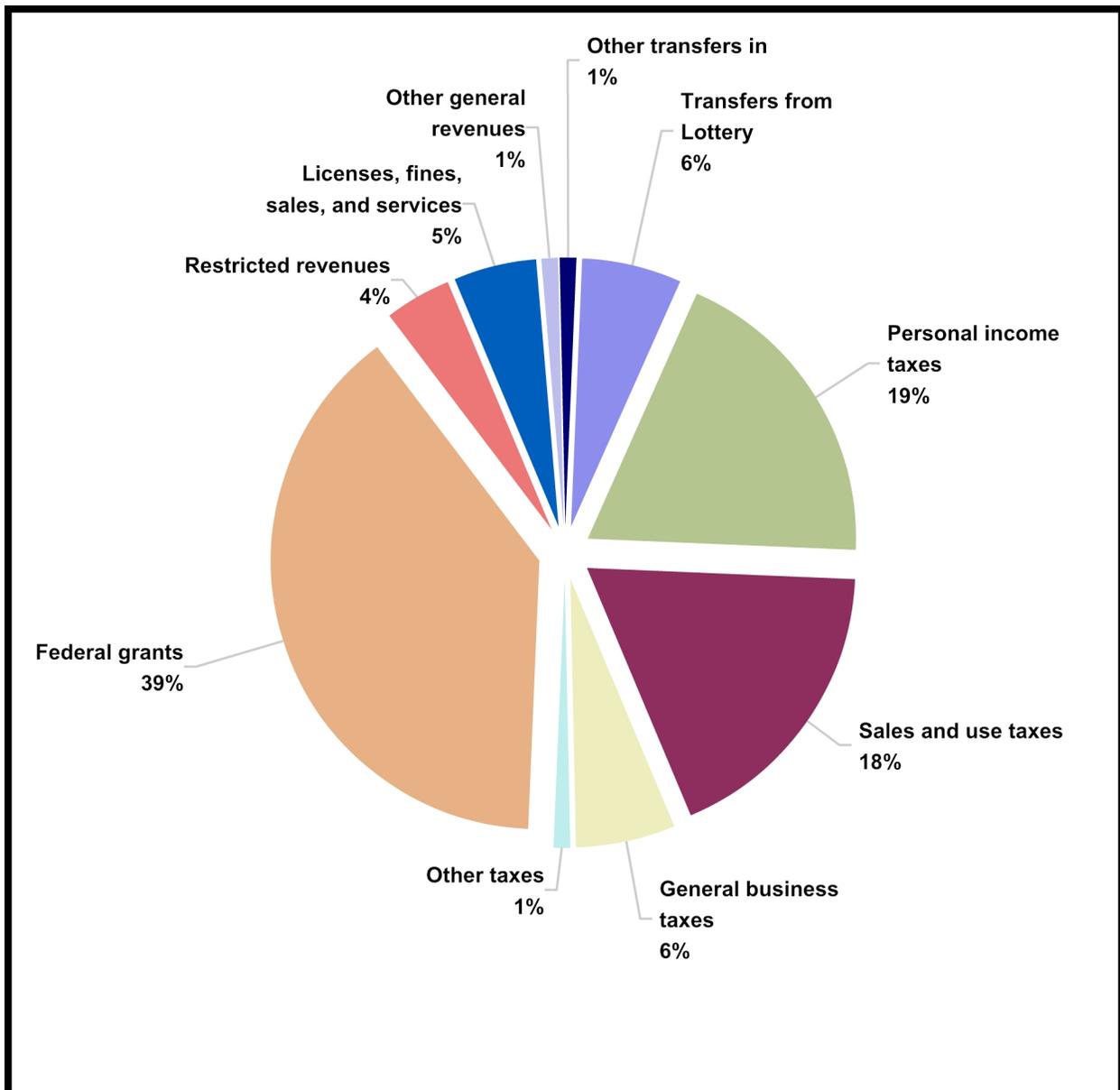
Other taxes fell by 5.2% from fiscal 2018. Estate and transfer tax revenues declined by 6.6% from fiscal year 2018 levels, due to the receipt of large estate and transfer tax payment(s) in fiscal 2018 that did not

repeat at the same levels in fiscal 2019. Realty transfer taxes fell 0.7% from fiscal 2018 levels, indicating the plateauing of the state's housing market at the record high levels attained in fiscal 2018.

Finally, the R.I. Lottery's transfer to the General Fund was up at 8.9% in fiscal 2019 vs fiscal year 2018. Sales of traditional lottery products were up 1.9% year-over-year, due in large part to a \$750 million Powerball jackpot and a \$1.5 billion Mega-Millions jackpot in October 2018. Video lottery net terminal income revenues increased by 8.6% in fiscal 2019 as the opening of the Tiverton Casino Hotel boosted slot gaming in the state. Net revenues from the operation of table games jumped 12.1% as the offering of table games was expanded from only the Twin River Casino Hotel in fiscal 2018 to both the Twin River Casino Hotel and the Tiverton Casino Hotel in fiscal 2019. Finally, on-site sports betting was introduced at both Twin River and Tiverton in November and December 2018 respectively which increased the lottery transfer by \$3.0 million in fiscal 2019 vis-à-vis fiscal 2018.

Chart 4 depicts the General Fund's revenues and other sources for fiscal 2019.

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



Expenditures and transfers out totaled \$7,193.3 million in fiscal 2019, an increase of \$207.6 million, or 2.97%, 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):

	2019	2018	Increase (decrease) from 2018	
			Amount	Percent
General government	\$ 539,520	\$ 510,206	\$ 29,314	5.75 %
Human services	4,034,359	3,928,845	105,514	2.69 %
Education	1,641,632	1,579,577	62,055	3.93 %
Public safety	577,168	555,393	21,775	3.92 %
Natural resources	81,986	80,820	1,166	1.44 %
Debt Service:				
Principal	120,488	131,903	(11,415)	(8.65)%
Interest	60,806	59,409	1,397	2.35 %
Total expenditures	7,055,959	6,846,153	209,806	3.06 %
Transfers out	137,346	139,590	(2,244)	-1.61 %
Total expenditures and transfers out	\$ 7,193,305	\$ 6,985,743	\$ 207,562	2.97 %

The year-over-year increase of approximately \$29.3 million in the General Government function is primarily attributable to changes in aid to local communities. The Motor Vehicle Excise Tax Phase-Out program is intended to phase-out the tax assessed by local communities on motor vehicles. This phase-out was enacted by the 2017 General Assembly with the goal of eliminating this tax at the local level by fiscal 2024. The fiscal 2019 enacted budget provided \$21.7 million more than fiscal 2018 to continue this phase-out. The Payment-in-lieu-of-Taxes (PILOT) program, plus the Property Revaluation reimbursement program added \$1.0 million to the year-over-year change. The fiscal 2019 Budget also reflected the move of the Fire Marshal program from the Department of Public Safety to the Department of Business Regulation, which accounted for an increase in spending in the General Government function of approximately \$5.6 million, with a corresponding decrease in the Public Safety function.

The year-over-year increase of \$105.5 million in the Human Services function is attributable to several factors. Spending in the Medicaid program increased by approximately \$85.2 million due to increased caseloads and continued general growth in healthcare costs. The new Veterans' Home accounted for increased spending of \$3.3 million, primarily due to higher staffing level requirements and operating costs. Spending for Child Welfare programs within the Department of Children, Youth and Families increased by over \$10.6 million due to a sharp rise in caseloads, particularly in more expensive congregate care settings.

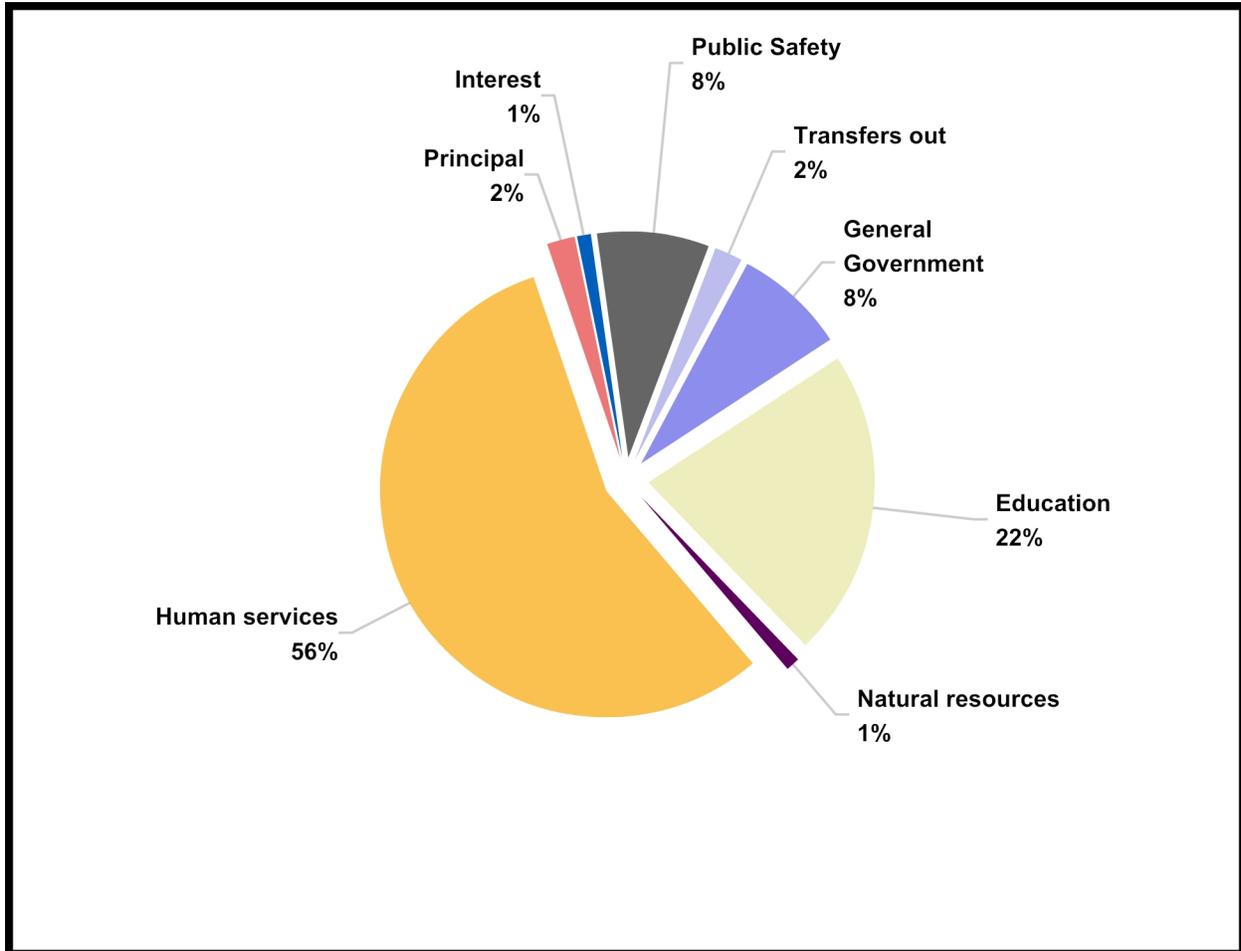
The primary driver of the increase in Education function expenditures of \$62.1 million is the continued transition to the Education Funding Formula, which required almost \$19.8 million in additional funding in fiscal 2019 compared to fiscal 2018. The State's share for Teacher Retirement costs, plus funding for State-operated schools, increased spending by \$5.5 million. Additional federal funds expended within the Department of Elementary and Secondary Education accounted for \$23.7 million of the year-over-year increase in spending. Finally, additional state support of \$6.9 million was provided for the three institutions of higher education, including \$2.6 million for the continuation of the Governor's RI Promise scholarship program.

The year-over-year increase of \$21.8 million in the Public Safety function is due to federal spending for capital projects under the National Guard (\$6.8 million); disaster reimbursement expenses under the Emergency Management Agency (\$5.1 million); Crime Victims' Assistance and federal forfeiture spending within the Department of Public Safety (\$5.1 million) and additional spending of \$4.2 million in the Department of Corrections due to increased personnel costs.

The decrease in debt service of \$(10.0) million from fiscal 2018 to fiscal 2019 is the result of several offsetting items. First, the final payment of \$21.6 million on the 2009 debt issuance for the Historic Structures Tax Credit program was made in fiscal 2018. Second, new debt service costs of approximately \$2.0 million were incurred from the issuance of Certificates of Participation debt during fiscal 2018 for the Garrahy Courthouse Garage and the Eleanor Slater Hospital Renovations. Third, the 2018 issuance of general obligation bonds added about \$10.8 million to debt service expenditures.

Chart 5 depicts the General Fund's expenditures and other uses for fiscal 2019.

**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):

	2019	2018 (restated)	Increase (decrease) from 2018	
			Change	Percent
Restricted	\$ 237,741	\$ 340,464	\$ (102,723)	(30.17)%
Unrestricted				
Committed	86,735	76,391	10,344	13.54 %
Unassigned (deficit)	(694)	(1,130)	436	(38.58)%
Total	<u>\$ 323,782</u>	<u>\$ 415,725</u>	<u>\$ (91,943)</u>	<u>(22.12)%</u>

The net decrease of \$102.7 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 \$10.3 million in the committed portion of the unrestricted fund balance resulted from multiple factors including 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 which is in the General Fund. If the balance in the Reserve exceeds 5% of the total general revenues and opening surplus, the excess is transferred to the R.I. Capital Plan Fund to be used for capital projects. The current fiscal year's general revenue estimates are established by the State's revenue estimating conference. If actual general revenue is less than the projection, appropriations have to be reduced or additional revenue sources must be identified. Certain agencies have federal programs that are entitlements, which continue to require State funds to match the federal funds. Agencies may get additional appropriation from the General Assembly, provided a need is established.

Adjustments to general revenue receipt estimates resulted in an increase of \$20.4 million between the original budget and the final budget. General revenue appropriations increased from the original budget by \$25.6 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, 2019

	Original Budget	Final Budget	Actual*	Final Budget vs. Actual Variance
Revenues and other sources:				
Taxes:				
Personal income	\$ 1,385,593	\$ 1,384,000	\$ 1,396,963	\$ 12,963
General business	485,822	449,100	441,683	(7,417)
Sales and use	1,264,473	1,279,200	1,286,024	6,824
Other taxes	47,700	61,650	61,918	268
Departmental revenue	404,148	422,170	416,730	(5,440)
Other sources:				
Lottery transfer	391,700	400,100	397,321	(2,779)
Unclaimed property	9,700	11,200	11,579	379
Miscellaneous	9,349	11,437	12,362	925
Total revenues and other sources	<u>3,998,485</u>	<u>4,018,857</u>	<u>4,024,580</u>	<u>5,723</u>
Expenditures and other uses:				
General government	489,786	487,680	481,918	(5,762)
Human services	1,462,735	1,494,015	1,491,726	(2,289)
Education	1,423,030	1,425,064	1,424,283	(781)
Public safety	488,055	482,957	482,023	(934)
Natural resources	44,601	44,118	44,100	(18)
Total expenditures and other uses	<u>3,908,207</u>	<u>3,933,834</u>	<u>3,924,050</u>	<u>(9,784)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 90,278</u>	<u>\$ 85,023</u>	<u>\$ 100,530</u>	<u>\$ 15,507</u>

\*See Note 1 on the General Fund Budgetary Comparison Schedule

The positive variance between the fiscal 2019 actual revenues and the fiscal 2019 final budget for personal income taxes was attributable to a number of items including surpluses in the estimated payments of \$5.5 million, final payments of \$2.4 million, and refunds and adjustments of \$1.6 million. These overages were off set by a shortfall in personal income tax withholding payments of \$6.3 million. Relative to the original enactment of the fiscal 2019 budget in July 2018, actual fiscal 2019 personal income tax revenues ended up \$11.4 million higher, with final payments of \$60.8 million more than originally enacted and estimated and withholding tax payments a combined \$51.1 million less than originally enacted.

Actual fiscal 2019 general business taxes came in \$7.4 million below the final enacted budget but \$44.1 million less than the original budget due to actual business corporation tax, insurance company gross premiums tax, and health care provider assessment revenues coming in a combined \$43.5 million lower than the estimated amount included in the original budget. At the time of final enactment in July 2019, the revenue estimates for these items had been reduced such that the difference between actual fiscal 2019 revenues and final enacted fiscal 2019 revenues for these items was a positive \$2.9 million.

Sales and use and excise tax revenues received in fiscal 2019 were \$21.6 million more than estimated sales and use tax revenues included in the fiscal year 2019 original budget led by a surplus in sales and use tax revenues of \$24.5 million. The surplus in sales and use tax revenues remained when compared to the final

---

enacted fiscal 2019 budget with actual sales and use tax revenues coming in \$6.8 million above the estimate. The strength in sales and use tax revenues in fiscal 2019 is likely the result of the state's successful efforts in getting remote sellers to collect and remit the sales tax on taxable sales made into the state.

Actual fiscal 2019 other tax revenues were substantively higher than in the original budget and in line with the final budget estimate. In the case of the former, the difference was \$14.2 million while in the case of the latter the difference was \$0.3 million. The large positive variance between actual fiscal 2019 and the original budget is due to the receipt of higher estate and transfer tax payment(s) of \$15.9 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 estate and transfer tax payments exceeded expectations by \$19,188. In addition, actual realty transfer tax revenues in fiscal 2019 ended up more than expected in the final budget by \$198,199 but trailed the amount included in the original budget by \$1.8 million.

Finally, the actual fiscal 2019 Lottery transfer to the General Fund was \$2.8 million below the revenue estimate contained in the final budget but was \$5.6 million above the estimated Lottery transfer to the General Fund contained in the fiscal 2019 original budget. The opening of the state's newest casino, the Tiverton Casino Hotel, and the closure of Newport Grand generated \$21.0 million more than originally estimated in the transfer of net terminal income from video lottery terminals installed at Twin River and Tiverton. However, the final fiscal 2019 transfer of net terminal income ended up \$3.0 million below the final enacted estimate. This large swing in the transfer of net terminal income was the mirror opposite of that for sports betting at Twin River and Tiverton, which went from a shortfall of \$20.5 million when compared to the original budget to a surplus of \$823,106 when compared to final enacted estimate for fiscal 2019.

The positive expenditure variance in the General Government function of approximately \$5.8 million was primarily due to a surplus in one agency, offset by deficits in two agencies. The Legislature's budget ended the fiscal year with a positive variance of \$9.7 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 this surplus were deficits of \$1.6 million in the Department of Administration and \$3.2 million in the Department of Revenue. The Department of Administration deficit was due to unachieved Fraud and Waste savings that were budgeted within the agency as a negative appropriation. Significant savings that were achieved during the fiscal year were assigned to the Medicaid program within the Office of Health and Human Services, but unachieved savings remained in the Department of Administration, thus resulting in an overall deficit for the agency. The Department of Revenue deficit was the result of a reclassification of expenditures for contingency-based services provided by the Division of Taxation technology vendor that were not accounted for in the enacted appropriation.

The positive variance in the Human Services function of approximately \$2.3 million was due to positive variances of \$1.6 million in the Office of Health and Human Services (OHHS) and \$2.4 million in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH), offset by a deficit of \$3.3 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 BHDDH positive variance was primarily in the Central Management program due to personnel savings and in the Developmentally Disabled 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 in the Public Safety function of \$0.9 million was spread among the Judicial Department, Military Staff and Department of Public Safety. As with the General Assembly, under Rhode Island law the Judicial surplus is fully reappropriated to fiscal 2020. The surplus in the Military Staff was primarily due to injured-on-duty expenses for Quonset Firefighters being less than budgeted. In the Department of Public Safety, surpluses occurred in the E-911 and Sheriffs programs, offset by deficits for Capital Police and State Police.

## 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, 2019 amounts to \$4,626.6 million, net of accumulated depreciation of \$3,486.1 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The total increase in the State's investment in capital assets for the current fiscal year was approximately 4.37% 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 \$422.6 million for the year. Of this amount, \$324.0 million was used to construct or reconstruct highways. Depreciation charges for the year totaled \$255.8 million.

State of Rhode Island's Capital Assets as of June 30, 2019 and 2018

(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Capital assets not being depreciated or amortized						
Land	\$ 392,804	\$ 391,854	\$ 46,808	\$ 46,808	\$ 439,612	\$ 438,662
Works of Art	4,385	4,340	—	—	4,385	4,340
Intangibles	179,816	177,770	—	—	179,816	177,770
Construction in progress	464,272	285,410	31,633	5,511	495,905	290,921
Total capital assets not being depreciated or amortized	1,041,277	859,374	78,441	52,319	1,119,718	911,693
Capital assets being depreciated or amortized						
Land improvements	8,381	8,380	—	—	8,381	8,380
Buildings	865,400	871,696	234,377	234,377	1,099,777	1,106,073
Building improvements	458,383	432,920	—	—	458,383	432,920
Equipment	353,106	348,416	41,382	33,034	394,488	381,450
Intangibles	341,951	341,951	175	175	342,126	342,126
Infrastructure	4,689,755	4,505,862	—	—	4,689,755	4,505,862
	6,716,976	6,509,225	275,934	267,586	6,992,910	6,776,811
Less: Accumulated depreciation or amortization	3,289,813	3,070,222	196,254	185,496	3,486,067	3,255,718
Total capital assets being depreciated or amortized	3,427,163	3,439,003	79,680	82,090	3,506,843	3,521,093
Total capital assets (net)	\$ 4,468,440	\$ 4,298,377	\$ 158,121	\$ 134,409	\$ 4,626,561	\$ 4,432,786

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 \$1,221.2 million is general obligation debt, \$594.5 million is special obligation debt and \$622.3 million is debt of the blended component units. Additionally, accreted interest of \$109.9 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 \$72.7 million during fiscal 2019. This increase consists of a \$61.2 million increase in general obligation debt, an increase of \$31.2 in special obligation debt, and a decrease of \$19.7 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 \$308.8 million and \$1.21 billion are supported by pledged revenue. These obligations are discussed in Notes 6 and 12.

In April 2019 the State issued \$148.6 million of general obligation bonds with interest rates ranging from 3.00% to 5.00%, maturing from 2020 through 2039. The aggregate premium paid on these bonds was \$13.2 million. Pursuant to law this premium was transferred to the Rhode Island Infrastructure Bank.

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, 2019 amounted to \$464.4 million; other obligations that are authorized but unissued totaled \$64.8 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 2020 Budget

The first quarter report for fiscal 2020 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 2019 Caseload and Revenue Estimating Conferences. The fiscal 2020 balance, based upon these assumptions, is estimated to reflect a \$4.1 million general revenue deficit at year end in the General Fund.

In the first quarter report for fiscal 2020 several departments in the Human Service area projected significant deficits. Any changes recommended by the Governor in the fiscal 2020 enacted appropriations, or adopted revenues, will be incorporated in the supplemental appropriations bill, which must be submitted to the General Assembly in early 2020.

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 about the same as enacted for fiscal 2020. Taxes are expected to be \$38.4 million more than the enacted estimates due primarily to increases in personal income taxes and inheritance taxes, while departmental revenues and other sources are expected to be \$38.3 million less than enacted estimates due to an expected shortfall in Lottery revenue of \$35.7 million.

The November Caseload Estimating Conference estimates reflect, in comparison to the fiscal 2020 enacted budget, decreased general revenue funding for fiscal 2020 of \$12.5 million. This is due to a number of factors including decreased costs for the Medicaid program.

---

## **RIBridges / Unified Health Infrastructure Project ("UHIP")**

The RIBridges system, also known as the Unified Health Infrastructure Project or UHIP, is Rhode Island's 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, 2019 and subsequently. However, there are contingencies related to UHIP which are further discussed in Note 16, Contingencies.

## **Lottery Revenue**

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

The Lottery faces increasing competition from casinos in nearby states. Efforts to compete effectively will undoubtedly increase and may involve enhanced player incentives and ensuring new games and gambling options are offered to patrons. Following the recent introduction of sports betting, a mobile sports betting option has been implemented in fiscal 2020. Additional mobile gaming options are anticipated.

## **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 17 for information about each of the State's pension plans.

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

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

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

## **Other Postemployment Benefits (OPEB)**

The State's financial statements include the net OPEB liability or asset for the various OPEB plans which provide healthcare benefits to retired State employees.

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 liabilities from year to year.

The State has managed its OPEB liabilities through plan design provisions including options for Medicare eligible retirees and establishing minimum age eligibility requirements. Through contribution of 100% of the actuarially determined contribution since 2011, net position of the OPEB trusts continues to increase reflecting the commitment to responsibly fund these obligations.

---

### **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.

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

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

### **School Building Authority**

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 recommended that the State, in partnership with municipalities and school districts, embark on a once-in-a-generation investment in upgrading public-school buildings. In response to a task force recommendation, voters approved \$250 million in general obligation bonds to finance improvements to school facilities across Rhode Island. A similar voter referendum for an additional \$250 million is planned for 2022.

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

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

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

In May 2019, following the release of standardized test scores showing low levels of English and math proficiency among PPCSD students, RIDE engaged the Institute for Education Policy at Johns Hopkins University (the "Institute") to conduct a review of the PPCSD to identify the challenges impeding reform efforts. The Institute's review included a study of academic outcomes, observation of classroom instruction and interviews with students, teachers, administrators and community members. After completing its review, the Institute released a report in June 2019 (the "Hopkins Report"), which identified systemic deficiencies in the performance of the PPCSD, including with respect to governance structure, management, health and safety, facilities, curriculum and academic instruction. The Hopkins Report concluded that such deficiencies were the cause of widespread unsatisfactory academic outcomes for PPCSD students and demoralized teachers, staff, administrators and parents.

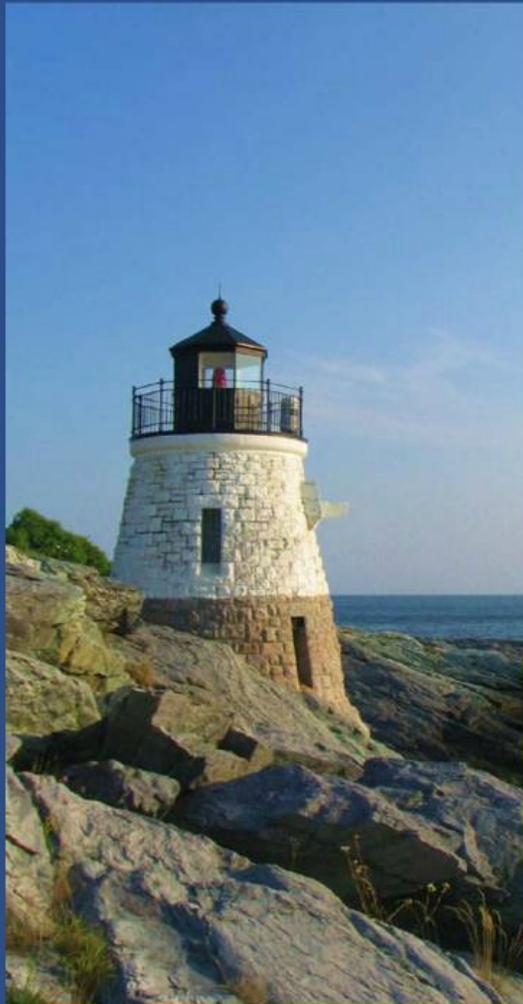
Pursuant to a decision and order of the Commissioner of RIDE dated October 15, 2019 in response to the Hopkins Report, the State assumed governance and management responsibility for the PPCSD effective November 1, 2019. The State will appoint a "turnaround superintendent" to manage PPCSD operations and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

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

## Requests for Information

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

# Basic Financial Statements



**State of Rhode Island**

Fiscal Year Ended  
June 30, 2019



**State of Rhode Island and Providence Plantations**  
**Statement of Net Position**  
**June 30, 2019**  
**(Expressed in Thousands)**

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Total	
<b>Assets and deferred outflows of resources</b>				
Current assets:				
Cash and cash equivalents	\$ 656,120	\$ 35,718	\$ 691,838	\$ 391,365
Funds on deposit with fiscal agent	329,206	492,861	822,067	—
Investments	—	—	—	2,159
Receivables (net)	870,416	77,039	947,455	105,357
Restricted assets:	—	—	—	—
Cash and cash equivalents	51,450	18,275	69,725	772,544
Investments	—	—	—	264,579
Receivables (net)	—	—	—	91,683
Other assets	—	—	—	38,359
Due from primary government	—	—	—	30,296
Due from component units	9,148	—	9,148	3,536
Internal balances	2,299	(2,299)	—	—
Due from other governments and agencies	390,518	1,250	391,768	783
Inventories	2,097	1,128	3,225	8,419
Other assets	10,725	587	11,312	9,675
Total current assets	2,321,979	624,559	2,946,538	1,718,755
Noncurrent assets:				
Investments	—	—	—	230,641
Receivables (net)	19,950	—	19,950	127,100
Due from other governments and agencies	18,672	—	18,672	—
Restricted assets:	—	—	—	—
Cash and cash equivalents	—	—	—	78,785
Investments	—	—	—	311,818
Receivables (net)	—	—	—	1,163,792
Other assets	—	—	—	1,456,854
Due from component units	47,929	—	47,929	1,413
Net OPEB Asset	4,355	—	4,355	—
Capital assets - nondepreciable	1,041,277	78,441	1,119,718	468,860
Capital assets - depreciable (net)	3,427,163	79,680	3,506,843	1,841,362
Other assets	—	246	246	166,280
Total noncurrent assets	4,559,346	158,367	4,717,713	5,846,905
Total assets	6,881,325	782,926	7,664,251	7,565,660
<b>Deferred outflows of resources</b>	813,673	10,693	824,366	95,845

(Continued)

**State of Rhode Island and Providence Plantations**  
**Statement of Net Position**  
**June 30, 2019**  
**(Expressed in Thousands)**

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Total	
<b>Liabilities and deferred inflows of resources</b>				
Current Liabilities:				
Accounts payable	879,125	28,261	907,386	112,162
Due to primary government	—	—	—	9,148
Due to component units	30,296	—	30,296	3,640
Due to other governments and agencies	—	1,560	1,560	—
Accrued expenses	—	6,360	6,360	—
Unearned revenue	32,673	—	32,673	32,329
Other current liabilities	109,925	595	110,520	452,327
Current portion of long-term debt	267,319	21,070	288,389	238,076
Obligation for unpaid prize awards	—	11,639	11,639	—
Total current liabilities	1,319,338	69,485	1,388,823	847,682
Noncurrent Liabilities:				
Due to primary government	—	—	—	47,929
Net pension liability	2,272,383	17,142	2,289,525	300,637
Net pension liability-special funding situation	1,357,444	—	1,357,444	—
Net OPEB liability	496,691	3,876	500,567	189,661
Unearned revenue	—	2,367	2,367	5,687
Due to component units	—	—	—	1,267
Notes payable	—	—	—	175,082
Loans payable	—	—	—	13,331
Obligations under capital leases	173,839	—	173,839	1,934
Compensated absences	9,316	446	9,762	22,411
Bonds payable	2,581,395	208,182	2,789,577	2,717,632
Other liabilities	77,954	—	77,954	390,680
Total noncurrent liabilities	6,969,022	232,013	7,201,035	3,866,251
Total liabilities	8,288,360	301,498	8,589,858	4,713,933
<b>Deferred inflows of resources</b>	163,488	726	164,214	33,864
<b>Net position (deficit)</b>				
Net investment in capital assets	3,517,242	(42,225)	3,475,017	1,532,936
Restricted for:				
Capital Projects	267,614	—	267,614	—
Debt	93,191	2,430	95,621	317,281
Assistance to other entities	145,323	—	145,323	—
Employment security programs	144,854	559,171	704,025	—
Other	199,628	—	199,628	899,103
Nonexpendable	174	—	174	214,691
Unrestricted	(5,124,876)	(27,981)	(5,152,857)	(50,303)
Total net position (deficit)	\$ (756,850)	\$ 491,395	\$ (265,455)	\$ 2,913,708

(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, 2019**  
**(Expressed in Thousands)**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 841,779	\$ 273,477	53,874	\$ 1,205	\$ (513,223)	\$ —	\$ (513,223)	—
Human services	4,063,865	294,852	2,453,185	1,167	(1,314,661)	—	(1,314,661)	—
Education	1,803,273	45,262	212,179	19	(1,545,813)	—	(1,545,813)	—
Public safety	580,367	35,122	49,520	26,802	(468,923)	—	(468,923)	—
Natural resources	103,477	30,579	22,334	2,722	(47,842)	—	(47,842)	—
Transportation	426,522	34,663	26,820	264,064	(100,975)	—	(100,975)	—
Interest and other charges	99,971	—	—	—	(99,971)	—	(99,971)	—
Total governmental activities	7,919,254	713,955	2,817,912	295,979	(4,091,408)	—	(4,091,408)	—
Business-type activities:								
State Lottery	680,356	1,077,063	—	—	—	396,707	396,707	—
Convention Center	51,698	30,142	—	—	—	(21,556)	(21,556)	—
Employment Security	148,430	225,706	1,278	—	—	78,554	78,554	—
Total business-type activities	880,484	1,332,911	1,278	—	—	453,705	453,705	—
Total primary government	\$ 8,799,738	\$ 2,046,866	\$ 2,819,190	\$ 295,979	(4,091,408)	453,705	(3,637,703)	—
<b>Component units:</b>	\$ 1,467,412	\$ 780,980	\$ 609,748	\$ 238,512				161,828
<b>General Revenues:</b>								
Taxes:								
Personal income					1,396,808	—	1,396,808	—
General business					432,643	—	432,643	—
Sales and use					1,288,043	—	1,288,043	—
Gasoline					167,246	—	167,246	—
Other					324,687	—	324,687	—
Interest and investment earnings					19,028	639	19,667	75,717
Miscellaneous revenue					101,495	11,461	112,956	11,672
Gain (loss) on sale of capital assets					(1,977)	—	(1,977)	—
<b>Transfers (net)</b>					368,236	(368,236)	—	—
Total general revenues and transfers					4,096,209	(356,136)	3,740,073	87,389
Change in net position					4,801	97,569	102,370	249,217
<b>Net position (deficit) - beginning as restated</b>					(761,651)	393,826	(367,825)	2,664,491
<b>Net position (deficit) - ending</b>					\$ (756,850)	\$ 491,395	\$ (265,455)	\$ 2,913,708

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, 2019**  
**(Expressed in Thousands)**

	<u>General</u>	<u>Intermodal Surface Transportation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 203,829	\$ 119,382	\$ 284,693	\$ 607,904
Funds on deposit with fiscal agent	—	229,571	99,635	329,206
Restricted cash equivalents	—	—	51,450	51,450
Receivables (net)	793,207	15,978	71,418	880,603
Due from other funds	—	1,452	824	2,276
Due from component units	—	—	—	—
Due from other governments and agencies	362,560	37,386	—	399,946
Loans to other funds	29,858	—	113,960	143,818
Other assets	3,444	—	—	3,444
Total assets	<u>\$ 1,392,898</u>	<u>\$ 403,769</u>	<u>\$ 621,980</u>	<u>\$ 2,418,647</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	767,179	57,202	26,088	850,469
Due to other funds	3,353	—	3,936	7,289
Due to component units	7,454	3,848	16,128	27,430
Loans from other funds	113,960	—	18,508	132,468
Unearned revenue	32,404	—	—	32,404
Other liabilities	79,086	9,291	459	88,836
Total liabilities	<u>1,003,436</u>	<u>70,341</u>	<u>65,119</u>	<u>1,138,896</u>
Deferred inflows of resources	<u>18,430</u>	<u>9,646</u>	<u>—</u>	<u>28,076</u>
<b>Fund Balances</b>				
Nonspendable	1,558	—	174	1,732
Restricted	119,677	237,741	556,311	913,729
Unrestricted				
Committed	5,206	86,735	376	92,317
Assigned	37,255	—	—	37,255
Unassigned	207,336	(694)	—	206,642
Total fund balances	<u>371,032</u>	<u>323,782</u>	<u>556,861</u>	<u>1,251,675</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,392,898</u>	<u>\$ 403,769</u>	<u>\$ 621,980</u>	<u>\$ 2,418,647</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, 2019**  
**(Expressed in Thousands)**

Fund balance - total governmental funds \$ 1,251,675

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	7,750,706	
Accumulated depreciation	(3,285,540)	
	4,465,166	4,465,166

Deferred outflows of resources 813,673

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	(71,990)	
Bonds payable	(2,535,381)	
Net premium/discount	(198,941)	
Obligations under capital leases	(187,930)	
Premium	(16,175)	
Interest payable	(34,033)	
Net pension liabilities	(3,629,827)	
Net OPEB liability	(496,691)	
Other liabilities	(78,673)	
	(7,249,641)	(7,249,641)

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

Receivables	10,458	
Due from component units	54,010	
Net OPEB asset	4,355	
Unavailable revenue	28,076	
	96,899	96,899

Deferred inflows of resources (163,488)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net position of the internal service funds is reported with governmental activities. 28,866

Net position - total governmental activities \$ (756,850)

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, 2019**  
**(Expressed in Thousands)**

	General	Intermodal Surface Transportation	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 3,173,291	\$ 240,099	\$ 190,107	\$ 3,603,497
Licenses, fines, tolls, sales, and services	398,221	31,975	420	430,616
Departmental restricted revenue	281,236	2,660	—	283,896
Federal grants	2,826,622	287,303	—	3,113,925
Income from investments	3,678	8,063	6,813	18,554
Other revenues	53,548	1,246	41,724	96,518
Total revenues	6,736,596	571,346	239,064	7,547,006
<b>Expenditures:</b>				
Current:				
General government	539,520	—	206,054	745,574
Human services	4,034,359	—	—	4,034,359
Education	1,641,632	—	1,132	1,642,764
Public safety	577,168	—	—	577,168
Natural resources	81,986	—	—	81,986
Transportation	—	592,255	1,733	593,988
Capital outlays	—	—	267,151	267,151
Debt service:				
Principal	120,488	37,839	21,234	179,561
Interest and other charges	60,806	25,582	28,208	114,596
Total expenditures	7,055,959	655,676	525,512	8,237,147
Excess (deficiency) of revenues over (under) expenditures	(319,363)	(84,330)	(286,448)	(690,141)
<b>Other financing sources (uses):</b>				
Issuance of bonds and notes	—	—	255,820	255,820
Debt issuance premiums	—	—	16,588	16,588
Transfers in	465,199	43,494	118,869	627,562
Transfers out	(137,346)	(51,107)	(70,873)	(259,326)
Total other financing sources (uses)	327,853	(7,613)	320,404	640,644
Net change in fund balances	8,490	(91,943)	33,956	(49,497)
Fund balances - beginning as restated	362,542	415,725	522,905	1,301,172
Fund balances - ending	\$ 371,032	\$ 323,782	\$ 556,861	\$ 1,251,675

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, 2019**  
**(Expressed in Thousands)**

Net change in fund balances - total governmental funds \$ (49,497)

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	416,953	
Depreciation expense	(244,438)	
	172,515	172,515

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	179,561	
Accrued interest and other charges	(168)	
Proceeds from sale of debt	(255,820)	
Deferral of premium/discount	(16,588)	
Amortization of premium/discount	36,511	
Accreted interest	(12,369)	
Amortization of refunding gains/losses	(9,348)	
	(78,221)	(78,221)

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	(3,623)	
Pension expenses, net of related deferred outflows	(47,335)	
OPEB expenses, net of related deferred outflows	11,093	
Program expenses	(3,214)	
Program and miscellaneous revenue	5,326	
Operating and capital grant revenue	(34)	
General revenue - taxes	5,932	
	(31,855)	(31,855)

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. (8,141)

Change in net position - total governmental activities \$ 4,801

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, 2019**  
**(Expressed in Thousands)**

	Business-type Activities- Enterprise Funds			Governmental Activities	
	R.I.			Totals	Internal Service Funds
	R.I. Lottery	Convention Center	Employment Security		
<b>Assets and deferred outflows of resources</b>					
Current assets:					
Cash and cash equivalents	\$ 27,665	\$ 6,143	\$ 1,910	\$ 35,718	\$ 48,219
Restricted cash and cash equivalents	—	18,275	—	18,275	—
Funds on deposit with fiscal agent	—	—	492,861	492,861	—
Receivables (net)	10,650	1,307	65,082	77,039	8,788
Due from other funds	—	157	—	157	7,687
Due from other governments and agencies	—	—	1,250	1,250	—
Loans to other funds	—	—	—	—	—
Inventories	1,128	—	—	1,128	2,097
Other assets	54	533	—	587	7,281
Total current assets	<u>39,497</u>	<u>26,415</u>	<u>561,103</u>	<u>627,015</u>	<u>74,072</u>
Noncurrent assets:					
Capital assets - nondepreciable	—	78,441	—	78,441	—
Capital assets - depreciable (net)	353	79,327	—	79,680	3,273
Other assets	—	246	—	246	—
Total noncurrent assets	<u>353</u>	<u>158,014</u>	<u>—</u>	<u>158,367</u>	<u>3,273</u>
Total assets	<u>39,850</u>	<u>184,429</u>	<u>561,103</u>	<u>785,382</u>	<u>77,345</u>
<b>Deferred outflows of resources</b>	<u>4,132</u>	<u>6,561</u>	<u>—</u>	<u>10,693</u>	<u>—</u>
<b>Liabilities and deferred inflows of resources</b>					
Current liabilities:					
Accounts payable	18,399	9,859	3	28,261	27,986
Due to other funds	2,088	—	368	2,456	375
Due to other governments and agencies	—	—	1,560	1,560	—
Loans from other funds	—	—	—	—	11,350
Accrued expenses	6,360	—	—	6,360	—
Unearned revenue	625	5,550	—	6,175	—
Other current liabilities	594	—	1	595	8,768
Bonds payable	—	14,570	—	14,570	—
Compensated absences	325	—	—	325	—
Obligation for unpaid prize awards	11,639	—	—	11,639	—
Total current liabilities	<u>40,030</u>	<u>29,979</u>	<u>1,932</u>	<u>71,941</u>	<u>48,479</u>
Noncurrent liabilities:					
Net pension liability	17,142	—	—	17,142	—
Net OPEB liability	3,876	—	—	3,876	—
Unearned revenue	1,875	492	—	2,367	—
Bonds payable	—	208,182	—	208,182	—
Compensated absences	446	—	—	446	—
Total noncurrent liabilities	<u>23,339</u>	<u>208,674</u>	<u>—</u>	<u>232,013</u>	<u>—</u>
Total liabilities	<u>63,369</u>	<u>238,653</u>	<u>1,932</u>	<u>303,954</u>	<u>48,479</u>
<b>Deferred inflows of resources</b>	<u>726</u>	<u>—</u>	<u>—</u>	<u>726</u>	<u>—</u>
<b>Net Position (Deficit)</b>					
Net investment in capital assets	353	(42,578)	—	(42,225)	3,273
Restricted for:					
Debt	—	2,430	—	2,430	—
Employment insurance programs	—	—	559,171	559,171	—
Unrestricted	(20,466)	(7,515)	—	(27,981)	25,593
Total net position (deficit)	<u>\$ (20,113)</u>	<u>\$ (47,663)</u>	<u>\$ 559,171</u>	<u>\$ 491,395</u>	<u>\$ 28,866</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, 2019**  
**(Expressed in Thousands)**

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I.			Totals	Internal Service Funds
	R.I. Lottery	Convention Center	Employment Security		
<b>Operating revenues:</b>					
Charges for services	\$ —	\$ 29,965	\$ 221,205	\$ 251,170	\$ 422,492
Lottery sales	263,277	—	—	263,277	—
Video lottery, net	522,755	—	—	522,755	—
Table games	163,443	—	—	163,443	—
Sports Book	127,588	—	—	127,588	—
Federal grants	—	—	1,278	1,278	—
Miscellaneous	—	177	4,501	4,678	—
Total operating revenues	1,077,063	30,142	226,984	1,334,189	422,492
<b>Operating expenses:</b>					
Personal services	10,856	16,940	—	27,796	55,037
Supplies, materials, and services	386,680	13,863	—	400,543	375,616
Prize awards, net of prize recoveries	282,687	—	—	282,687	—
Depreciation and amortization	133	11,040	—	11,173	217
Benefits paid	—	—	148,430	148,430	—
Total operating expenses	680,356	41,843	148,430	870,629	430,870
<b>Operating income (loss)</b>	396,707	(11,701)	78,554	463,560	(8,378)
<b>Nonoperating revenues (expenses):</b>					
Interest revenue	553	86	—	639	473
Other nonoperating revenues (expenses)	892	—	10,569	11,461	(236)
Interest expense	—	(9,855)	—	(9,855)	—
Total nonoperating revenue (expenses)	1,445	(9,769)	10,569	2,245	237
Income (loss) before transfers	398,152	(21,470)	89,123	465,805	(8,141)
<b>Transfers in</b>	—	28,990	95	29,085	—
<b>Transfers out</b>	(397,321)	—	—	(397,321)	—
Change in net position	831	7,520	89,218	97,569	(8,141)
<b>Net position (deficit) - beginning</b>	(20,944)	(55,183)	469,953	393,826	37,007
<b>Net position (deficit) - ending</b>	\$ (20,113)	\$ (47,663)	\$ 559,171	\$ 491,395	\$ 28,866

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, 2019**

	Business-type Activities-- Enterprise Funds			Governmental Activities	
	R.I. Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
<b>Cash flows from operating activities:</b>					
Cash received from gaming activities	\$ 1,075,840	\$ —	\$ —	\$ 1,075,840	\$ —
Cash received from customers	—	31,897	220,868	252,765	432,890
Cash received from grants	—	—	1,278	1,278	—
Cash payments for gaming activities	(658,885)	—	—	(658,885)	—
Cash payments to suppliers	(4,890)	(13,249)	—	(18,139)	(373,212)
Cash payments to employees	(10,903)	(16,686)	—	(27,589)	(54,853)
Cash payments for benefits	—	—	(147,874)	(147,874)	—
Other operating revenue (expense)	—	—	4,369	4,369	(231)
Net cash provided by operating activities	401,162	1,962	78,641	481,765	4,594
<b>Cash flows from noncapital financing activities:</b>					
Loans from other funds	—	—	—	—	5,773
Repayment of loans to other funds	—	—	—	—	5,899
Repayment of loans from other funds	—	—	—	—	(3,078)
Transfers in	—	28,832	1,256	30,088	—
Transfers out	(393,792)	—	(492)	(394,284)	—
Net transfers from (to) fiscal agent	—	—	(79,738)	(79,738)	—
Net cash provided by (used for) noncapital financing activities	(393,792)	28,832	(78,974)	(443,934)	8,594
<b>Cash flows from capital and related financing activities:</b>					
Principal paid on capital obligations	—	(10,785)	—	(10,785)	—
Interest paid on capital obligations	—	(10,099)	—	(10,099)	—
Acquisition of capital assets	(171)	(31,793)	—	(31,964)	(959)
Net cash provided by (used for) capital and related financing activities	(171)	(52,677)	—	(52,848)	(959)
<b>Cash flows from investing activities:</b>					
Interest on investments	553	86	—	639	474
Net cash provided by investing activities	553	86	—	639	474
Net increase (decrease) in cash and cash equivalents	7,752	(21,797)	(333)	(14,378)	12,703
Cash and cash equivalents, July 1	19,913	46,215	2,243	68,371	35,516
Cash and cash equivalents, June 30	\$ 27,665	\$ 24,418	\$ 1,910	\$ 53,993	\$ 48,219
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	396,707	(11,701)	78,554	463,560	(8,378)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>					
Depreciation and amortization	133	11,040	—	11,173	217
Other revenue (expense) and transfers in (out)	267	(13)	685	939	(231)
Net changes in assets and liabilities:					
Receivables, net	(2,360)	84	(336)	(2,612)	9,284
Inventory	327	—	—	327	36
Deferred outflows of resources	(283)	—	—	(283)	—
Prepaid items	(11)	(52)	—	(63)	(1,000)
Due to / due from transactions	(74)	—	(240)	(314)	—
Accounts and other payables	3,228	919	3	4,150	4,206
Accrued expenses	256	—	(11)	245	460
Net pension liability	274	—	—	274	—
Net OPEB liability	13	—	—	13	—
Deferred inflows of resources	(209)	—	—	(209)	—
Unearned revenue	422	1,685	(14)	2,093	—
Prize awards payable	2,472	—	—	2,472	—
Total adjustments	4,455	13,663	87	18,205	12,972
Net cash provided by (used for) operating activities	\$ 401,162	\$ 1,962	\$ 78,641	\$ 481,765	\$ 4,594

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, 2019**  
**(Expressed in Thousands)**

	<b>Pension and Other Employee Benefit Trusts</b>	<b>Investment Trust Ocean State Investment Pool</b>	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 10,839	\$ —	\$ 6,117	\$ 16,742
Deposits held as security for entities doing business in the State	—	—	—	53,944
Advance held by claims processing agent	811	—	—	—
Receivables				
Contributions	35,165	—	—	—
Due from State for teachers	20,322	—	—	—
Other	1,278	—	—	—
Miscellaneous	9	2,539	375	4,219
Total receivables	56,774	2,539	375	4,219
Prepaid expenses	3,928	—	—	—
Due from other plans	1,453	—	—	—
Investments, at fair value				
Equity in short-term investment fund	—	31,236	—	—
Equity in pooled trusts	8,846,878	—	—	—
Other investments	1,024,125	—	5,691,369	—
Total investments	9,871,003	31,236	5,691,369	—
Total assets	9,944,808	33,775	5,697,861	\$ 74,905
<b>Liabilities</b>				
Accounts payable	5,916	30	14,398	7,490
Due to other plans	1,453	—	—	—
Incurred but not reported claims	1,575	—	—	—
Other	4,515	—	—	—
Deposits held for others	—	—	—	67,415
Total Liabilities	13,459	30	14,398	\$ 74,905
<b>Net position</b>				
Restricted for:				
Pension benefits	9,593,105	—	—	
Other postemployment benefits	338,244	—	—	
External investment pool participants	—	33,745	—	
Tuition savings program	—	—	5,680,457	
Other	—	—	3,006	
Total net position	\$ 9,931,349	\$ 33,745	\$ 5,683,463	

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, 2019**  
**(Expressed in Thousands)**

	<b>Pension and Other Employee Benefit Trusts</b>	<b>Investment Trust Ocean State Investment Pool</b>	<b>Private Purpose Trusts</b>
<b>Additions</b>			
Contributions			
Member contributions	\$ 211,069	\$ —	\$ —
Employer contributions	500,178	—	—
Supplemental employer contributions	511	—	—
State contributions for teachers	102,239	—	—
Interest on service credits purchased	52	—	—
Service credit transfers	8,499	—	—
From program participants	—	140,332	266,565
Total contributions	<u>822,548</u>	<u>140,332</u>	<u>266,565</u>
Other income	<u>1,380</u>	<u>—</u>	<u>—</u>
Investment income			
Net appreciation in fair value of investments	570,429	—	51,963
Interest	72,067	674	—
Dividends	61,963	—	190,090
Other investment income	184	—	—
	<u>704,643</u>	<u>674</u>	<u>242,053</u>
Less: investment expense	84,332	37	—
Net investment income	<u>620,311</u>	<u>637</u>	<u>242,053</u>
Total additions	<u>1,444,239</u>	<u>140,969</u>	<u>508,618</u>
<b>Deductions</b>			
Retirement benefits	959,808	—	—
Death benefits	3,434	—	—
Distributions	19,843	123,610	—
Program participant redemptions	—	—	830,891
Refund of contributions	6,801	—	—
Administrative expense	10,117	—	29,729
Service credit transfers	8,499	—	—
OPEB benefits	31,365	—	—
Total deductions	<u>1,039,867</u>	<u>123,610</u>	<u>860,620</u>
Change in net position restricted for:			
Pension benefits	344,542	—	—
Other postemployment benefits	59,830	—	—
External investment pool participants	—	17,358	—
Tuition Savings Program	—	—	(352,062)
Other	—	—	60
<b>Fiduciary net position - beginning</b>	<u>9,526,977</u>	<u>16,387</u>	<u>6,035,465</u>
<b>Fiduciary net position - ending</b>	<u>\$ 9,931,349</u>	<u>\$ 33,745</u>	<u>\$ 5,683,463</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, 2019**  
**(Expressed in Thousands)**

	<u>RIAC</u>	<u>RICC</u>	<u>I-195 RDC</u>	<u>RIPTA</u>	<u>RITBA</u>
<b>Assets and deferred outflows of resources</b>					
Current Assets:					
Cash and cash equivalents	\$ 67,414	\$ 8,169	\$ 62	\$ 12,378	\$ 7,191
Investments	—	—	—	1,681	—
Receivables (net)	7,752	1,597	—	8,271	204
Restricted assets:					
Cash and cash equivalents	24,409	88,256	15,630	—	16,127
Investments	—	4,186	—	—	76,445
Receivables (net)	—	18	—	—	—
Other assets	—	—	—	—	1,253
Due from primary government	596	1,223	1,026	5,656	1,516
Due from other governments	—	—	—	—	—
Due from other component units	—	38	44	—	—
Inventories	—	—	—	2,071	37
Other assets	562	161	57	170	153
Total current assets	<u>100,733</u>	<u>103,648</u>	<u>16,819</u>	<u>30,227</u>	<u>102,926</u>
Noncurrent Assets:					
Investments	—	721	—	2,931	2,896
Receivables (net)	—	4,496	—	—	—
Restricted assets:					
Cash and cash equivalents	59,706	10,569	—	—	—
Investments	9,304	10,007	—	—	—
Receivables (net)	1,923	202	—	—	—
Other assets	—	540	—	—	—
Capital assets - nondepreciable	53,822	557	—	15,314	2,816
Capital assets - depreciable (net)	482,087	696	—	104,344	213,022
Due from other component units	—	—	—	—	—
Other assets, net of amortization	763	—	285	—	—
Total noncurrent assets	<u>607,605</u>	<u>27,788</u>	<u>285</u>	<u>122,589</u>	<u>218,734</u>
Total assets	<u>708,338</u>	<u>131,436</u>	<u>17,104</u>	<u>152,816</u>	<u>321,660</u>
<b>Deferred outflows of resources</b>	<u>783</u>	<u>616</u>	<u>—</u>	<u>19,659</u>	<u>—</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2019**  
**(Expressed in Thousands)**

	<u>RIAC</u>	<u>RICC</u>	<u>I-195 RDC</u>	<u>RIPTA</u>	<u>RITBA</u>
<b>Liabilities and deferred inflows of resources</b>					
Current liabilities:					
Accounts payable	1,507	1,753	88	18,347	860
Due to primary government	—	—	—	2,468	1,256
Due to other component units	2,035	—	—	—	—
Unearned revenue	924	1,342	60	153	5,370
Other liabilities	9,636	933	608	8,957	7,149
Current portion of long-term debt	18,826	3,236	1,540	—	4,385
Total current liabilities	<u>32,928</u>	<u>7,264</u>	<u>2,296</u>	<u>29,925</u>	<u>19,020</u>
Noncurrent liabilities:					
Due to primary government	110	—	—	10,095	—
Due to other component units	1,267	—	—	—	—
Unearned revenue	—	5,491	—	—	—
Notes payable	—	—	—	—	—
Loans payable	—	—	—	—	—
Obligations under capital leases	1,697	—	—	—	—
Net pension liability	1,928	309	—	64,095	—
Net OPEB liability	434	69	—	75,091	—
Other liabilities	—	27,064	—	12,055	—
Compensated absences	—	—	—	238	—
Bonds payable	291,604	12,592	35,440	—	167,882
Total noncurrent liabilities	<u>297,040</u>	<u>45,525</u>	<u>35,440</u>	<u>161,574</u>	<u>167,882</u>
Total liabilities	<u>329,968</u>	<u>52,789</u>	<u>37,736</u>	<u>191,499</u>	<u>186,902</u>
<b>Deferred inflows of resources</b>	<u>300</u>	<u>660</u>	<u>—</u>	<u>4,296</u>	<u>—</u>
<b>Net position (deficit)</b>					
Net investment in capital assets	250,820	1,250	—	108,481	58,710
Restricted for:					
Debt	9,407	—	—	—	70,935
Other	53,770	—	16,519	2,667	—
Other nonexpendable	—	86,554	—	—	—
Unrestricted	64,856	(9,201)	(37,151)	(134,468)	5,113
Total net position (deficit)	<u>\$ 378,853</u>	<u>\$ 78,603</u>	<u>\$ (20,632)</u>	<u>\$ (23,320)</u>	<u>\$ 134,758</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2019**  
**(Expressed in Thousands)**

	<u>URI</u>	<u>RIC</u>	<u>CCRI</u>	<u>Other Component Units</u>	<u>Totals</u>
<b>Assets and deferred outflows of resources</b>					
Current Assets:					
Cash and cash equivalents	\$ 151,742	\$ 20,185	\$ 16,078	\$ 108,146	\$ 391,365
Investments	—	—	—	478	2,159
Receivables (net)	54,224	4,776	2,870	25,663	105,357
Restricted assets:					
Cash and cash equivalents	—	—	253	627,869	772,544
Investments	—	—	—	183,948	264,579
Receivables (net)	—	—	—	91,665	91,683
Other assets	—	—	—	37,106	38,359
Due from primary government	8,208	1,822	466	9,783	30,296
Due from other governments	—	—	—	783	783
Due from other component units	1,557	—	—	1,897	3,536
Inventories	3,193	—	679	2,439	8,419
Other assets	2,386	78	521	5,587	9,675
Total current assets	<u>221,310</u>	<u>26,861</u>	<u>20,867</u>	<u>1,095,364</u>	<u>1,718,755</u>
Noncurrent Assets:					
Investments	186,450	33,312	4,331	—	230,641
Receivables (net)	18,224	1,829	2	102,549	127,100
Restricted assets:					
Cash and cash equivalents	4,657	1,288	—	2,565	78,785
Investments	—	—	—	292,507	311,818
Receivables (net)	—	—	—	1,161,667	1,163,792
Other assets	76,893	1,095	—	1,378,326	1,456,854
Capital assets - nondepreciable	234,575	42,077	6,449	113,250	468,860
Capital assets - depreciable (net)	602,852	150,060	79,545	208,756	1,841,362
Due from other component units	—	—	—	1,413	1,413
Other assets, net of amortization	1,946	—	—	163,286	166,280
Total noncurrent assets	<u>1,125,597</u>	<u>229,661</u>	<u>90,327</u>	<u>3,424,319</u>	<u>5,846,905</u>
Total assets	<u>1,346,907</u>	<u>256,522</u>	<u>111,194</u>	<u>4,519,683</u>	<u>7,565,660</u>
<b>Deferred outflows of resources</b>	<u>36,861</u>	<u>11,404</u>	<u>8,692</u>	<u>17,830</u>	<u>95,845</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2019**  
**(Expressed in Thousands)**

	URI	RIC	CCRI	Other Component Units	Totals
<b>Liabilities and deferred inflows of resources</b>					
Current liabilities:					
Accounts payable	57,549	6,886	5,146	20,026	112,162
Due to primary government	2,607	1,595	750	472	9,148
Due to other component units	1,557	—	—	48	3,640
Unearned revenue	15,358	2,532	2,626	3,964	32,329
Other liabilities	6,670	6,340	5,012	407,022	452,327
Current portion of long-term debt	12,554	1,070	290	196,175	238,076
Total current liabilities	<u>96,295</u>	<u>18,423</u>	<u>13,824</u>	<u>627,707</u>	<u>847,682</u>
Noncurrent liabilities:					
Due to primary government	22,331	14,618	775	—	47,929
Due to other component units	—	—	—	—	1,267
Unearned revenue	—	—	—	196	5,687
Notes payable	—	622	—	174,460	175,082
Loans payable	411	—	—	12,920	13,331
Obligations under capital leases	26	—	—	211	1,934
Net pension liability	123,705	42,651	31,485	36,464	300,637
Net OPEB liability	49,930	25,512	19,546	19,079	189,661
Other liabilities	12,387	3,129	—	336,045	390,680
Compensated absences	18,465	983	162	2,563	22,411
Bonds payable	291,588	13,885	1,236	1,903,405	2,717,632
Total noncurrent liabilities	<u>518,843</u>	<u>101,400</u>	<u>53,204</u>	<u>2,485,343</u>	<u>3,866,251</u>
Total liabilities	<u>615,138</u>	<u>119,823</u>	<u>67,028</u>	<u>3,113,050</u>	<u>4,713,933</u>
<b>Deferred inflows of resources</b>	<u>11,596</u>	<u>5,292</u>	<u>4,387</u>	<u>7,333</u>	<u>33,864</u>
<b>Net position (deficit)</b>					
Net investment in capital assets	568,179	160,347	82,943	302,206	1,532,936
Restricted for:					
Debt	—	—	—	236,939	317,281
Other	95,030	15,907	2,944	712,266	899,103
Other nonexpendable	105,954	19,654	2,529	—	214,691
Unrestricted	(12,129)	(53,097)	(39,945)	165,719	(50,303)
Total net position (deficit)	<u>\$ 757,034</u>	<u>\$ 142,811</u>	<u>\$ 48,471</u>	<u>\$ 1,417,130</u>	<u>\$ 2,913,708</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, 2019**  
**(Expressed in Thousands)**

	<b>RIAC</b>	<b>RICC</b>	<b>I-195 RDC</b>	<b>RIPTA</b>	<b>RITBA</b>	<b>URI</b>	<b>RIC</b>	<b>CCRI</b>	<b>Other Component Units</b>	<b>Totals</b>
<b>Expenses</b>	\$ 85,688	\$ 35,965	\$ 11,746	\$ 135,273	\$ 33,039	\$ 559,014	\$ 158,783	\$ 129,032	\$ 318,872	\$ 1,467,412
<b>Program revenues:</b>										
Charges for services	81,247	5,116	1,050	24,817	22,084	340,532	64,601	37,992	203,541	780,980
Operating grants and contributions	—	34,250	4,112	86,851	—	211,598	77,650	86,708	108,579	609,748
Capital grants and contributions	10,539	—	—	9,775	17,111	91,598	19,100	5,582	84,807	238,512
Total program revenues	<u>91,786</u>	<u>39,366</u>	<u>5,162</u>	<u>121,443</u>	<u>39,195</u>	<u>643,728</u>	<u>161,351</u>	<u>130,282</u>	<u>396,927</u>	<u>1,629,240</u>
Net (Expenses) Revenues	6,098	3,401	(6,584)	(13,830)	6,156	84,714	2,568	1,250	78,055	161,828
<b>General revenues:</b>										
Interest and investment earnings	2,826	3,012	309	178	2,181	9,555	1,791	495	55,370	75,717
Miscellaneous revenue	14	6,761	—	—	619	—	2,082	—	2,196	11,672
Total general revenue	<u>2,840</u>	<u>9,773</u>	<u>309</u>	<u>178</u>	<u>2,800</u>	<u>9,555</u>	<u>3,873</u>	<u>495</u>	<u>57,566</u>	<u>87,389</u>
Change in net position	8,938	13,174	(6,275)	(13,652)	8,956	94,269	6,441	1,745	135,621	249,217
<b>Net position (deficit) - beginning as restated</b>	<u>369,915</u>	<u>65,429</u>	<u>(14,357)</u>	<u>(9,668)</u>	<u>125,802</u>	<u>662,765</u>	<u>136,370</u>	<u>46,726</u>	<u>1,281,509</u>	<u>2,664,491</u>
<b>Net position (deficit) - ending</b>	<u>\$ 378,853</u>	<u>\$ 78,603</u>	<u>\$ (20,632)</u>	<u>\$ (23,320)</u>	<u>\$ 134,758</u>	<u>\$ 757,034</u>	<u>\$ 142,811</u>	<u>\$ 48,471</u>	<u>\$ 1,417,130</u>	<u>\$ 2,913,708</u>

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

---

## Index

<b>Note 1. Summary of Significant Accounting Policies</b> .....	<b>65</b>
<b>A. Basis of Presentation</b> .....	<b>65</b>
<b>B. Reporting Entity</b> .....	<b>65</b>
<b>C. Financial Statement Presentation</b> .....	<b>70</b>
<b>D. Measurement Focus and Basis of Accounting</b> .....	<b>73</b>
<b>E. Cash and Cash Equivalents</b> .....	<b>74</b>
<b>F. Funds on Deposit with Fiscal Agent</b> .....	<b>74</b>
<b>G. Investments</b> .....	<b>74</b>
<b>H. Receivables</b> .....	<b>74</b>
<b>I. Due From Other Governments and Agencies</b> .....	<b>74</b>
<b>J. Interfund Activity</b> .....	<b>74</b>
<b>K. Inventories</b> .....	<b>75</b>
<b>L. Capital Assets</b> .....	<b>75</b>
<b>M. Bonds Payable</b> .....	<b>76</b>
<b>N. Obligations Under Capital Leases</b> .....	<b>76</b>
<b>O. Pensions</b> .....	<b>76</b>
<b>P. Postemployment Benefits Other Than Pensions (OPEB)</b> .....	<b>77</b>
<b>Q. Compensated Absences</b> .....	<b>77</b>
<b>R. Other Assets and Liabilities</b> .....	<b>77</b>
<b>S. Fund Balances</b> .....	<b>77</b>
<b>T. Recently Issued Accounting Standards</b> .....	<b>78</b>
<b>Note 2. Cash, Cash Equivalents, Investments, and Funds in Trust</b> .....	<b>79</b>
<b>A. Primary Government-Governmental and Business-Type Activities</b> .....	<b>79</b>
<b>B. Concentration of Credit Risk</b> .....	<b>86</b>
<b>C. Pension Trusts</b> .....	<b>87</b>
<b>D. OPEB Trusts</b> .....	<b>100</b>
<b>E. Private Purpose Trusts</b> .....	<b>103</b>
<b>F. Agency Funds</b> .....	<b>103</b>
<b>Note 3. Receivables</b> .....	<b>103</b>
<b>Note 4. Intra-Entity Receivables and Payables</b> .....	<b>104</b>

---

<b>Note 5. Capital Assets</b> .....	<b>105</b>
<b>Note 6. Long-Term Liabilities</b> .....	<b>107</b>
<b>A. Changes in Long-Term Liabilities</b> .....	<b>107</b>
<b>B. Bonds Payable</b> .....	<b>108</b>
<b>C. Notes Payable</b> .....	<b>113</b>
<b>D. Loans Payable</b> .....	<b>113</b>
<b>E. Obligations Under Capital Leases</b> .....	<b>114</b>
<b>F. Defeased Debt</b> .....	<b>115</b>
<b>G. Conduit Debt</b> .....	<b>115</b>
<b>H. Job Creation Guaranty Program - Moral Obligations</b> .....	<b>115</b>
<b>I. Pollution Remediation Liabilities</b> .....	<b>117</b>
<b>J. Compensated Absences</b> .....	<b>117</b>
<b>K. Arbitrage Rebate</b> .....	<b>117</b>
<b>L. Due to the Primary Government</b> .....	<b>118</b>
<b>M. Available Lines of Credit</b> .....	<b>118</b>
<b>N. Other Long-Term Liabilities</b> .....	<b>118</b>
<b>Note 7. Deferred Outflows of Resources and Deferred Inflows of Resources</b> .....	<b>119</b>
<b>Note 8. Net Position/Fund Balance</b> .....	<b>120</b>
<b>Note 9. Restatements-Net Position</b> .....	<b>122</b>
<b>Note 10. Taxes</b> .....	<b>123</b>
<b>Note 11. Tax Abatements</b> .....	<b>123</b>
<b>Note 12. Pledged Revenue</b> .....	<b>131</b>
<b>Note 13. Transfers</b> .....	<b>132</b>
<b>Note 14. Operating Lease Commitments</b> .....	<b>132</b>
<b>Note 15. Commitments</b> .....	<b>133</b>

<b>Note 16. Contingencies</b> .....	<b>139</b>
<b>Note 17. Employer Pension Plans</b> .....	<b>148</b>
<b>A. Summary of Employer Plans</b> .....	<b>148</b>
<b>B. Defined Benefit Plan Descriptions - Advance Funded Plans</b> .....	<b>150</b>
<b>C. Defined Benefit Advance Funded Plans - Summary of Significant Accounting Policies</b> .....	<b>156</b>
<b>D. Defined Benefit Plan - Non-Contributory (pay-as-you-go) Pension Plan</b> .....	<b>157</b>
<b>E. Special Funding Situation - ERS Plan - Teachers</b> .....	<b>157</b>
<b>F. Contributions and Funding Policy</b> .....	<b>157</b>
<b>G. Net Pension Liability</b> .....	<b>159</b>
<b>H. Changes in the Net Pension Liability</b> .....	<b>163</b>
<b>I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources</b> .....	<b>163</b>
<b>J. Defined Benefit Plan - LIUNA</b> .....	<b>167</b>
<b>K. Defined Contribution Plan - ERS</b> .....	<b>167</b>
<b>L. Defined Contribution Plan - FICA Alternative Retirement Income Security Program</b> .....	<b>168</b>
<b>M. Other Pension Plans - Component Units</b> .....	<b>169</b>
<b>Note 18. Other Postemployment Benefit Plans</b> .....	<b>170</b>
<b>A. Summary of Employer Plans</b> .....	<b>170</b>
<b>B. Benefit Plan Descriptions</b> .....	<b>171</b>
<b>C. Contributions and Funding Policy</b> .....	<b>173</b>
<b>D. Net OPEB Liability (Asset)</b> .....	<b>174</b>
<b>E. Changes in Net OPEB Liability (Asset)</b> .....	<b>180</b>
<b>F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources</b> .....	<b>181</b>
<b>G. Component Unit Postemployment Benefit Plans</b> .....	<b>184</b>
<b>Note 19. Deferred Compensation</b> .....	<b>185</b>
<b>Note 20. Risk Management</b> .....	<b>185</b>
<b>Note 21. Other Information</b> .....	<b>187</b>
<b>A. Elimination Entries</b> .....	<b>187</b>
<b>B. Related Party Transactions</b> .....	<b>187</b>

---

<b>C. Budgeting, Budgetary Control, and Legal Compliance .....</b>	<b>189</b>
<b>D. Significant Transactions with Component Units .....</b>	<b>190</b>
<b>E. Individual Fund Deficits .....</b>	<b>191</b>
<b>Note 22. Subsequent Events .....</b>	<b>191</b>

---

## Note 1. Summary of Significant Accounting Policies

### A. Basis of Presentation

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

### B. Reporting Entity

The accompanying financial statements include all funds of the State and its component units. GASB 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](http://www.riconvention.com).

*Tobacco Settlement Financing Corporation (TSFC)*

TSFC was organized in June 2002 as a public corporation by the State. TSFC is legally separate and provides services exclusively to the State through the purchase of its future tobacco settlement revenues. TSFC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.

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

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

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

For more detailed information, a copy of the financial statements can be obtained by writing to the Tobacco Settlement Financing Corporation, One Capitol Hill, Providence, RI 02908.

*Rhode Island Public Rail Corporation (RIPRC)*

This corporation was created and established for the purpose of enhancing and preserving the viability of commuter rail operations in the State. Currently its primary purpose, as outlined in the State's General Laws, is to provide indemnity for rail service operating within the State. The State is fully responsible for reimbursing RIPRC for all costs associated with the purchase of such insurance coverage. RIPRC provides services exclusively to the State. Separately issued financial statements are not available for RIPRC.

**Discretely Presented Component Units**

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

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

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

### **Major Component Units**

#### *Rhode Island Airport Corporation (RIAC)*

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

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

This corporation was created in 1995 and its purpose is to promote and encourage the preservation, expansion, and sound development of new and existing industry, business, commerce, agriculture, tourism, and recreational facilities in the State, so as to promote economic development. RICC has the power to issue tax-exempt bonds to accomplish its corporate purpose. RICC has one component unit, the Small Business Loan Fund Corporation, which was created for the purpose of granting secured and unsecured loans to Rhode Island's small business community. RICC's activities are largely supported by State appropriations and RICC has used its debt issuance authority to finance various economic development initiatives on behalf of the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Commerce Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02903, or at [www.commerceri.com](http://www.commerceri.com).

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

This commission was created in 2011 by the Rhode Island General Assembly, to oversee, plan, implement, and administer the development of land reclaimed from the Interstate 195 relocation project and the Washington Bridge project. The I-195 RDC issued debt and utilized the proceeds to reimburse the State for the fair value of the land acquired. The State appropriates amounts to the I-195 RDC for debt service and operating assistance until sufficient land sale proceeds are available to fund these expenses. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R. I. Commerce Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02903, or at [www.195district.com](http://www.195district.com).

#### *Rhode Island Public Transit Authority (RIPTA)*

This authority was established in 1964 to acquire any mass motor bus transportation system that has filed a petition to discontinue its service, provided that the Authority has determined it to be in the public interest to continue such service. Revenues of RIPTA include passenger revenue, a portion of the tax on gasoline and operating assistance grants from the State and federal governments. In addition to significant operating assistance, the State has also forgiven certain debt service obligations owed to the State as a means to provide additional financial assistance to the Authority. For more detailed information, a copy of the financial statements can be obtained by writing to the Finance Department, R.I. Public Transit Authority, 705 Elmwood Avenue, Providence, RI 02907, or at [www.ripta.com](http://www.ripta.com).

---

### *Rhode Island Turnpike and Bridge Authority (RITBA)*

This authority was created by the General Assembly as a body corporate and politic, with powers to construct, acquire, maintain and operate bridge projects as defined by law. RITBA is responsible for the maintenance and operation of the Claiborne Pell, Mount Hope, Jamestown, and Sakonnet River Bridges which are a vital segment of the State's infrastructure. In addition, the Authority is responsible for the collection of toll revenue from the users of the Claiborne Pell Bridge and provides back office functions for the State's truck tolling initiative that began on June 11, 2018. Title relating to the Jamestown and Sakonnet River bridges has remained with the State, thus those capital assets are reported within the primary government on the State's government-wide financial statements. The Claiborne Pell and Mount Hope bridges are reported as capital assets of RITBA. For more detailed information, a copy of the financial statements can be obtained by writing to the Executive Director, R.I. Turnpike and Bridge Authority, P.O. Box 437, Jamestown, RI 02835-0437, or at [www.ritba.org](http://www.ritba.org).

### *University and Colleges*

The 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](http://www.riopc.edu).

### **Nonmajor Component Units**

#### *Central Falls School District*

The Central Falls School District (the District) is governed by a seven member board of trustees that is appointed by the State's Board of Education (Board). As a result of the enactment of Chapter 312 of Rhode Island Public Laws of 1991, the State assumed responsibility for the administration and operational funding of the District effective July 1, 1991. In June 2002, Chapter 16-2 of the Rhode Island General Laws established the board of trustees to govern the District in a manner consistent with most local school committees. In addition, the Commissioner of Elementary and Secondary Education and the Board have oversight over the development and approval of the District's operating budget and for other significant operating decisions and contracts. The District, which provides elementary and secondary education to residents of the City of Central Falls, is funded primarily through State appropriations and federal grant funds. For more detailed information, a copy of the financial statements can be obtained by writing to the Central Falls School District, 949 Dexter Street – Lower Level, Central Falls, RI 02863-1715.

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

DHEA was established on July 1, 2015 by an Act of the Rhode Island General Assembly for 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](http://www.riopc.edu).

#### *Rhode Island Housing and Mortgage Finance Corporation (RIHMFC)*

This corporation, established in 1973, was created in order to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the State. It has the power to issue notes and bonds to achieve its corporate purpose. Certain debt issued by RIHMFC is secured in part by capital reserve funds. The General Assembly may, but is not required to, appropriate funding of any deficiencies in such reserves. For more detailed information,

---

a copy of the financial statements can be obtained by writing to the Chief Financial Officer, R.I. Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, RI 02903-1721, or at [www.rihousing.com](http://www.rihousing.com).

*Rhode Island Industrial Facilities Corporation (RIIFC)*

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

*Rhode Island Industrial-Recreational Building Authority (RIIRBA)*

This authority is authorized to insure first mortgages and first security agreements granted by financial institutions and the Rhode Island Industrial Facilities Corporation for companies conducting business in the State. RIIRBA's insurance of first mortgages and first security agreements is backed by a pledge of the full faith and credit of the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial-Recreational Building Authority, 315 Iron Horse Way, Suite 101, Providence, RI 02903, or at [www.commerceri.com](http://www.commerceri.com).

*Rhode Island Resource Recovery Corporation (RIRRC)*

This corporation was established in 1974 in order to provide and/or coordinate solid waste management services to municipalities and persons within the State. RIRRC has the power to issue negotiable bonds and notes to achieve its corporate purpose. RIRRC coordinates and administers a statewide recycling program and has periodically transferred amounts to the State's general fund as operating assistance. The State is one of several potentially responsible parties for the costs of remedial actions at RIRRC's superfund site. For more detailed information, a copy of the financial statements can be obtained by writing to R.I. Resource Recovery Corporation, 65 Shun Pike, Johnston, RI 02919, or at [www.rirrc.org](http://www.rirrc.org).

*Quonset Development Corporation (QDC)*

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

*The Metropolitan Regional Career and Technical Center*

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

*Rhode Island Infrastructure Bank (RIIB)*

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

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

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

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

#### **Related Organizations**

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

### **C. Financial Statement Presentation**

#### **Government-Wide Financial Statements**

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

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

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

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

---

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

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

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

### **Fund Financial Statements**

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

The State reports the following fund types:

### **Governmental Fund Types**

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

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

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

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

### **Proprietary Fund Types**

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

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

---

## Fiduciary Fund Types

### *Pension and Other Employee Benefit Trust Funds*

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

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

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

### *Private Purpose Trust Funds*

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

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

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

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

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

## Major Funds

### Governmental Funds:

#### *General Fund*

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

#### *Intermodal Surface Transportation Fund*

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

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

Proprietary Funds:

*Rhode Island Lottery*

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

*Rhode Island Convention Center Authority (RICCA)*

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

*Employment Security Fund*

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

**D. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

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

#### **E. Cash and Cash Equivalents**

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

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

#### **F. Funds on Deposit with Fiscal Agent**

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

#### **G. Investments**

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

#### **H. Receivables**

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

#### **I. Due From Other Governments and Agencies**

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

#### **J. Interfund Activity**

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

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

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

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

#### K. Inventories

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

#### L. Capital Assets

Capital assets, which include land, intangible assets not being amortized, construction in progress, land improvements, buildings, building improvements, furniture and equipment (which also includes subcategories for vehicles and computer systems), depreciable intangibles (computer software), and infrastructure (e.g., roads, bridges, dams, piers) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items are reported at acquisition value. Acquisition value is defined as the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Intangible assets not being amortized consist mostly of perpetual land rights such as conservation, recreational, and agricultural easements.

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

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

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

Capital assets acquired in the governmental funds are recorded as capital outlay expenditures in capital projects funds and current expenditures by function in other governmental fund financial statements. Depreciation and amortization are recorded in the government-wide financial statements, proprietary funds, fiduciary funds and component unit financial statements. Capital assets of the primary government are depreciated using the straight-line method over the assets' estimated useful lives.

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

The State recognizes and records liabilities and deferred outflows of resources related to legal obligations to perform future asset retirement activities in accordance with GASB Statement No. 83 *Certain Asset Retirement Obligations*. The related deferred outflows of resources are amortized over the estimated useful remaining life of the underlying assets.

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

#### **M. Bonds Payable**

In the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds, bond discounts, premiums, and issuance costs are recognized in the current period. In the government-wide financial statements bond discounts, premiums, and deferred gains and losses on refundings are deferred and amortized over the term of the bonds using the outstanding principal method.

For proprietary fund types and component units, bond discounts, premiums and deferred gains and losses on refundings are generally deferred and amortized over the term of the bonds using the interest method.

Bond premiums and discounts are presented as adjustments to the face amount of the bonds payable. Deferred gains and losses on refundings are presented as either deferred inflows of resources or deferred outflows of resources.

#### **N. Obligations Under Capital Leases**

The construction and acquisition of certain office buildings, campus facilities and other public facilities, as well as certain equipment acquisitions, have been financed through bonds and notes issued by a trustee pursuant to a lease/purchase agreement with the State or similar financing arrangements (See Note 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 17, 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, 2018 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 17 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, 2019, the State adopted the following new accounting standards issued by GASB:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- GASB Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*

The implementation of GASB Statement No. 83 improves 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 legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize the deferred outflow of resources and a corresponding liability based on the guidance in this Statement. At June 30, 2019 the State has recorded ARO liabilities and related deferred outflows of resources as required by GASB Statement No. 83. This statement required restatement of beginning balances.

GASB Statement No. 88 defines debt for purposes of disclosure in financial statement notes and clarifies which liabilities governments should include when disclosing information related to debt, including direct borrowings and direct placements. The Statement also requires additional footnote disclosure related to debt including that existing and additional information be provided separately for direct borrowings and direct payments of debt. This statement had no material impact on the Primary Government’s fiscal 2019 financial statements but did impact the financial statement disclosures for certain discretely presented component units.

The implementation of GASB Statements No. 90 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. 84, *Fiduciary Activities*, will be effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve 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. 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.

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for reporting periods beginning after December 15, 2020. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. Additionally, this Statement improves the comparability of financial reporting for issuers by eliminating the option to recognize a liability for a conduit debt obligation.

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

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

### A. Primary Government-Governmental and Business-Type Activities

#### Cash Deposits

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

In accordance with Chapter 35-10.1 of the General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. None of the cash deposits of the primary government were required to be collateralized at June 30, 2019 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, 2019, of the \$431.4 million invested, \$60.3 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, 2019:

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

Financial Company Commercial Paper	\$ 205,069
Other Commercial Paper	12,985
Asset Backed Commercial Paper	48,029
U.S. Government Agency Repurchase Agreement	46,288
U.S. Treasury repurchase agreement	12,000
Other Repurchase Agreements	2,000
U.S. Treasury Debt	3,996
Certificates of Deposit	23,916
Non-Negotiable Time Deposit	41,000
Other Instruments	4,000
Total Investments	<u>399,283</u>
Add: receivable for investments sold	32,204
Less: other liabilities in excess of other assets	(134)
Total investment pool	<u>431,353</u>

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

Amounts held by fiduciary trust funds:

OPEB trust	1,253
Pension trust	104

Amounts held by discretely presented component units:

URI	38,620
RIIB	15,620
RIC	5,120
RIIRBA	756
RIHEBC	7,119
RIPTA	4,301

Amounts held for external parties

33,745

**Primary government pooled cash equivalents**

\$ 324,715

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

Money Market Mutual Funds	54,214
---------------------------	--------

**Total primary government cash equivalents and investments**

\$ 378,929

Cash equivalents and investments	\$ 378,929
Cash deposits and interest bearing deposits	382,634
Total cash, cash equivalents and investments	<u>\$ 761,563</u>

Statement of Net Position

Cash and cash equivalents	\$ 691,838
Restricted cash and cash equivalents	69,725
Total cash, cash equivalents and investments	<u><u>\$ 761,563</u></u>

Of the State's restricted cash and cash equivalents totaling \$69.7 million, \$51.4 million is held by the Tobacco Settlement Financing Corporation and \$18.3 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, 2019, 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	\$205,099	\$ 205,069	\$ 12,624	\$124,492	\$ 41,953	\$ 26,000
Other Commercial Paper	12,982	12,985	12,985	—	—	—
Asset Backed Commercial Paper	48,028	48,029	7,232	38,810	1,987	—
U.S. Government Agency Repurchase Agreements	46,288	46,288	46,288	—	—	—
U.S. Treasury Repurchase Agreement	12,000	12,000	12,000	—	—	—
Other Repurchase Agreements	2,000	2,000	2,000	—	—	—
U.S. Treasury Debt	3,997	3,996	2,298	1,698	—	—
Certificates of Deposit	23,916	23,916	23,916	—	—	—
Non-Negotiable Time Deposit	41,000	41,000	41,000	—	—	—
Other Instruments	4,000	4,000	4,000	—	—	—
	<u>\$399,310</u>	<u>\$ 399,283</u>	<u>\$164,343</u>	<u>\$165,000</u>	<u>\$ 43,940</u>	<u>\$ 26,000</u>

At June 30, 2019 information on investment ratings for pooled cash equivalents and investments (expressed in thousands) is as follows:

Investment Type	Quality Ratings (1)				
	At Fair Value	Total Amortized Cost	A-1+	A-1	A-2
Financial Company Commercial Paper	\$ 205,099	\$ 205,069	\$ 133,397	\$ 71,672	\$ —
Other Commercial Paper	12,982	12,985	—	10,986	1,999
Asset Backed Commercial Paper	48,028	48,029	—	48,029	—
U.S. Government Agency Repurchase Agreements	46,288	46,288	38,288	8,000	—
U.S. Treasury Repurchase Agreements	12,000	12,000	9,000	3,000	—
Other Repurchase Agreements	2,000	2,000	2,000	—	—
U.S. Treasury Debt	3,997	3,996	3,996	—	—
Certificates of Deposit	23,916	23,916	18,916	5,000	—
Non-Negotiable Time Deposit	41,000	41,000	26,000	15,000	—
Other Instruments	4,000	4,000	4,000	—	—
	<u>\$ 399,310</u>	<u>\$ 399,283</u>	<u>\$ 235,597</u>	<u>\$ 161,687</u>	<u>\$ 1,999</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, 2019, 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 I and III	\$ 2,427	Money Market	AAA-mf	24
BlackRock Federal Fund Institutional Shares	99	Money Market	Aaa-mf	32
GS Financial Square Treasury Instruments Fund	51,688	Money Market	Aaa-mf	44
	<u>\$ 54,214</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, 2019 and the breakdown by maturity are as follows:

Investment Type	Fair Value	Less Than 1 year	1-5 years
U.S. Treasuries	\$ 20,983	\$ 20,983	\$ —
U.S. Government Agencies	34,431	34,431	—
Money Market Funds	91,417	91,417	—
Commercial Paper	46,415	46,415	—
Negotiable Certificates of Deposit	35,870	35,870	—
Investment Contracts	2,682	2,682	—
	<u>\$ 231,798</u>	<u>\$ 231,798</u>	<u>\$ —</u>
Cash	97,408		
Funds on Deposit with fiscal agent	<u>\$ 329,206</u>		

Cash includes \$97.2 million in uninsured and uncollateralized cash reserve funds on deposit with the fiscal agent.

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

Issuer	Fair Value	Moody's Rating	Maturities in Days
U.S. Treasury Notes/Bonds	\$ 20,983	Aaa	see detail above
U.S. Government Agency Securities	34,431	Aaa	see detail above
Money Market Funds			
Dreyfus Government Cash Management Fund	70,446	Aaa-mf	15
Dreyfus Treasury & Agency Cash Management	2,333	Aaa-mf	13
Fidelity Investments Money Market Government Portfolio - Class III	6,896	Aaa-mf	24
First American Government Obligations Fund Class D	11,730	Aaa-mf	19
Invesco Government & Agency Portfolio - Short-Term	12	Aaa-mf	17
Commercial Paper			
Natixis NY BRH DISC CO	6,492	P-1	17
Prudential FDG LLC DISC	9,000	P-1	15
Bank Montreal Chicago	8,989	P-1	16
BNP Paribas New York	6,483	P-1	37
MUFG Bank New York	5,967	P-1	85
Toyota Motor Corporation	9,484	P-1	25
Certificates of Deposit			
Royal BK CDA NY BRH INSTL	5,001	P-1	16
Cooperatieve Centrale Raiff	6,019	P-1	29
Norinchukin BK NEW YORK BRH	2,100	P-1	8
Norinchukin BK NEW YORK BRH	3,000	P-1	82
Sumitomo Mitsui Banking Corporation	3,750	P-1	67
Sumitomo Mitsui Banking Corporation	3,500	P-1	18
Toronto Dominion Bank	6,000	P-1	37
Societe Generale	6,500	P-1	37
Investment Contracts			
FSA Capital Management GIC	2,682	N/A	N/A
	<u>\$ 231,798</u>		

The following (expressed in thousands) represents the fair value of investments by type held by the fiscal agent at June 30, 2019:

	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs	
	(Level 1)		(Level 2)	
<b>Investments at Fair Value</b>				
<b>Debt Securities</b>				
U.S. Treasuries	\$ 20,983	\$ 20,983	\$	—
U.S. Government Agencies	34,431	—	34,431	—
Commercial Paper	46,415	—	46,415	—
Negotiable Certificates of Deposit	35,870	—	35,870	—
Total investments by fair value level	\$ 137,699	\$ 20,983	\$	116,716
<b>Investments Measured at Net Asset Value (NAV)</b>				
Money Market Mutual Funds	91,417			
<b>Investments not Subject to Leveling Requirements</b>				
Guaranteed Investment Contract	2,682			
Total Funds on Deposit with Fiscal Agent	\$ 231,798			

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 \$493 million held by the Federal Unemployment Insurance Trust Fund within the Business-Type Activities-Employment Security Fund.

## B. Concentration of Credit Risk

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

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

Type	Issuer	Amount	Percentage
Money Market Funds	Dreyfus Government Cash Management Fund	\$ 70,446	11.53%
Money Market Funds	GS Financial Square Treasury Instruments Fund	\$ 51,688	8.46%

---

## 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 6.8%, 9.6%, 6.0%, 2.0%, and 3.8% respectively of the total reported fair value of all pooled pension trust investments at June 30, 2019.

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

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

At June 30, 2019, the carrying amount of pension trust cash deposits was approximately \$4.4 million and the bank balance was approximately \$4.5 million. The bank and book balances represent the plans' deposits in short-term trust accounts, which include demand deposit accounts and interest-bearing, collateralized

bank deposit accounts. The bank balances, include interest-bearing collateralized bank deposits and are either federally insured or collateralized (102%) with U.S. Treasury, agencies, and federal home loan bank letters of credit held by a third party custodian.

In accordance with Rhode Island General Law Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. None of the System's deposits were required to be collateralized at June 30, 2019 (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 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 for the Employees' Retirement System as of June 30, 2019:

Asset Class	Target Asset Allocation
<b><i>GROWTH</i></b>	
Global Equity	40.0%
Private Growth	15.0%
<b><i>INCOME</i></b>	
	8.0%
<b><i>STABILITY</i></b>	
Crisis Protection Class	8.0%
Inflation Protection	8.0%
Volatility Protection	21.0%
<b>Total</b>	<b>100.0%</b>

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, 2019:

<b>Investment Type</b>	<b>Fair Value (in thousands)</b>
Cash and Cash Equivalents:	
US Cash	\$ 15,274
Commercial Paper	19,787
Non-US Cash	10,820
Money Market Mutual Funds	102,404
US Government Securities	904,742
US Government Agency Securities	250,252
Non-US Government Securities	4,994
Collateralized Mortgage Obligations	19,444
Corporate Bonds	557,534
Term Loans	158,517
Commingled Funds - International Equity	1,225,772
Domestic Equity Securities	2,214,826
International Equity Securities	493,377
Private Equity	814,975
Real Estate	510,417
Hedge Funds	581,552
Crisis Protection Class - Trend Following - Limited partnerships	323,714
Infrastructure	286,580
Derivatives:	
Futures	1,390
Credit Default Swaps	190
Total Return Swaps	56
<b>Investments at Fair Value</b>	<b>\$ 8,496,617</b>
Investment receivable	284,200
Investment payable	(269,465)
<b>Total Pooled Investment Trust</b>	<b>\$ 8,511,352</b>

---

**(b) Fair Value Hierarchy**

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

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

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

Level 3 includes unobservable inputs for an asset or liability.

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

**Investments and Derivative Instruments Measured at Fair Value**

Investments at Fair Value	Fair Value June 30, 2019	Quoted Prices in Active Market for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
<b><u>Equity Investments</u></b>				
Global Equity	\$ 2,708,259	\$ 2,708,259	\$ —	\$ —
Infrastructure-publicly traded	115,646	115,646	—	—
	<u>\$ 2,823,905</u>	<u>\$ 2,823,905</u>	<u>\$ —</u>	<u>\$ —</u>
<b><u>Fixed Income</u></b>				
US Government Securities	\$ 904,742	\$ 904,742	\$ —	\$ —
US Government Agency Securities	250,252	—	250,252	—
Non - US Government Securities	4,994	—	4,994	—
Corporate Bonds	557,534	—	557,534	—
Collateralized Mortgage Obligations	19,444	—	19,444	—
Term loans	158,517	—	—	158,517
	<u>\$ 1,895,483</u>	<u>\$ 904,742</u>	<u>\$ 832,224</u>	<u>\$ 158,517</u>
<b><u>Derivative Investments</u></b>				
Equity and Fixed Income Index Futures	\$ 1,390	\$ 1,390	\$ —	\$ —
Other Derivatives	190	—	190	—
	<u>\$ 1,580</u>	<u>\$ 1,390</u>	<u>\$ 190</u>	<u>\$ —</u>
<b>Commercial Paper</b>	<u>\$ 19,787</u>	<u>\$ —</u>	<u>\$ 19,787</u>	<u>\$ —</u>
<b>Total Investment at Fair Value Level</b>	<u>\$ 4,740,755</u>	<u>\$ 3,730,037</u>	<u>\$ 852,201</u>	<u>\$ 158,517</u>
<b><u>Investments Measured at Net Asset Value (NAV)</u></b>				
Money Market Mutual Funds	\$ 102,404			
Commingled Funds - International Equity	1,225,772			
Hedge Funds	581,552			
Private Equity	814,975			
Real Estate	510,417			
Private Infrastructure	170,934			
Crisis Protection Class - Trend Following	323,714			
	<u>\$ 3,729,768</u>			
<b><u>Cash and Cash Equivalents</u></b>				
US Cash	\$ 15,274			
Non US Cash	10,820			
	<u>\$ 26,094</u>			
<b>Net Investment Receivable</b>	<u>14,735</u>			
<b>Total Pooled Investment Trust</b>	<u>\$ 8,511,352</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)	\$ 102,404	\$ —	daily	none
Commingled Funds - International Equity (2)	1,225,772	—	daily	see note below
Hedge Funds (3)	581,552	—	see note below	see note below
Private Equity (4)	814,975	750,987	see note below	see note below
Real Estate (5)	510,417	92,820	see note below	see note below
Infrastructure Investments (6)	170,934	128,670	see note below	see note below
Crisis Protection Class - Trend Following (7)	323,714	—	see note below	see note below
	<u>\$ 3,729,768</u>	<u>\$ 972,477</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 three international equity index funds which are intended to replicate the performance of a specific index; e.g., MSCI EAFE. The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the commingled fund manager which reflects the exchange pricing of the equity holdings within each fund. The international equity commingled funds may only be redeemed at scheduled intervals twice per month.
- (3) **Hedge funds** - this portfolio is comprised of 7 limited partnerships divided into two sub-categories: global equity and absolute return. Global equity funds are designed to benefit from the stock market with considerably less risk. They own stakes in companies they expect to outperform and also sell short stocks that they expect to underperform. Absolute return hedge funds employ strategies that seek to generate long-term returns and mitigate risk, regardless of broader market moves. The funds invest across asset classes, including government bonds, other fixed income securities, equity indexes, commodities, and currencies.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2019. Of the underlying holdings within the hedge funds approximately 64% 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, 2019, 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.

- (4) **Private equity** - these 93 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, 2019.

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 15 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, 2019.

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

- (6) **Infrastructure** - These seven 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, 2019.

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, 2019. 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, 2019, 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, 2019	6.54%	6.54%	6.56%	6.62%	6.60%	4.72%	8.91%

**(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, 2019, 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, 2019:

Investment Type	Fair Value (in thousands)	Effective Duration
US Government Agency Securities	\$ 250,252	2.88
US Government Securities	904,742	9.28
Non-US Government Securities	4,994	5.50
Collateralized Mortgage Obligations	19,444	2.84
Corporate Bonds	557,534	4.71
Commercial Paper	19,787	0.16
Term Loans	158,517	0.21
Total Fixed Income	<u>\$ 1,915,270</u>	6.20

The System had investments at June 30, 2019 totaling \$102 million in money market mutual funds including \$104 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 80 days at June 30, 2019. The fund, by policy, holds only high-grade, highly liquid cash equivalent-type investments.

The System's investment in commercial paper totaling \$19,787,035 at June 30, 2019 had maturities ranging from 15 to 141 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, 2019 is as follows:

Rating	Collateralized		US Government		Non-US		
	Mortgage Obligations		Agency Obligations		Corporate Bonds	Term Loans	Government Obligations
<b>Aaa</b>	\$ 19,444	\$	239,100	\$	25,718	\$ —	\$ —
<b>Aa</b>	—		—		49,090	—	3,252
<b>A</b>	—		—		133,667	—	1,742
<b>Baa</b>	—		840		209,229	5,762	—
<b>Ba</b>	—		—		62,285	64,572	—
<b>B</b>	—		—		48,365	82,531	—
<b>Caa</b>	—		—		16,759	1,731	—
<b>Ca</b>	—		—		—	—	—
<b>C</b>	—		—		44	—	—
<b>D</b>	—		—		242	—	—
<b>Not Rated</b>	—		10,312		12,135	3,921	—
<b>Fair Value</b>	<u>\$ 19,444</u>	<u>\$</u>	<u>250,252</u>	<u>\$</u>	<u>557,534</u>	<u>\$ 158,517</u>	<u>\$ 4,994</u>

*Ratings provided by Moody's Investors Service*

Investments in commercial paper totaling \$19,787,035 at June 30, 2019 were rated P1 except \$1.9 million is non-rated.

**(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, 2019, 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, 2019, is detailed in the following table. In addition to the foreign currency exposure highlighted in the following table, certain hedge fund investments may have foreign currency exposure.

**Foreign Currency Risk**

Currency	Commingled Funds	Equities	Private Equity	Cash and Cash Equivalents	Non US Government Securities	Corporate Bonds	Term Loans	Futures	Total
Australian Dollar	\$ 52,288	\$ 33,540	\$ —	\$ 744	\$ —	\$ —	\$ —	\$ —	\$ 86,572
Brazilian Real	33,065	—	—	—	—	—	—	—	33,065
Canadian Dollar	66,325	54,342	2,835	1,028	—	—	—	(1)	124,529
Chilean Peso	3,953	—	—	—	—	—	—	—	3,953
Chinese Yuan	2,977	—	—	—	—	—	—	—	2,977
Colombian Peso	1,959	—	—	—	—	—	—	—	1,959
Czech Republic Koruna	725	—	—	—	—	—	—	—	725
Danish Krone	11,855	10,929	—	53	—	—	—	—	22,837
Egyptian Pound	539	—	—	—	—	—	—	—	539
Euro Currency	217,888	124,694	50,710	2,426	3,252	405	1,618	(2)	400,991
Great Britain Pound	114,221	71,782	—	2,149	—	—	—	(1)	188,151
Hong Kong Dollar	121,287	9,808	—	341	—	—	—	(1)	131,435
Hungarian Forint	1,295	—	—	—	—	—	—	—	1,295
Indian Rupee	39,212	—	—	—	—	—	—	—	39,212
Indonesia Rupiah	9,151	—	—	—	—	—	—	—	9,151
Israeli Shekel	2,447	3,035	—	41	—	—	—	—	5,523
Japanese Yen	160,675	96,835	—	1,948	—	—	—	(5)	259,453
Malaysian Ringgit	9,243	—	—	—	—	—	—	—	9,243
Mexican Peso	10,849	—	—	—	—	—	—	—	10,849
New Taiwan Dollar	46,359	—	—	—	—	—	—	—	46,359
New Zealand Dollar	1,829	2,931	—	225	—	—	—	—	4,985
Norwegian Krone	4,716	5,216	—	99	—	—	—	—	10,031
Pakistani Rupee	86	—	—	—	—	—	—	—	86
Philippine Peso	4,902	—	—	—	—	—	—	—	4,902
Polish Zloty	4,993	—	—	—	—	—	—	—	4,993
Qatari Real	4,304	—	—	—	—	—	—	—	4,304
Russian Ruble	12,370	—	—	—	—	—	—	—	12,370
Saudi Riyal	6,159	—	—	—	—	—	—	—	6,159
Singapore Dollar	9,789	18,457	—	427	—	—	—	—	28,673
Swedish Krona	18,219	10,685	—	425	—	—	—	—	29,329
Swiss Franc	63,040	51,124	—	912	—	—	—	—	115,076
South African Rand	24,798	—	—	—	—	—	—	—	24,798
South Korean Won	53,341	—	—	—	—	—	—	—	53,341
Thailand Baht	12,889	—	—	—	—	—	—	—	12,889
Turkish Lira	2,202	—	—	—	—	—	—	—	2,202
United Arab Emirates Dirham	2,894	—	—	—	—	—	—	—	2,894
<b>Total</b>	<b>\$ 1,132,844</b>	<b>\$ 493,378</b>	<b>\$ 53,545</b>	<b>\$ 10,818</b>	<b>\$ 3,252</b>	<b>\$ 405</b>	<b>\$ 1,618</b>	<b>\$ (10)</b>	<b>\$ 1,695,850</b>
United States Dollar	92,929								
<b>Grand Total</b>	<b>\$ 1,225,773</b>								

---

(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).

**Total Return Swaps** - A credit manager may use total return swaps as an efficient means to gain exposure to an index or market sector.

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 Section (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 summarize the System's exposure to specific derivative investments at June 30, 2019.

Investment Derivative Instruments	Change in fair value included in investment income	Fair Value at June 30, 2019	Notional Amount
Fixed income futures - long	\$ 300	\$ 861	\$ 103,630
Fixed income futures -short	78	—	—
Equity index futures - long	892	527	28,181
Equity index futures - short	(337)	3	(48,005)
Credit default swaps	(41)	190	
Total return swaps	56	56	
<b>Total</b>	<b>\$ 948</b>	<b>\$ 1,637</b>	
Foreign currency forward contracts:			
Pending payable (liability)		\$ 84	
Pending receivable (asset)		(63)	
		<b>\$ 21</b>	

The System is exposed to counterparty risk on foreign currency contracts that are in asset positions. The aggregate fair value of derivative instruments in asset positions at June 30, 2019 was \$20,845. This represents the maximum loss that would be recognized if all counterparties failed to perform as contracted. Risk is mitigated by using a continuous linked settlement process.

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

### Other Investments - Defined Contribution Plan

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

The majority (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, 2019, 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 Trusts

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

#### Summary of Significant Accounting Policies

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

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

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

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

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

#### Cash Deposits and Cash Equivalents

At June 30, 2019, the carrying amount of the OPEB System's cash deposits was approximately \$6.4 million and the bank balance was \$6.4 million. The bank and book balances represent the OPEB System's deposits in short-term trust accounts, which include fully insured demand deposit accounts and interest-bearing, collateralized bank deposit accounts.

In accordance with Rhode Island General Law Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. In addition, the State Investment Commission has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to amounts ranging from 100% - 102% of the uninsured deposit

amounts. The percentage of collateral required is determined by the underlying classification of the collateral. At June 30, 2019, 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 2019.

The following table presents the fair value of investments by type that are held within the pooled trust at June 30, 2019 (expressed in thousands):

<b>Investments at Fair Value</b>	<b>June 30, 2019</b>	<b>Quoted Prices in Active Markets for Identical Assets</b>	<b>Significant Other Observable Inputs</b>	<b>Significant Unobservable Inputs</b>
		<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
<b>Debt Securities</b>				
US Government Securities	\$ 42,673	\$ 42,673	\$ —	\$ —
US Government Agency Securities	30,868	—	30,868	—
Corporate Bonds	37,857	—	37,857	—
Collateralized Mortgage Obligations	1,979	—	1,979	—
Total investments by fair value level	\$ 113,377	\$ 42,673	\$ 70,704	\$ —
<b>Investments measured at the net asset value (NAV)</b>				
Commingled Funds	\$ 218,213			
Money Market Mutual Funds	4,452			
	\$ 222,665			
<b>Net investment payable</b>	(516)			
<b>Total Pooled Investment Trust</b>	\$ 335,526			

**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, 2019 (expressed in thousands):

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Effective Duration</u>
US Government Securities	\$ 42,673	6.94
US Government Agency Securities	30,868	2.26
Corporate Bonds	37,857	6.77
Collateralized Mortgage Obligations	1,979	3.31
Total Fixed Income	<u>\$ 113,377</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 24 days at June 30, 2019 and which was rated AAAMf by Moody's Investors Service.

### Credit Risk

The OPEB System generally manages exposure to credit risk by adhering to an overall target weighted average credit quality for the portfolio. The OPEB System's exposure to credit risk on corporate bonds as of June 30, 2019 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	\$ 30,868	\$ 3,769	\$ 1,979
Aa	—	1,095	—
A	—	14,235	—
Baa	—	17,369	—
Ba	—	1,146	—
Not rated	—	243	—
Fair Value	<u>\$ 30,868</u>	<u>\$ 37,857</u>	<u>\$ 1,979</u>

(1) Moody's Investors Service Ratings

### Concentration of Credit Risk

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

### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the OPEB System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2019, all securities were registered in the name of the OPEB

System (or in the nominee name of its custodial agent) and were held in the possession of its custodial bank, Bank of New York Mellon.

### Derivatives and Other Similar Investments

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

### E. Private Purpose Trusts

The Tuition Savings Program had investments of approximately \$5.7 billion in a number of mutual funds and other investment vehicles as of June 30, 2019. These investments are categorized as Level 1 of the fair value hierarchy, with the exception of investment contracts totaling \$1.1 billion which are reported at contract value and therefore not subject to the fair value hierarchy.

The Touro Jewish Synagogue Fund had investments of approximately \$3.0 million in the Fidelity Balanced Fund as of June 30, 2019. These investments are categorized in Level 1 of the fair value hierarchy.

### F. Agency Funds

As of June 30, 2019, 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, 2019 (expressed in thousands) consist of the following:

Primary Government	Taxes Receivable	Accounts Receivable	Notes and Loans Receivable	Gross Receivables	Less: Allowance for Uncollectibles	Total Receivable, Net	Due from Other Governments and Agencies
Governmental receivables	\$ 599,523	\$ 486,457	\$ 5,584	\$ 1,091,564	\$ (201,198)	\$ 890,366	\$ 409,190
Less current portion	587,029	480,521	2,172	1,069,722	(199,306)	870,416	390,518
Noncurrent portion	\$ 12,494	\$ 5,936	\$ 3,412	\$ 21,842	\$ (1,892)	\$ 19,950	\$ 18,672
Business-type activities	\$ 66,514	\$ 27,896	\$ —	\$ 94,410	\$ (17,371)	\$ 77,039	\$ 1,250
Less current portion	66,514	27,896	—	94,410	(17,371)	77,039	1,250
Noncurrent portion	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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

Intra-entity receivables and payables as of June 30, 2019 are the result of ongoing operations and are expected to be reimbursed within the subsequent fiscal year. They are summarized below (expressed in thousands):

	Interfund Receivable	Interfund Payable	Description
Governmental Funds			
Major Funds			
General	\$ —	\$ 3,353	Operating expenses
Intermodal Surface Transportation	1,452	—	Transportation funding
Non-Major Funds			
RI Temporary Disability Insurance	—	486	Operating expenses
Historic Tax Credit Financing	781	—	
Permanent School	43	—	
RI Clean Water Act.	—	750	
Bond Capital	—	1,324	Project funding
RI Capital Plan	—	1,376	Project funding
Total Non-Major Funds	<u>824</u>	<u>3,936</u>	
Total Governmental Funds	<u>2,276</u>	<u>7,289</u>	
Proprietary Funds			
Enterprise			
RI Lottery	—	2,088	Net income owed to General Fund
RI Convention Center	157	—	
Employment Security Trust	—	368	Benefit payments
Total Enterprise Funds	<u>157</u>	<u>2,456</u>	
Internal Service	<u>7,687</u>	<u>375</u>	Settlement of services rendered
Total Primary Government	<u>\$ 10,120</u>	<u>\$ 10,120</u>	

**Note 5. Capital Assets**

The capital asset activity of the reporting entity for the year ended June 30, 2019 consists of the following (expressed in thousands):

Primary Government

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated or amortized:				
Land	\$ 391,854	\$ 1,224	\$ (274)	\$ 392,804
Works of Art	4,340	45	—	4,385
Intangibles	177,770	2,046	—	179,816
Construction in progress	285,410	388,422	(209,560)	464,272
Total capital assets not being depreciated or amortized	<u>859,374</u>	<u>391,737</u>	<u>(209,834)</u>	<u>1,041,277</u>
Capital assets being depreciated or amortized:				
Land improvements	8,380	1	—	8,381
Buildings	871,696	102	(6,398)	865,400
Building Improvements	432,920	25,463	—	458,383
Furniture and equipment	348,416	26,508	(21,818)	353,106
Intangibles**	341,951	—	—	341,951
Infrastructure	4,505,862	183,893	—	4,689,755
Total capital assets being depreciated or amortized	<u>6,509,225</u>	<u>235,967</u>	<u>(28,216)</u>	<u>6,716,976</u>
Less accumulated depreciation or amortization for:				
Land improvements	3,789	259	—	4,048
Buildings	331,022	16,780	(3,355)	344,447
Building Improvements	205,163	15,831	—	220,994
Furniture and equipment	272,738	24,841	(21,709)	275,870
Intangibles**	54,672	32,791	—	87,463
Infrastructure	2,202,838	154,153	—	2,356,991
Total accumulated depreciation or amortization	<u>3,070,222</u>	<u>244,655</u>	<u>(25,064)</u>	<u>3,289,813</u>
Total capital assets being depreciated or amortized, net	<u>3,439,003</u>	<u>(8,688)</u>	<u>(3,152)</u>	<u>3,427,163</u>
Governmental activities capital assets, net ***	<u>\$ 4,298,377</u>	<u>\$ 383,049</u>	<u>\$ (212,986)</u>	<u>\$ 4,468,440</u>

\*\*Including information system development costs.

\*\*\* Net governmental activities capital assets includes Internal Service Fund net capital assets totaling \$3,273 thousand at June 30, 2019.

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

General government	\$ 19,657
Human services	32,762
Education	7,483
Public safety	21,001
Natural resources	6,167
Transportation	157,585
Total depreciation or amortization expense - governmental activities	<u>\$ 244,655</u>

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 46,808	\$ —	\$ —	\$ 46,808
Construction in progress	5,511	27,789	(1,667)	31,633
Total capital assets not being depreciated	52,319	27,789	(1,667)	78,441
Capital assets being depreciated:				
Buildings	234,377	—	—	234,377
Machinery and equipment	33,034	8,763	(415)	41,382
Intangibles	175	—	—	175
Total capital assets being depreciated	267,586	8,763	(415)	275,934
Less accumulated depreciation for:				
Buildings	158,373	8,182	—	166,555
Machinery and equipment	26,983	2,966	(415)	29,534
Intangibles	140	25	—	165
Total accumulated depreciation	185,496	11,173	(415)	196,254
Total capital assets being depreciated, net	82,090	(2,410)	—	79,680
Business-type activities capital assets, net	<u>\$ 134,409</u>	<u>\$ 25,379</u>	<u>\$ (1,667)</u>	<u>\$ 158,121</u>
<b>Discretely Presented Component Units</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated or amortized:				
Land	\$ 125,475	\$ 1,163	\$ (397)	\$ 126,241
Construction in progress *	151,904	220,792	(30,327)	342,369
Other	250	—	—	250
Total capital assets not being depreciated or amortized	277,629	221,955	(30,724)	468,860
Capital assets being depreciated or amortized:				
Buildings	2,436,535	29,392	7,630	2,473,557
Land Improvements	276,406	22,275	1,032	299,713
Leasehold Improvements *	89	319	—	408
Machinery and equipment *	490,493	23,780	(14,824)	499,449
Infrastructure	298,853	10,992	557	310,402
Total capital assets being depreciated or amortized	3,502,376	86,758	(5,605)	3,583,529
Less accumulated depreciation or amortization for:				
Buildings	1,017,140	75,892	(926)	1,092,106
Land Improvements	160,250	14,402	901	175,553
Leasehold Improvements	34	5	—	39
Machinery and equipment	340,777	33,152	(14,314)	359,615
Infrastructure	103,798	11,239	(183)	114,854
Total accumulated depreciation or amortization	1,621,999	134,690	(14,522)	1,742,167
Total capital assets being depreciated or amortized, net	1,880,377	(47,932)	8,917	1,841,362
Total capital assets, net	<u>\$ 2,158,006</u>	<u>\$ 174,023</u>	<u>\$ (21,807)</u>	<u>\$ 2,310,222</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, 2019 are presented in the following table:

	<b>Long-term Liabilities</b>					
	(Expressed in Thousands)					
	Beginning Balance*	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
<b>Governmental Activities</b>						
<i>Bonds Payable</i>						
General Obligation bonds (see section B)	\$ 1,159,995	\$ 148,600	\$ (87,420)	\$ 1,221,175	\$ 99,045	\$ 1,122,130
RICC Grant Anticipation Revenue bonds	476,205	—	(33,975)	442,230	35,525	406,705
RICC Rhode Island Motor Fuel Tax Revenue bonds	35,020	—	(3,605)	31,415	3,790	27,625
Tobacco Settlement asset-backed bonds	642,003	—	(19,740)	622,263	11,020	611,243
Accreted interest on TSFC bonds	97,468	12,413	—	109,881	—	109,881
RICC Historic Tax Credit bonds	51,995	76,925	(8,090)	120,830	15,960	104,870
Net unamortized premium/discount	218,134	13,236	(32,429)	198,941	—	198,941
Bonds payable, net	<u>2,680,820</u>	<u>251,174</u>	<u>(185,259)</u>	<u>2,746,735</u>	<u>165,340</u>	<u>2,581,395</u>
Obligation under capital leases (see section E)	184,573	30,295	(26,938)	187,930	30,266	157,664
Net unamortized premium/discount	16,905	3,352	(4,082)	16,175	—	16,175
Obligation under capital leases, net	<u>201,478</u>	<u>33,647</u>	<u>(31,020)</u>	<u>204,105</u>	<u>30,266</u>	<u>173,839</u>
Net pension liability (see note 17) **	2,267,701	4,682	—	2,272,383	—	2,272,383
Net pension liability-special funding (see note 17)**	1,357,577	—	(133)	1,357,444	—	1,357,444
Net OPEB liability (see note 18 C) **	511,649	—	(14,958)	496,691	—	496,691
Job Creation Guaranty Program obligation (see sec. H)	15,182	—	(2,435)	12,747	—	12,747
Compensated absences (see section J)**	74,581	77,551	(73,538)	78,594	69,278	9,316
Pollution remediation (see section I)	2,125	4,541	(794)	5,872	1,235	4,637
Other (see section N) *	59,450	8,479	(6,159)	61,770	1,200	60,570
Total Governmental Long-term Liabilities	<u>\$ 7,170,563</u>	<u>\$ 380,074</u>	<u>\$ (314,296)</u>	<u>\$ 7,236,341</u>	<u>\$ 267,319</u>	<u>\$ 6,969,022</u>
<b>Business-type Activities</b>						
Revenue bonds (see section B)	\$ 231,595	\$ —	\$ (10,785)	\$ 220,810	\$ 14,570	\$ 206,240
Net unamortized premium/discount	2,947	—	(1,005)	1,942	—	1,942
Revenue bonds, net	<u>234,542</u>	<u>—</u>	<u>(11,790)</u>	<u>222,752</u>	<u>14,570</u>	<u>208,182</u>
Net pension liability **	16,869	273	—	17,142	—	17,142
Net OPEB liability **	3,864	12	—	3,876	—	3,876
Unearned revenue	7,495	1,047	—	8,542	6,175	2,367
Compensated absences (see section J)**	694	77	—	771	325	446
Total Business-type Long-term Liabilities	<u>\$ 263,464</u>	<u>\$ 1,409</u>	<u>\$ (11,790)</u>	<u>\$ 253,083</u>	<u>\$ 21,070</u>	<u>\$ 232,013</u>
<b>Component Units</b>						
Bonds payable (see section B)	\$ 2,553,762	\$ 349,478	\$ (278,804)	\$ 2,624,436	\$ 135,010	\$ 2,489,426
Bonds payable - direct placements	142,813	—	(12,122)	130,691	19,974	110,717
Net unamortized premium/discount	126,305	16,991	(14,310)	128,986	11,497	117,489
Bonds payable, net	<u>2,822,880</u>	<u>366,469</u>	<u>(305,236)</u>	<u>2,884,113</u>	<u>166,481</u>	<u>2,717,632</u>
Notes payable (see section C)	113,247	30,300	(1,107)	142,440	—	142,440
Notes payable -direct borrowings	95,386	322,235	(316,201)	101,420	68,778	32,642
Loans payable (see section D)	10,845	6,455	(1,879)	15,421	2,090	13,331
Obligations under capital leases	4,948	330	(2,618)	2,660	726	1,934
Net pension liability**	305,356	2,624	(7,343)	300,637	—	300,637
Net OPEB liability**	188,906	4,870	(4,115)	189,661	—	189,661
Compensated absences (see section J)**	31,926	2,498	(1,492)	32,932	10,521	22,411
Due to primary government (see section L)	49,548	13,309	(5,780)	57,077	9,148	47,929
Unearned revenue	42,577	26,130	(30,691)	38,016	32,329	5,687
Due to component units	3,782	3,562	(2,437)	4,907	3,640	1,267
Other Long-term liabilities						
Arbitrage rebate (see section K)	1,298	426	—	1,724	387	1,337
Pollution remediation (see section I)	18,403	—	(2,387)	16,016	873	15,143
Other liabilities (see section N)	360,847	17,227	(1,505)	376,569	2,369	374,200
Total Component Units Long-term Liabilities	<u>\$ 4,049,949</u>	<u>\$ 796,435</u>	<u>\$ (682,791)</u>	<u>\$ 4,163,593</u>	<u>\$ 297,342</u>	<u>\$ 3,866,251</u>

\* Current 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, 2019, future debt service requirements were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government				Component Units			
	Governmental Activities		Business Type Activities		Other		Direct Placements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 165,340	\$ 105,237	\$ 14,570	\$ 9,864	\$ 135,010	\$ 104,641	\$ 19,974	\$ 3,200
2021	165,390	97,910	16,695	9,229	149,388	100,464	12,649	2,926
2022	168,055	90,398	17,465	8,453	138,144	94,972	12,926	2,646
2023	168,305	82,617	16,160	7,627	138,003	80,404	13,228	2,355
2024	172,715	74,817	18,950	6,954	121,533	84,377	16,599	2,018
2025 - 2029	679,500	267,380	73,310	24,207	573,841	347,523	37,684	5,884
2030 - 2034	379,650	134,854	37,005	12,652	511,607	234,243	15,441	1,293
2035 - 2039	186,940	77,949	18,310	3,730	443,149	108,683	2,190	35
2040 - 2044	39,180	51,836	8,345	726	180,440	79,043	—	—
2045 - 2049	85,820	34,144	—	—	167,419	36,289	—	—
2050 - 2054	227,018	1,417,779 *	—	—	63,093	3,874	—	—
2055 - 2059	—	—	—	—	2,809	198	—	—
	<u>\$2,437,913</u>	<u>\$2,434,921</u>	<u>\$220,810</u>	<u>\$ 83,442</u>	<u>\$2,624,436</u>	<u>\$1,274,711</u>	<u>\$ 130,691</u>	<u>\$ 20,357</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 April 2019 the State issued \$148.6 million of general obligation bonds with interest rates of 3.00% - 5.00%, maturing from 2020 through 2039. The premium paid on these bonds was \$13.2 million. In accordance with certain bond statutes, net premiums of \$12.5 million were transferred to RI Infrastructure Bank to provide municipalities with low-cost financial assistance for road and bridge projects.

At June 30, 2019, general obligation bonds authorized by the voters and unissued amounted to approximately \$464.4 million. In accordance with the General Laws, unissued bonds are subject to extinguishment seven years after the debt authorization was approved, unless extended by the General Assembly.

In addition to the debt authorized by the voters for which the full faith and credit is pledged, the General Assembly has authorized the issuance of other debt that is subject to annual appropriation.

*RICC Grant Anticipation Bonds and Rhode Island Motor Fuel Tax Revenue Bonds* - RICC, on behalf of the State, issues special obligation debt. Grant Anticipation Revenue Vehicle Bonds are payable solely from future federal aid revenues to be received by the State in reimbursement of federally eligible costs of specific transportation construction projects. Rhode Island Motor Fuel Tax Revenue Bonds are payable solely from certain pledged revenues derived from two cents (\$.02) per gallon of the thirty-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.

Pledged revenues were sufficient to fund fiscal 2019 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.

*Historic Tax Credit Bonds* - In fiscal years 2009, 2015 and 2019 the R.I. Commerce Corporation (RICC), on behalf of the State, issued \$150 million, \$75 million and \$76.9 million, respectively, of revenue bonds under the Historic Structures Tax Credit Financing Program. The bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof. The State is obligated under a Payment Agreement to make payments to the trustee, subject to annual appropriation by the General Assembly. The proceeds of the bonds are being used to provide funds for redemption of Historic Structures Tax Credits. There is remaining authorization to issue up to \$54.3 million of Historic Tax Credit Bonds.

*Tobacco Settlement Asset-Back Bonds and Accreted Interest* - The Corporation has debt service requirements totaling \$2.5 billion at June 30, 2019. The related bonds were structured based upon assumptions in tobacco settlement revenue (TSR) collections prepared by an independent consultant at the time the bonds were issued. The repayment of the bonds is dependent upon the receipt of TSRs from the Master Settlement Agreement, which are based on domestic cigarette sales. Any amounts received in excess of the scheduled principal and interest are applied to turbo maturities (principal and interest paid on the bonds in excess of scheduled principal and interest requirements). Any payment of turbo maturities in future years impacts, potentially significantly, the overall debt service requirements to maturity schedule. The domestic cigarette consumption estimates, and projections are highly sensitive to a variety of assumptions. Since the Corporation's last sale of bonds in fiscal 2015, amounts received by the Corporation pursuant to the Master Settlement Agreement have been less than the amounts projected in the consumption estimates used to structure the debt service requirements. TSRs received by the Corporation in future years that are less than the amounts projected to be received at the time of the sale of bonds could delay the payment of scheduled debt service on the bonds until sufficient TSRs are available to the Corporation.

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 \$34,395,115 on the Series 2002 and Series 2007 bonds, net of \$5,900,115 in cumulative amortization, is reflected as a net unamortized deferred inflow of resources of \$28,495,000 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, 2019, outstanding bond indebtedness totaled \$220.8 million.

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

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

Each of the bond resolutions contains certain restrictive covenants. During the year ended June 30, 2019, 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, 2019.

Concurrent with the issuance of the RICCA's 2009 Series A Bonds, a Debt Service Reserve Fund Facility (the Facility) was issued by Assured Guaranty Municipal Corp., formerly Financial Security Assurance, Inc. (FSA) to meet the Debt Service Reserve Fund requirement. The Facility provides maximum coverage of approximately \$16.2 million. Coverage under the Facility expires at the earlier of May 15, 2027 or the date upon which the 2013 Series A, 2015 Series A and 2017 Series A are no longer outstanding. In June 2019, AGM was rated by Moody's as A2. In June 2019, AGM was rated by S&P as AA.

RICCA maintains an agreement with AMBAC Indemnity Corporation (AMBAC) under which AMBAC provides RICCA with surety bond coverage to meet Debt Service Reserve Fund requirements for the R.I. Convention Center. The surety bond provides a maximum coverage of \$15.2 million. Coverage under the surety bond expires on May 15, 2023. RICCA maintains additional agreements with AMBAC for the R.I. Convention Center under which AMBAC provides RICCA with separate surety bond coverages to meet Debt Service Reserve Fund and Operating Reserve Fund requirements, respectively. The surety bond relating to the Debt Service Reserve Fund requirements replaced mandated investments and provides a maximum coverage of approximately \$8.8 million. The surety bond relating to the Operating Reserve Fund requirements also replaced mandated investments and provides a maximum coverage of approximately \$3.9 million. Coverage under both surety bonds expires on May 15, 2027. The Debt Service and Operating Reserve Fund Facilities are required to have a credit rating in one of the three highest categories by Moody's and S&P. As of June 30, 2019, AMBAC's credit rating did not meet the aforementioned requirement, however, RICCA acquired from Assured Guaranty Corporation a surety bond that meets the Debt Service Reserve Fund requirement for the R.I. Convention Center.

### **Discretely Presented Component Units**

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

The University of Rhode Island (URI), Rhode Island College (RIC), and the Community College of Rhode Island (CCRI) have issued a number of series of revenue bonds to finance housing, student union (including bookstores) and dining facilities. Under terms of the trust indentures, certain net revenues from these operations must be transferred to the trustees for payment of interest, retirement of bonds, and maintenance of facilities. The bonds are payable in annual or semi-annual installments to various maturity dates. Revenue bonds also include amounts borrowed under loan and trust agreements between the R.I. Health and Educational Building Corporation (RIHEBC) and the Board of Education acting for URI, RIC, and CCRI. The agreements provide for RIHEBC's issuance of the bonds with a loan of the proceeds to the University and Colleges and the payment by the University and Colleges to RIHEBC of loan payments that are at least equal to debt service on the bonds. The bonds are secured by a pledge of revenues of the respective institutions.

At June 30, 2019 revenue bonds outstanding were approximately as follows: URI - \$278.6 million, RIC - \$13.9 million, and CCRI - \$1.5 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 \$220.1 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 \$46.0 million for the year ended June 30, 2019. Principal and interest payments for the year ended June 30, 2019 were approximately \$23.9 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, 2019, RIAC had approximately \$40.6 million in borrowings under this agreement.

*I-195 Redevelopment District Commission*

In April 2013, RICC issued Economic Development Revenue Bonds 2013 Series A, and Economic Development Bonds 2013 Series B (federally taxable) in the aggregate principal amounts of \$37.4 million, for which the I-195 RDC is the obligor. The 2013 Series A Bonds mature in April 2033 and bear interest at the lesser of the 30-Day London InterBank Offered Rate (LIBOR) (2.38775% at June 30, 2019) 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, 2019, the State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively. As such, at June 30, 2019, the 2013 Series A Bonds bore interest at 3.38775%.

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 matured in April 2019, prior to maturity they bore interest at the lesser of the 30-Day LIBOR (2.38775% at June 30, 2019) 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%

The 2013 Series B bonds matured in April 2019. The outstanding balance was \$960,000 as of 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 (2.38775% at June 30, 2019), 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, 2019, the fair value of the 2013 Series A and B Rate Cap Agreements was \$11,659 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, 2019 are as follows:

##### Component Units:

##### *Direct Borrowings*

Rhode Island College note payable to the federal government with interest at 5.5% payable in semi-annual installments of principal and interest through 2024	\$ 757
R.I. Resource Recovery Corporation note payable to the host municipality with an interest rate of 1.4%, payable in equal installments over the next 12 years	2,393
R.I. Housing and Mortgage Finance Corporation bank notes and lines of credit, 0.00% to 6.25% interest, payable through 2058	98,270
	<u>101,420</u>
Less: current portion	68,778
	<u>\$ 32,642</u>

##### *Other*

R.I. Housing and Mortgage Finance Corporation federal bank note, 2.239% to 4.640% interest, payable from 2056 through 2059.	<u>\$ 142,440</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 \$524 thousand and \$14.9 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, 2019, 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, 2019:

Fiscal Year Ending June 30	Certificates of Participation	Other Capital Leases	Total
2020	\$ 35,593	\$ 2,731	\$ 38,324
2021	33,843	2,938	36,781
2022	28,366	943	29,309
2023	28,453	812	29,265
2024	24,431	314	24,745
2025 - 2029	50,477	—	50,477
2030 - 2034	17,343	—	17,343
Total future minimum lease payments	218,506	7,738	226,244
Amount representing interest	(38,226)	(88)	(38,314)
Present value of future minimum lease payments	\$ 180,280	\$ 7,650	\$ 187,930

Each COPS transaction generally covers multiple capital projects supporting multiple functions of the primary government. In general, the amount of capital asset additions funded through COPS is equivalent to the amount of the issuance. The State reports the amortization charge on assets acquired through COPS with depreciation expense on the government-wide financial statements and discloses the amounts in Note 5, Capital Assets.

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

Assets purchased with capital leases as of June 30, 2019 (expressed in thousands) are as follows:

Category	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 215,583	\$ 62,196	\$ 153,387
Building Improvement	86,737	32,703	54,034
Computer Systems	70,186	18,936	51,250
Infrastructure	26,754	8,294	18,460
Equipment	1,327	199	1,128
	<u>\$ 400,587</u>	<u>\$ 122,328</u>	<u>\$ 278,259</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, 2019, the following bonds outstanding (expressed in thousands) are considered defeased:

	<u>Amount</u>
Primary government:	
General Obligation Bonds	\$ 113,480
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	48,915
R.I. Infrastructure Bank	83,515
R.I. Airport Corporation	57,430

## 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, 2019 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, 2019 was \$34.4 million and \$953.5 million for these component units. Certain issues of conduit debt are moral obligations of the State, and the current amounts outstanding are disclosed in Note 16.

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, 2019, RIIB had seven series of conduit bonds outstanding, with an aggregate principal amount payable of approximately \$70.1 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, 2019 is approximately \$22.8 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 2019.

The State has recorded a liability of \$12.7 million relating to its moral obligation to the 38 Studios bondholders under the JCGP at June 30, 2019. 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 \$12.7 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.

Another borrower under the JCGP is in default on a loan with an outstanding principal balance of \$2.25 million and is in the process of negotiating a debt resolution plan.

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, 2019, 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. Available Lines of Credit

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

As of June 30, 2019, RIHMFC may borrow up to a maximum of \$110 million under various revolving loan agreements expiring between August 2019 and January 2020. Borrowings under the lines of credit are payable on demand and are unsecured. One of the lines of credit, in the outstanding amount \$4,000,000, has a variable interest rate, which was 3.398% at June 30, 2019. The outstanding remaining lines of credit of \$67,009,000 have fixed rates which range from 3.215% - 3.402% at June 30, 2019. The corporation has combined additional availability on the various lines of credit facilities in the amount of \$37,591,000 at June 30, 2019.

## N. Other Long-Term Liabilities

*Governmental Activities* - the liabilities consist primarily of:

- Retainage related to infrastructure construction projects - these amounts are considered long-term liabilities since the related construction projects are not expected to be completed in the subsequent fiscal period.
- Asset Retirement Obligations - these amounts are considered long-term liabilities since the nuclear reactor that the liability relates to has an estimated useful life in excess of one year.

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

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

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

**Note 7. 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, 2019 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	\$ 30,941	\$ 6,561	\$ 37,502	\$ 12,581
Deferred pension costs - ERS	627,304	3,453	630,757	43,718
Deferred pension costs - single employer plans and other	49,088	—	49,088	18,616
Deferred OPEB costs - multiple employer plans	63,615	679	64,294	19,822
Deferred OPEB costs - single employer plans	10,940	—	10,940	—
Asset Retirement Obligations	31,785	—	31,785	—
Derivatives	—	—	—	1,108
Total deferred outflows of resources	<u>\$ 813,673</u>	<u>\$ 10,693</u>	<u>\$ 824,366</u>	<u>\$ 95,845</u>
Deferred inflows of resources:				
Deferred gain on refunding of debt	\$ 28,491	\$ —	\$ 28,491	\$ 734
Deferred pension credit - ERS	84,385	459	84,844	15,200
Deferred pension credit - single employer plans and other	10,506	—	10,506	2,769
Deferred OPEB credit - multiple employer plans	31,436	267	31,703	15,161
Unavailable Revenue	—	—	—	—
Deferred OPEB credit - single employer plans	8,670	—	8,670	—
Total deferred inflows of resources	<u>\$ 163,488</u>	<u>\$ 726</u>	<u>\$ 164,214</u>	<u>\$ 33,864</u>

The components of the deferred inflows of resources related to the governmental funds as of June 30, 2019 are as follows (expressed in thousands):

	General Fund	IST Fund	Total Governmental Funds
Deferred inflows of resources:			
Taxes	\$ 12,494	\$ —	\$ 12,494
Other General Revenue	5,936	—	5,936
Federal Revenue	—	9,646	9,646
Total deferred inflows of resources	<u>\$ 18,430</u>	<u>\$ 9,646</u>	<u>\$ 28,076</u>

**Note 8. Net Position/Fund Balances**

**Governmental Activities**

*Restricted Net Position*

The Statement of Net Position-Governmental Activities reflects \$850.8 million of restricted net position, of which \$361.4 million is restricted by enabling legislation, including \$96.9 million of RI Capital Plan Funds. The remaining net position that is restricted by enabling legislation is included in the Employment Security Programs and Other categories on the Statement of Net Position. The principal component of the remaining balance of the restricted net position is unexpended bond proceeds.

**Governmental Funds – Fund Balances**

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

Governmental Funds - Fund Balance

	Major Funds			Total
	General Fund	IST Fund	Other Funds	
Fund Balances:				
Nonspendable:				
General Fund	\$ 1,558	\$ —	\$ —	\$ 1,558
Permanent Fund Principal	—	—	174	174
Restricted for:				
Purposes specified by enabling legislation	119,677	—	—	119,677
RI Capital Plan	—	—	96,882	96,882
Debt Service	—	20,258	72,934	93,192
Capital Projects	—	—	157,232	157,232
Temporary Disability Insurance	—	—	144,854	144,854
Historic Tax Credit Redemption	—	—	83,177	83,177
Transportation-Infrastructure	—	215,622	—	215,622
Mission 360 Loan Program	—	1,861	—	1,861
Education	—	—	648	648
Other	—	—	584	584
Committed to:				
Transportation-Maintenance	—	86,735	—	86,735
Other	5,206	—	376	5,582
Assigned to:				
Subsequent Years Expenditures	26,959	—	—	26,959
Statutory Reappropriations	10,296	—	—	10,296
Unassigned:				
Budget Reserve and Cash Stabilization	203,855	—	—	203,855
Other	3,481	(694)	—	2,787
Totals	<u>\$ 371,032</u>	<u>\$ 323,782</u>	<u>\$ 556,861</u>	<u>\$ 1,251,675</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 2019, 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 9. Restatements – Net Position**

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

	Governmental Activities	General Fund	Intermodal Surface Transportation	Other Governmental Funds	Discretely Presented Component Units
Balances previously reported at June 30, 2018					
Net Position	\$ (768,024)				\$ 2,663,895
Fund Balance		\$ 358,675	\$ 415,097	\$ 522,838	
<b>Restatement due to:</b>					
1) Reclassifications of amounts recorded in previous years' as escrow liabilities to restricted fund balance / net position	5,002	4,374	628	—	—
2) Correction of error in billing previous years' indirect costs to federal grants	—	—	—	—	(36)
3) Correction of prior period misstatement	(507)	(507)	—	—	—
4) Correction of prior year accrued self insurance claims	—	—	—	—	632
5) Correction for recognition of interest income amortization of deferred gain on refunding of debt of the Tobacco Settlement Financing Corporation for fiscal years 2016-2018.	1,878	—	—	67	—
6) Implementation of GASB Statement No. 83 - Certain Asset Retirement Obligations required beginning period recognition of a deferred outflow and offsetting asset retirement liability (no effect on beginning net position)	—	—	—	—	—
Balances at June 30, 2018, as restated:					
Net Position	<u>\$ (761,651)</u>				<u>\$ 2,664,491</u>
Fund Balance		<u>\$ 362,542</u>	<u>\$ 415,725</u>	<u>\$ 522,905</u>	

**Note 10. 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	\$ 1,391,890	\$ 1,396,808
General Business Taxes:		
Business Corporations	155,094	155,556
Public Utilities Gross Earnings	101,613	100,835
Financial Institutions	21,145	20,986
Insurance Companies	108,762	108,430
Bank Deposits	2,900	2,899
Health Care Provider Assessment	43,946	43,937
Sub-total - General Business Taxes	<u>433,460</u>	<u>432,643</u>
Sales and Use Taxes:		
Sales and Use	1,125,693	1,127,855
Motor Vehicle	1,035	1,019
Cigarettes	138,859	138,733
Alcoholic Beverages	20,437	20,436
Sub-total - Sales and Use Taxes	<u>1,286,024</u>	<u>1,288,043</u>
Other Taxes:		
Inheritance and Gift	48,018	47,839
Racing and Athletics	1,151	1,151
Realty Transfer	12,748	12,737
Sub-total - Other Taxes	<u>61,917</u>	<u>61,727</u>
Total - General Fund	<u>3,173,291</u>	<u>3,179,221</u>
Intermodal Surface Transportation Fund		
Gasoline	167,246	167,246
RI Highway Maintenance	72,853	72,853
Other Governmental Funds	190,107	190,107
Total Taxes	<u>\$ 3,603,497</u>	<u>\$ 3,609,427</u>

**Note 11. 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, 2019, 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 \$83.2 million is available in the Historic Tax Credit Fund at June 30, 2019. \$800 thousand of this amount is interfund due from General Fund.

The following is a summary of taxes abated during fiscal 2019 by tax type (expressed in thousands):

Tax Abatement Program	Personal Income	Business Corporation	Insurance Companies	Financial Institutions	Hotel Tax	Sales Tax	Non-Profit Redemption*	Total
Job Development Act	\$ —	\$ 1,595	\$ —	\$ 9,957	\$ —	\$ —	\$ —	\$ 11,552
Motion Picture Production Tax Credits	772	1,125	441	—	—	—	—	2,338
Historic Preservation Tax Credits	5,073	16	8,206	—	—	—	5,703	18,998
Job Training Tax Credits	—	505	—	—	—	—	—	505
Tax Credit for Contributions to Qualified Scholarship Organizations	1,212	—	—	9	—	—	—	1,221
Qualified Jobs Incentive Tax Credit	40	—	—	—	—	—	—	40
Tax Increment Financing	—	—	—	—	36	220	—	256
Wavemaker Fellowship**	94	—	—	—	—	—	—	94
<b>Total</b>	<b>\$ 7,191</b>	<b>\$ 3,241</b>	<b>\$ 8,647</b>	<b>\$ 9,966</b>	<b>\$ 36</b>	<b>\$ 220</b>	<b>\$ 5,703</b>	<b>\$ 35,004</b>

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

\*\* Wavemaker fellows have the option of directly receiving their payments. During the fiscal year ended June 30, 2019 direct payments made to fellows totaled approximately \$1.3 million.

*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 their responsibilities under the agreement. During the fiscal year ended June 30, 2019, one entity redeemed a Rebuild Rhode Island credit for a payment of approximately \$212,000.
- 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. One entity received a reimbursement of approximately \$532,000 in sales and use taxes.
- 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. During the fiscal year ended June 30, 2019, direct payments made to Wavemaker fellows totaled approximately \$1.3 million.

- 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, 2019.

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

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

<b><u>Program Name:</u></b>	<b><u>Tax Increment Financing</u></b>	<b><u>Anchor Institution Tax Credit</u></b>
Program purpose:	Stimulate business development; retain and attract new business and industry to RI; create good-paying jobs for RI residents; assist with business, commercial, and industrial real estate development; and generate revenues for necessary State and local governmental services.	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, Personal Income, Hotel, or Sales and Use.	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.

<b><u>Program Name:</u></b>	<b><u>Wavemaker Fellowship</u></b>	<b><u>Motion Picture Production Tax Credits</u></b>
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. 30% 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.	The amount of the credit shall be 30% of State certified production costs incurred that are directly attributable to activity within the State. Motion picture production tax credit certificates are issued to the motion picture production company, or to one or more transferees to be applied as a credit to taxes owed.
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

<b><u>Program Name:</u></b>	<b><u>Historic Preservation Tax Credits</u></b>	<b><u>Job Training Tax Credits</u></b>
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.

<b><u>Program Name:</u></b>	<b><u>Employer's Apprenticeship Tax Credits</u></b>	<b><u>Tax Credit for Contributions to Qualified Scholarship Organizations</u></b>
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
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 12. 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)	\$	43,882
Investment income		1,043
Total revenue		<u>44,925</u>
General and administrative expenses		65
Net revenue available for debt service	\$	<u>44,860</u>
Required debt service payments	\$	36,006
Covered ratio before turbo principal payments (b)		124.60%
Turbo redemptions - principal (c)		9,160
Total annual debt service	\$	<u>45,166</u>
Covered ratio after turbo principal payments (d)		99.30%
Term of commitment - through June 2052		

### Revenue Bonds-GARVEE (Federal Highway)

Revenue - FHWA participation	\$	57,521
Less: operating expenses		—
Net available revenue	\$	<u>57,521</u>
Debt service		
Principal	\$	33,975
Interest		23,560
Total debt service	\$	<u>57,535</u>
Coverage (b)		99.98%
Term of commitment - through June 2031		

### Revenue Bonds-Motor Fuel (Gas Tax)

Revenue - 2 cents per gallon of the gasoline tax	\$	9,776
Less: operating expenses		—
Net available revenue	\$	<u>9,776</u>
Debt service		
Principal	\$	3,605
Interest		1,751
Total debt service	\$	<u>5,356</u>
Coverage (b)		182.52%
Term of commitment - through June 2027		

- (a) Included for fiscal 2019 are certain one-time revenue items totaling approximately \$7.6 million. This amount consisted of \$2.9 million related to the disputed payment amount for 2016 which was settled at 75% and \$4.7 million related to the disputed payment amount for 2018 which was settled at 72%.
- (b) Coverage ratio equals net revenue available for debt service divided by required debt service payments.
- (c) "Turbo" redemption provisions require the Corporation to apply collections that are in excess of current funding requirements to the early redemption of the bonds.
- (d) Coverage ratio equals net revenue available for debt service divided by total annual debt service.

### Note 13. Transfers

Transfers for the fiscal year ended June 30, 2019 are presented below (expressed in thousands):

	Transfers	Description
Governmental Funds		
Major Funds		
General		
Major Funds		
Intermodal Surface Transportation	\$ 49,392	Debt service and operating assistance
Nonmajor Funds		
RI Temporary Disability Insurance	1,012	Administrative cost
Historic Tax Credit	13,296	Tax credits claimed
Bond Capital	2,719	Interest earnings transfer
Clean Water	1,254	Transfer
RI Capital Plan	205	Capital expenditures
Proprietary Funds		
Lottery	397,321	Net income transfer
Total General	<u>465,199</u>	
Intermodal Surface Transportation		
RI Capital Plan	<u>43,494</u>	Infrastructure funding
Nonmajor Funds		
RI Capital Plan		
General	116,960	Transfer statutory excess in budget reserve
Bond Capital	193	Premium on new bonds
RI Public Rail Corporation		
Intermodal Surface Transportation	<u>1,716</u>	Operating assistance
Total Nonmajor Funds	<u>118,869</u>	
Total Governmental Funds	<u>627,562</u>	
Proprietary Funds		
Convention Center		
General	20,290	Debt service
RI Capital Plan	8,700	Capital improvement
Employment Security	95	JDF tax revenue
Total Proprietary Funds	<u>29,085</u>	
Total Transfers Primary Government	<u>\$ 656,647</u>	

### Note 14. Operating Lease Commitments

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$17.5 million for the fiscal year ended June 30, 2019. 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, 2019:

Fiscal Year Ending June 30	
2020	\$ 13,318
2021	10,990
2022	9,747
2023	9,302
2024	8,135
2025 - 2029	21,425
2030 - 2034	6,604
Total	<u>\$ 79,521</u>

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

## Note 15. Commitments

### Primary Government

The primary government is committed at June 30, 2019 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, 2019, the primary government had transportation infrastructure design, construction and other contract commitments of approximately \$862 million, and contract commitments for the design, construction and renovation of buildings of approximately \$48 million. At June 30, 2019 the primary government had software development and implementation contract commitments of approximately \$12 million. These amounts include only purchase orders and related amendments generally processed through June 30, 2019. 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 and bridges over AMTRAK's Northeast Corridor. RIPRC has been designated as the entity responsible for indemnifying AMTRAK and MBTA, and securing and maintaining liability insurance coverage to provide funds to pay all or a portion of the liabilities of the State, the MBTA, and AMTRAK for property damage, personal injury, bodily injury or death arising out of the South County Commuter Rail Service 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, 2019, \$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 \$2.9 million of the debt on the related economic development revenue bonds in fiscal 2019. The State has commitments relating to this debt through fiscal 2027. In addition, RICC has committed to funding various economic development initiatives that are further described in Note 11, Tax Abatements.

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

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

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

The estimated remaining useful life of the nuclear reactor is 40 years as of July 1, 2018. During fiscal 2019 amortization expense of \$815,000 related to the deferred outflow of assets was charged to general government functions on the Statement of Activities. The total deferred outflows remaining to be amortized at June 30, 2019 was \$31.8 million.

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

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

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

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

In May 2019, following the release of standardized test scores showing low levels of English and math proficiency among PPSD students, RIDE engaged the Institute for Education Policy at Johns Hopkins University (the "Institute") to conduct a review of the PPSD to identify the challenges impeding reform efforts. The Institute's review included a study of academic outcomes, observation of classroom instruction and interviews with students, teachers, administrators and community members. After completing its review, the Institute released a report in June 2019 (the "Hopkins Report"), which identified systemic deficiencies in the

performance of the PPSD, including with respect to governance structure, management, health and safety, facilities, curriculum and academic instruction. The Hopkins Report concluded that such deficiencies were the cause of widespread unsatisfactory academic outcomes for PPSD students and demoralized teachers, staff, administrators and parents.

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

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

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

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

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 (\$2.5 million at June 30, 2019).

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.

During August 2018, the Lottery contracted with IGT to provide, along with its subcontractor, American Wagering, Inc., D/B/A William Hill USA (William Hill), a proprietary sports betting solution for all sports betting at the Twin River Casino Hotel and Tiverton Casino Hotel facilities. The initial term of the software license is five years from launch date, and upon mutual agreement of the parties, there are two successive five year renewal options. In exchange, IGT is allocated its revenue share in accordance with RI General Laws 42-61-2. In the event of a loss of sports wagering revenue in a quarterly period, IGT will cover the State's share of said loss interest free until a subsequent invoicing period is sufficient to cover said period loss.

During July 2019, the Lottery executed the first amendment to the Sports Betting Agreement authorizing IGT to supply the equipment, software and services for online sports wagering using mobile devices. This is in accordance with authorized sports wagering legislation enacted in June 2019.

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 this 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. During fiscal 2019, IGT waived all rights, claims, and cause action for promotional points for the facilities redeemed up to 20% of facility prior year net terminal income plus \$750,000 for Twin River-Lincoln. For fiscal 2019, the first marketing year in which the Division commenced operating video lottery terminals at Twin River - Tiverton, the amount of promotional points program was the sum of 50% of the Newport Grand and 50% of the Twin

---

River - Lincoln net terminal income for the prior marketing year. For fiscal 2020, each facility's allowable promotional points are 20% of prior year net terminal income plus \$750,000.

*Video Lottery Facility – Twin River-Lincoln (Owned and operated by Twin River Worldwide Holdings)*

On July 18, 2005, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with the owners of Twin River - Lincoln to manage one of the State's licensed video lottery facilities. The contract entitles the owner to compensation ranging from 26% to 28.85% of video lottery net terminal income at the facility. Five-year extension terms commenced on July 18, 2010 and July 18, 2015. Certain extensions are contingent on the owner'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-Lincoln. In fiscal 2019, Twin River-Lincoln was authorized and issued approximately \$71 million in promotional points to facility patrons.

The Lottery is also required by contract to reimburse the owner 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 (60.89% for 2019). The Lottery accrued to reimburse the owner for \$5.5 million in marketing expenses for fiscal 2019.

On May 2, 2017, the Lottery entered into a fifth amendment to the Master Contract with the owner, authorizing the owner to construct and operate a hotel at Twin River-Lincoln which opened in October, 2018.

On May 3, 2017, the Lottery entered into a sixth amendment to the Master Contract with the owner 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 the owner'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 - Lincoln and Twin River - Tiverton.

On February 6, 2018, the Lottery entered into the seventh amendment to the Master Contract with the owner requiring make whole provisions pursuant 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 and Twin River - Tiverton 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. During fiscal 2019, IGT waived all rights, claims and cause action for promotional points for the facilities redeemed up to 20% of the facility prior year net terminal income plus \$750,000 for Twin River - Lincoln. For fiscal 2020, each facility's allowable promotional points are 20% for prior year net terminal income plus \$750,000.

*Video Lottery Facilities – Twin River - Tiverton (Owned and operated by Twin River Worldwide Holdings)*

On August 28, 2018, Newport Grand ceased operations and the State's license was transferred to Twin River - Tiverton.

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 - Lincoln. 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, which was to sunset upon the opening of Twin River - Tiverton.

The Master Contract was amended to reflect the statutory authorization of a promotional points program at Newport Grand. For fiscal year 2019, the first marketing year in which the Division commenced operating video lottery terminals at Twin River - Tiverton, the amount of promotional points program was the sum of 50% of the Newport Grand and 50% of the Twin River - Lincoln net terminal income for the prior marketing year. For fiscal 2020, each facility's allowable promotional points are 20% of prior year net terminal income plus \$750,000.

In fiscal 2019, Twin River - Tiverton was authorized and issued approximately \$14.9 million in promotional points to facility patrons (Newport Grand was authorized and issued approximately \$.9 million).

The Master Contract has also been amended to reflect the statutory requirement that the Lottery reimburse Twin River - Tiverton 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 fiscal 2019 (61.46% for Newport Grand and 61.07% for Tiverton Casino Hotel). Marketing reimbursements for fiscal year 2019 were prorated based on the number of days that each facility was operating during the fiscal year. The Lottery accrued to reimburse Twin River - Tiverton for \$430,067 in marketing expenses for fiscal 2019 (reimbursements for Newport Grand totaled \$8,548 for fiscal 2019).

#### *Rhode Island Convention Center Authority*

Through June 30, 2019, 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 \$14.7 million.

### **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 \$94.1 million as of June 30, 2019 has been recorded in the statement of net position, as summarized by Phases below:

	Year ended June 30, 2019
Phase I	\$ 450,904
Phase II and III	15,268,863
Phase IV	16,898,499
Phase V	42,910,328
Phase VI	18,007,688
Other	570,423
	<u>\$ 94,106,705</u>

As of June 30, 2019, 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	\$ 2,613,193	94.26%	6 months
Phase VI	\$ 80,828,179	18.22%	17.2 years

As of June 30, 2019 RIRRC revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a \$606,670 increase of the corresponding liability from \$108.9 million at June 30, 2018 to \$109.0 million at June 30, 2019.

Amounts provided for closure and post-closure care are based on current costs. These costs may be adjusted each year due to changes in the closure and post-closure care plan, inflation or deflation, technology, or applicable laws or regulations. It is reasonably possible that these estimates and assumptions could change in the near term and that the change could be material.

Included in the restricted component of net position at June 30, 2019 is \$63.9 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, 2019 is as follows:

Balance, June 30, 2018	Additions	Reductions	Balance, June 30, 2019	Current Portion
\$ 18,403,169	\$ —	\$ (2,387,203)	\$ 16,015,966	\$ 873,495

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 \$46.0 million as of June 30, 2019.

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 \$16.0 million as of June 30, 2019.

*R.I. Turnpike and Bridge Authority*

The R.I. Turnpike and Bridge Authority has entered into contracts totaling \$36.7 million for bridge and highway repairs on the Mount Hope, Claiborne Pell, Jamestown and Sakonnet River Bridges which is expected to take over a year to complete. As of June 30, 2019, remaining commitments on these contracts total \$19.8 million. The Authority also provides administrative and operational functions for the RhodeWorks truck tolling initiative which commenced in fiscal 18.

*R.I. Public Transit Authority*

The R.I. Public Transit Authority is committed under various contracts in the amount of \$36.2 million at June 30, 2019.

*I-195 Redevelopment District Commission*

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

	Total Amount Awarded Through June 30, 2019	Paid Through June 30, 2019	Remaining Commitment
Base Building 195 Incentive	\$ 1,865,000	\$ 1,865,000	\$ —
CIC Tenant Improvements Grant	12,775,000	9,581,538	3,193,462
CIC Operation Grant	1,200,000	—	1,200,000
District Hall Development & Management	1,800,000	180,000	1,620,000
District Hall Operation Grant	560,000	560,000	—
District Hall FF&E Grant	200,000	—	200,000
Venture Café Grant	700,000	—	700,000
	<u>\$ 19,100,000</u>	<u>\$ 12,186,538</u>	<u>\$ 6,913,462</u>

*Other Component Units*

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

**Note 16. Contingencies**

**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 contingencies are 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 State Troopers Association in Superior Court. The State and ERSRI filed motions to dismiss which were heard on December 13, 2019. A decision on the motions is pending. The State intends to vigorously defend this lawsuit.

---

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

The American Trucking Associations and four trucking companies have sued the State in federal district court alleging that the statute authorizing only tractor-trailer tolling violates the Dormant Commerce Clause of the United States Constitution. On March 19, 2019, the federal court granted the State's motion to dismiss for lack of subject-matter jurisdiction, stating that the state court and not federal court was the proper location for this lawsuit. Plaintiffs appealed this decision to the First Circuit Court of Appeals which reversed the decision and remanded the case to the U.S. District Court. The cumulative amount of toll collections, which began in June 2018, totaled \$7.3 million through June 30, 2019. During this period there were two toll gantries operating. Once all toll 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. et al. v. Raimondo, Executive Office of Health & Human Services (EOHHS) and Department of Children, Youth & Families (DCYF)**

Children's Rights of New York (Children's Rights) brought suit against the State in 2007 alleging constitutional and statutory violations in its foster care programs. Children's Rights sought substantial changes to these programs, prolonged supervision by a private, outside monitor and attorney's fees. A judgment was entered in favor of the State in United States District Court for the District of Rhode Island on April 30, 2014. Children's Rights appealed to the United States Court of Appeals for the First Circuit, which reversed the judgment and remanded the case to the District Court for additional discovery and further litigation. A settlement agreement was approved by the District Court after a fairness hearing in May 2018 and negotiated attorneys' fees were paid. 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 family also filed a motion for partial summary judgment on the public duty doctrine, tort cap and the application of statutory interest; and, the State filed cross motions for summary judgment on these same issues. The Superior Court partially granted and partially denied each of the cross motions. The family is seeking over \$2 million in damages, and there may be exposure for pre-trial interest exceeding that amount.

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

A student, through their parents and on behalf of a class of similarly situated individuals, filed suit in federal court arguing that Local Education Agencies in the State must provide free appropriate public education to students with a disability who have not earned a regular high school diploma until the age of 22. Such services have historically been provided until the age of 21. On appeal of a district court decision in favor of the State, the First Circuit Court of Appeals reversed the district court, held in favor of Plaintiffs and remanded the case to the trial court to determine remedies. The parties are currently working to determine the size of plaintiffs' class in preparation for a potential settlement conference. Based on similar settlements in other states, the State estimates potential liability of approximately \$7 million.

### **Verizon New England v. Tax Administrator**

This case is pending in Rhode Island District Court as a tax appeal. The plaintiff seeks reimbursement for the past five years of contested tax payments in the collective amount of \$22 million plus interest and challenges the method of depreciation, which would result in recalculation of the State's assessments regarding its equipment and communication lines. Management intends to contest the case vigorously and

believes they will be successful. The State has filed a motion for summary judgment. A number of municipalities have moved to intervene. The next court action, scheduled for January 2020, will address the motions to intervene. Over 99% of the collected tax payments are forwarded to municipalities. Therefore, an adverse verdict would impact each city and town regarding future tax payments which would be reduced to cover any amount awarded to the Plaintiff.

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

The State has been sued by the Rhode Island Center for Justice alleging that the State has “downgraded the teaching of social studies and civics” and thereby violated students’ rights under the Equal Protection, Privileges and Immunities and Due Process Clauses of the Fourteenth Amendment, the Sixth and Seventh Amendments, as well as the Guarantee Clause of Art. 4, § 4 of the United States Constitution. The case is proceeding through the federal District Court and management has not formed an opinion as to the likelihood of success or any potential damages.

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

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

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

The Tobacco Master Settlement Agreement (the “MSA”) is an agreement entered into between 52 states and territories, including Rhode Island, and major tobacco companies (the Participating Tobacco Manufacturers, or “PMs”) in settlement of certain litigation. On March 24, 2017, the Rhode Island Attorney General (the “Attorney General”) announced that his office had reached a settlement in principle through its joinder to a multistate Settlement Term Sheet (“Term Sheet”) with various tobacco manufacturers over certain disputed payments for the years 2004 through 2014 under the MSA. Rhode Island became the twenty-fifth (25th) state to join the Term Sheet. Disputed payments arose from a provision in the MSA that allows the PMs to withhold a portion of the annual distribution to the MSA States if certain conditions are met. Under the MSA, the 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 and continues to maintain that it diligently enforces its applicable statutes against the NPMs. Under the Term Sheet, Rhode Island received an upfront payment of 54 percent of the disputed payments deposited by the PMs in the settling MSA State’s DPA for the years 2004-2014. Rhode Island’s settlement did not include year 2003 like certain other States because the PMs issued an order of “no contest” for Rhode Island during the 2003 Arbitration. This meant that the PMs decided not to pursue its diligent enforcement claims against Rhode Island for 2003. Under the Term Sheet, the PMs receive the remaining 46 percent in the form of offsets taken against the MSA payments due to the settling MSA States in payment years 2017 through 2021. Under the Settlement Term Sheet, the PMs also will place into the disputed payment accounts certain amounts with respect to payment years 2017 through 2021 (reflecting certain disputed amounts relating to years 2014 through and including 2020) that would otherwise be deposited into the DPA and not paid to the MSA States if the MSA States did not join the Settlement Term Sheet. A final comprehensive agreement incorporating the Term Sheet (“the Settlement Agreement”) was fully executed in the fall of 2017 by the PMs and 26 MSA States. The Settlement Agreement also settled Year 2015 on a 75% / 25% split to resolve the NPM Adjustment dispute, rather than a 50% / 50% split with an NPM Adjustment dispute to still be resolved and monies trued-up in future years. By settling 2015, Rhode Island was disbursed an additional \$2,890,371 in Payment Year 2018 that Rhode Island otherwise would not have received without settling Year 2015. This additional revenue resulted from the PMs crediting RI the extra 25% it did not previously receive. To date, there are currently thirty-six (36) State signatories to the

Settlement Agreement, subject to each State's respective joinder letters. The NPM Adjustment Arbitration regarding diligent enforcement related to 2004 remains ongoing with the States that have not settled.

Effective for the 2019 Payment, the signatory PMs and original twenty-six (26) State signatories to the Settlement Agreement, including Rhode Island, entered into an extension of the Settlement Agreement per the Settlement Agreement's modification provisions to include 2016/2017 as settled years at a 75%/25% split between the States and the PMs to resolve those years and 2) eliminate the potential of an SET ("state excise tax") Paid NPM Sales Adjustment (described below) for 2015, 2016 and 2017.

It is possible that the PMs could dispute the MSA amounts beginning with the 2018 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. 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 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 Tobacco Settlement Revenues ("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. 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, or determined to be subject to a SET-paid adjustment as described below, this could have a material adverse effect on the amounts of TSRs available to the Corporation to make turbo redemptions and other debt service payments on its debt obligations.

Without this Settlement, 100% of the monies for each respective unresolved year would be held in the DPA until there was a diligence determination at a later date. On April 18, 2019, Rhode Island received approximately \$2,920,946 related to the disputed payment amount for 2016 as a settled year at 75% of the 2016 disputed payment amount. In April 2019, Rhode Island also received approximately \$4,637,950 related to the disputed payment amount for 2018 at 72% of the 2018 disputed amount. The total credits received by Rhode Island in 2019 pursuant to the Settlement Agreement were approximately \$7,558,896.

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 2018 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%. Without this settlement, 100% of the disputed monies would be held in the DPA. The Settlement Agreement allows at least 50% of future disputed payments to be paid to Rhode Island immediately in the corresponding payment year as a credit, with the PMs keeping a maximum of 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.

As detailed in the Term Sheet, the Bond Consent Solicitation Statement, and incorporated under Section V.B.8 of the Settlement Agreement, a State's MSA payment may also be subject to an adjustment on all SET-paid NPM cigarettes for future unsettled years if a State does not meet a safe harbor provision. A State will not be subject to this revised adjustment if (i) escrow was deposited on 96% of all NPM cigarettes sold in the State during that year on which SET was paid, or (ii) the number of SET-paid NPM cigarettes sold in the State during that year on which escrow was not deposited did not exceed two million cigarettes. Pursuant to the Settlement Agreement, BDO USA, LLP ("BDO") serves as the Settlement Agreement's Data Clearinghouse to perform this SET-paid calculation. On or about August 1, 2019, in accordance with Section VI.E(1)-(2) of the Settlement Agreement, Rhode Island, through the Attorney General's Office, submitted certain confidential documents to BDO and PM Counsel related to NPM Sales in Rhode Island during Year 2018. The documents and disclosure of such information are protected by a confidentiality and protective

order issued by Rhode Island's MSA Court in July 2019. BDO has made a preliminary determination that Rhode Island has met the safe harbor provision under Section V.B.8 of the Settlement Agreement for Year 2018 and will not be subject to the SET-paid adjustment for the 2020 MSA payment. The PMs have until early 2020 to dispute BDO's preliminary finding.

Unsuccessful litigation has been filed against the MSA 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, 2019.

### **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. Most recently, a third casino opened (June 2019) in Everett, Massachusetts which is likely the cause of the recent decline in the Lottery's net revenue from video lottery terminals and table games. In addition, both neighboring states may consider 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 issue in the case relating to whether the State "operates" the Twin River - Lincoln and Twin River - Tiverton facilities remains pending in the Superior Court. If the tribe were to prevail, there could be a significant impact on the State's gaming revenue.

A plaintiff has filed suit against the Division of Lottery and Department of Administration challenging the constitutionality of sports betting in Rhode Island. The complaint asserts that the conduct of State operated sports betting in Tiverton and Lincoln violates the express constitutional requirement of voter approval and must be declared unconstitutional and enjoined until and unless the voters of Rhode Island approve sports gambling at duly authorized statewide and local elections. On September 9, 2019, the suit was dismissed by the Rhode Island Superior Court due to a lack of standing by the plaintiff. However in December 2019, a Superior Court judge ruled that the Plaintiff did have standing. State revenues collected from Twin River Casino and Tiverton Casino would be affected if a court were to enjoin or otherwise restrict sports wagering.

---

## Federal Assistance

The State receives significant amounts of federal financial assistance under grant agreements or joint state/federally financed programs which specify the purpose of the grant and conditions under which the funds may be used. Generally, these grants are subject to audit. The Single Audit for the State of Rhode Island for the fiscal year ended June 30, 2019 will be issued in March 2020. 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 2019 Single Audit is in progress. It is anticipated that there will be additional questioned costs identified in that audit.

The Executive Office of Health and Human Services has engaged external counsel in evaluating whether the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals may have received overpayments from certain activities reimbursed by the Medicaid program. The evaluation is ongoing and no quantification of an actual overpayment amount, if any, has been made. The Medicaid program is a significant activity within the State's General Fund and consequently, overpayments, if determined, could be material.

### **RIBRIDGES / Unified Health Infrastructure Project ("UHIP")**

The RIBridges system, also known as the Unified Health Infrastructure Project or UHIP, is Rhode Island's integrated eligibility system for various health and human services programs (e.g., Medicaid, Children's Health Insurance Program (CHIP), Supplemental Nutrition Assistance (SNAP), Temporary Assistance to Needy Families (TANF), and Child Care programs) as well as the State's Health Insurance Exchange established pursuant to the ACA.

The system implementation resulted in challenges in determining and/or re-determining eligibility for the programs administered through the system. Upon phase 2 implementation, the system experienced many functional problems in enrollment and eligibility processing. Control deficiencies have 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 as well as advances to providers impacted by delays in eligibility.

Participants experienced system stabilization improvements to RIBridges in fiscal 2019. Backlogs have dropped, timeliness has improved across programs and system incidents are at their lowest since system implementation. Efforts to address the implementation issues continue and the State anticipates further technological improvements to RIBridges in fiscal 2020.

However, contingencies remain which include potential sanctions or request for return of federal funds imposed by federal grantor agencies for noncompliance with specific program requirements. Additionally, advances continue 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 increased during fiscal 2019 and will continue through fiscal 2020.

The State has negotiated with the system developer, Deloitte, to recoup some of the system costs expended to date, to receive additional services at no charge, to fix and improve the system, and to cover any fines that may be levied against the State by the federal government. The State has not paid Deloitte since December 2016 and during that period the State negotiated \$86 million in no-cost services and credits. The State has negotiated a contract extension with Deloitte through June 2021. Once it is approved by federal partners, the agreement will secure additional service discounts for the period of extension, as well as a \$50 million compensatory cash payment to the State, some portion of which will be paid to federal partners.

The State of Rhode Island Executive Office of Health and Human Services submitted the federal fiscal year 2020 RIBridges Implementation Advanced Planning Document (IAPD) to the federal government in July 2019 requesting continued federal funding for the RIBridges project that increases the total cost of the project to \$656 million, of which \$86.6 million is allocated to federal fiscal year 2021. Project costs include development, maintenance and operations costs of RIBridges since fiscal 2011, and operational costs for agencies served by the system. These include State personnel, call center operations, project management, and business and technical support services. The State share is now projected at \$153 million. Both CMS and the Food and Nutrition Service have approved the IAPD for a six-month period.

Material noncompliance with federal program compliance provisions were reported in the Fiscal 2017 and 2018 Single Audit Reports for the Medicaid, CHIP, SNAP, TANF, and CCAP programs. Resolution of the audit findings identifying material noncompliance remains pending.

Management has recorded liabilities for known amounts and made estimates for other contingencies where possible. Deloitte has agreed to pay all fines and penalties administered by the Food and Nutrition Service related to the SNAP program deficiencies caused by the system. Management cannot presently estimate the likelihood of other contingent liabilities related to the RIBridges/UHIP implementation.

### **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.

### **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 \$28.4 million outstanding in bonds, which are secured in part by capital reserve funds which have aggregated to \$4.4 million on June 30, 2019. 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, 2019 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 \$12.7 million at June 30, 2019.

---

## 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, 2019, 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, 2019 are \$9.6 million.

RIIRBA insures a bond issued by RIIFC on behalf of a private sector entity. During the year ended June 30, 2012 the private sector entity defaulted on its payments to the bond holder and RIIRBA assumed responsibility for making the debt payments. In July 2018, a mediation settlement in connection with a pending case in the Providence Superior Court was entered into and approved with a formal vote by the board of the Authority. This settlement resulted in a payment of \$1.5 million to the Rhode Island Industrial Recreational Authority replenishing existing available financial resources. Bond payments will continue to be made by first exhausting RIIRBA's available financial resources and if losses related to the default exceed available resources, the Authority will then request appropriations of the Rhode Island General Assembly for any loss in excess of the insured amount. The insured commitment, which is included in total liabilities on the accompanying Statement of Net Position, amounts to \$3.4 million at June 30, 2019. No request has been made to the General Assembly at June 30, 2019 for appropriations to satisfy any liability under the insurance guarantee.

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

RIHMFC is party to financial instruments with off-balance sheet risk in connection with its commitments to provide financing. Such commitments expose RIHMFC to credit risk in excess of the amounts recognized in the accompanying statement of net position. RIHMFC's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. Total credit exposure as a result of loan commitments at June 30, 2019 is \$94.7 million.

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

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

### *University of Rhode Island*

On 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 and a trial date has been scheduled for March 2020. 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 17. Employer Pension Plans**

**A. Summary of Employer Plans**

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

	Plan	Plan Type	Covered employees	FY 2019 pension expense (credit)*	Net pension liability at June 30, 2018 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	\$186,631	\$2,013,417
			Business-type activities	\$1,630	\$17,142
			Special funding – teachers - state share (see Note Section 17-E)	\$127,297	\$1,357,444
B	State Police Retirement Benefits Trust (SPRBT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired after July 1, 1987	\$6,463	\$27,191
C	Judicial Retirement Benefits Trust (JRBT)	Single-employer defined benefit plan – advance funded through a trust	Judges appointed after December 31, 1989	\$2,250	\$5,713
D	RI Judicial Retirement Fund Trust (RIJRFT)	Single-employer defined benefit plan – advance funded through a trust	Covers 7 judges appointed prior to January 1, 1990	(\$1,191)	\$18,187
E	State Police Retirement Fund Trust (SPRFT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired before July 1, 1987	\$22,544	\$166,325
F	Judicial Non-Contributory Retirement Plan (JNCRP)	Single employer defined benefit – non trustee – pay-as-you-go plan	Judges appointed before January 1, 1990 who retired before July 1, 2012	\$2,246	\$41,550
<b>Totals</b>				<b>\$347,870</b>	<b>\$3,646,969</b>
G	LIUNA – union plan for members of the LIUNA bargaining units	Cost-sharing multiple employer defined benefit plan – “Taft-Hartley” non-governmental plan	Members of the LIUNA bargaining unit.	Not applicable (see note below)	Not applicable (see note below)
H	ERS – Defined Contribution Plan	Multiple-employer defined contribution plan	State employees subject to the “hybrid” defined benefit/defined contribution plan provisions	\$5,100	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
* The pension credit for RIJRFT results from an actuarial gain (expected compared to actual experience).					

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, 2017 actuarial valuations (with the exception of JNCRP which has a June 30, 2018 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	11,078	3,384	8,302	2,850	25,614
JRBT	20	—	15	40	75
RIJRFT	2	—	5	—	7
SPRBT	71	47	26	206	350
SPRFT	269	—	—	—	269
JNCRP	51	—	—	—	51

---

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

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

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

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

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

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

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

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

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

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 \$26,688 (indexed as of January 1, 2019) 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 \$26,688 is replaced with \$32,025 (indexed as of January 1, 2019) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$26,688).

**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:

	<b>Retirement benefit</b>
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 \$26,688 (indexed as of January 1, 2019) 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 \$26,688 is replaced with \$32,025 (indexed as of January 1, 2019) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$26,688).

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

**Plan members** – The plan covers seven (7) judges appointed prior to January 1, 1990. These members are active judges (as of June 30, 2012) appointed prior to January 1, 1990 that do not participate in the Judicial Retirement Benefit Trust. Prior to creating the trust, benefits for these members were intended to be funded on a pay-as-you-go basis. To the extent assets in the trust are insufficient to fund member benefits, the State would also fund retirement benefits on a pay-as-you-go basis as it does for fifty-one (51) retired judges and surviving beneficiaries who were not members of either judicial plan. The employee contribution rate is 12% of salary (except for members of the Supreme Court who contribute 8.75%).

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

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

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 \$26,688 (indexed as of January 1, 2019) 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 \$26,688 is replaced with \$32,025 (indexed as of January 1, 2019) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$26,688).

**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 \$26,688 (indexed as of January 1, 2019) 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 \$26,688 is replaced with \$32,025 (indexed as of January 1, 2019) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$26,688).

**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 \$26,688 (indexed as of January 1, 2019) 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 \$26,688 is replaced with \$32,025 (indexed as of January 1, 2019) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$26,688).

### 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, 2018 is approximately \$3.2 billion and the State's share of the net pension liability is approximately \$1.4 billion. The State's share of the net pension liability for teachers has been allocated based upon the statutory contribution percentage and is reflected in the Statement of Net Position as of June 30, 2019 as Net Pension Liability-Special Funding Situation. The State's proportion for the special funding situation for the teachers covered in the ERS Plan was 42.72%, a decrease of (0.33)% 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.

Actuarially determined contributions are calculated as of June 30, two years prior to the commencement of the fiscal year in which the contributions are reported. The actuarially determined contribution rates (or amounts if not expressed as a rate) for fiscal 2019 were determined based on valuations performed as of June 30, 2016 for all plans.

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

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

The non-contributory judges (JNCRP) plan is financed on a pay-as-you-go basis.

A summary of the contribution rates by both the participating employers and members and the State's annual pension plan contributions (expressed in thousands) for the fiscal year ended June 30, 2019 is provided in the table below:

	ERS*	JRBT	RIJRFT**	SPRBT	SPRFT**	JNCRP***
Contribution rate:						
State	26.28%	20.28%	\$1,224	14.74%	\$16,387	—
Plan members	3.75% and 11.00%	8.75% and 12.00%	8.75% and 12.00%	8.75%	—	—
State contribution for teachers	10.06%	—	—	—	—	—
Contributions made for state employees	\$171,103	\$1,922	\$399	\$3,567	\$16,387	\$5,029
Contribution made for teachers	\$102,239	—	—	—	—	—

\* This includes the actuarially determined contribution rate of 25.75% and an additional contribution of .53% representing an elective contribution by the State to offset the impact of a voluntary retirement incentive offered to State employees in 2017.

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

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

ERS Plan Supplemental Contributions - The General Laws (Section 36-10-2(a) 1 and 2) also require, in addition to the contributions provided for by the funding policy, for each fiscal year in which the actuarially determined state contribution rate for state employees and teachers is lower than that for the prior fiscal year, the governor shall include an appropriation to that system equivalent to 20% of the rate reduction to be applied to the actuarial accrued liability. The amounts to be appropriated shall be included in the annual appropriation bill and shall be paid by the general treasurer into the retirement system. The retirement system's actuary shall not adjust the computation of the annual required contribution for the year in which supplemental contributions are received; such contributions once made may be treated as reducing the actuarial liability remaining for amortization in the following actuarial valuation to be performed. For fiscal year 2019, no supplemental contribution was required in accordance with this provision of the General Laws.

The Retirement Security Act provides for additional contributions to the System based on 5.5% of the value of contracts where the services performed by the contractor were previously performed by state employees. A supplemental contribution of \$511 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 42.72%. 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 2018. The State's proportion for the ERS Plan for State employees was 89.45%, an increase of 0.27% 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, 2018 (expressed in thousands and excluding amounts related to teachers under the special funding arrangement discussed above):

<b>Total Net Pension Liability - Employees' Retirement System (ERS) - State Employees</b>	\$		2,250,804
<i>Less portion attributable to other entities:</i>			
Enterprise Fund - Rhode Island Lottery	\$		(17,142)
Discretely Presented Component Units			
University of Rhode Island	\$	123,705	
Rhode Island College		42,651	
Community College of RI		31,485	
RI Division of Higher Education Assistance		1,495	
RI Commerce Corporation		309	
RI Airport Corporation		1,928	
			(201,573)
Related organization - Narragansett Bay Commission			(18,672)
<b>ERS - Net Pension Liability - Governmental Activities</b>	\$		<u>2,013,417</u>
<b>Net Pension Liability - Single Employer Defined Benefit Pension Plans</b>			
JRBT			5,713
RIJRFT			18,187
SPRBT			27,191
SPRFT			166,325
JNCRP			41,550
			<u>222,966</u>
<b>Total Net Pension Liability</b>	\$		<u><u>2,272,383</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, 2018 is presented below:

	JRBT	RIJRFT	SPRBT	SPRFT
Total pension liability	\$ 79,158	\$ 18,994	\$ 165,924	\$ 182,583
Plan fiduciary net position	73,445	807	138,733	16,258
Net pension liability	\$ 5,713	\$ 18,187	\$ 27,191	\$ 166,325
Plan fiduciary net position as a percentage of total pension liability	92.8%	4.2%	83.6%	8.9%

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

The total pension liability was determined by actuarial valuations performed as of June 30, 2017 and rolled forward to the June 30, 2018 measurement date, with the exception of RIJRFT, SPRFT and JNCRP. The total pension liability for RIJRFT, SPRFT and JNCRP are based on valuations performed as of June 30, 2018. The following table summarizes the actuarial assumptions, applied to all periods included in the measurement.

	ERS						
	State Employees	Teachers	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP
Valuation Date	6/30/2017 rolled forward to 6/30/2018	6/30/2017 rolled forward to 6/30/2018	6/30/2017 rolled forward to 6/30/2018	06/30/18	6/30/2017 rolled forward to 6/30/2018	06/30/18	06/30/18
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%	3.62%	7.00%	7.00%	3.62%
Projected Salary increases	3.25% to 6.25%	3.0% to 13.0%	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 second such COLA will be applicable in Calendar Year 2021. As of June 30, 2017, it is assumed that the COLAs will be suspended for 10 years due to the current funding level of the plans. The actual amount of the COLA is determined based on 50% of the plan's five-year average investment rate of return minus 5.00% which will range from zero to 4.0%, and 50% of the lesser of 3% or last year's CPI-U increase for a total maximum increase of 3.50%.						

The actuarial assumptions used in the calculation of the total pension liability at the June 30, 2018 measurement date were consistent with the 2017 Actuarial Experience Investigation Study for the six year period ended June 30, 2016.

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

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date except for the changes in assumptions for the RIJRFT and JNCRP plans due to use of the municipal bond index rate of 3.62% as of June 30, 2018. This rate was 3.56% at June 30, 2017.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 34 sources. The June 30, 2018 expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

Asset Class	Long-term Asset allocation	Long-term Expected Arithmetic Real Rate of Return
<b><i>GROWTH</i></b>		
<b>Global Equity</b>		
U.S. Equity	20.80%	6.43%
International Developed Equity	14.40%	6.72%
Emerging Markets Equity	4.80%	8.90%
<b>Private Growth</b>		
Private Equity	11.30%	9.08%
Non-Core Real Estate	2.20%	5.03%
Opportunistic Private Credit	1.50%	9.08%
<b><i>INCOME</i></b>		
High Yield Infrastructure	1.00%	3.81%
REITS	1.00%	5.03%
Liquid Credit	2.80%	3.81%
Private Credit	3.20%	3.81%
<b><i>STABILITY</i></b>		
<b>Crisis Protection Class</b>		
Treasury Duration	4.00%	0.61%
Systematic Trend	4.00%	4.00%
<b>Inflation Protection</b>		
Core Real Estate	3.60%	5.03%
Private Infrastructure	2.40%	5.61%
TIPs	1.00%	1.75%
Natural Resources	1.00%	3.81%
<b>Volatility Protection</b>		
IG Fixed Income	11.50%	2.14%
Absolute Return	6.50%	4.00%
Cash	3.00%	0.61%
	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% for all plans but the RIJRF 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", (3.62% at June 30, 2018) 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 3.62% at June 30, 2018 was used in the determination of the net pension liability (asset) for those plans with a similar +1/-1 % sensitivity analysis (expressed in thousands):

Governmental Activities:

	1.00% Decrease (6.00%)	Current Discount Rate (7.0%)	1.00% Increase (8.00%)
ERS - State employees	\$ 2,514,007	\$ 2,013,417	\$ 1,640,558
ERS - Teachers (State share)	\$ 1,707,896	\$ 1,357,444	\$ 1,096,418
JRBT	\$ 14,750	\$ 5,713	\$ (1,016)
SPRBT	\$ 46,104	\$ 27,191	\$ 13,109
SPRFT	\$ 188,368	\$ 166,325	\$ 149,902

	1.00% Decrease (2.62%)	Municipal Bond Index Rate (3.62%)	1.00% Increase (4.62%)
RIJRFT	\$ 20,309	\$ 18,187	\$ 16,609
JNCRP	\$ 44,460	\$ 41,550	\$ 38,981

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	\$ 21,405	\$ 17,142	\$ 13,968

## H. Changes in the Net Pension Liability

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

	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP*
<b>Total Pension Liability</b>					
Service cost	\$ 3,215	\$ 294	\$ 4,999	\$ —	\$ —
Interest	5,303	726	10,763	11,712	1,497
Benefit changes	—	—	—	—	—
Differences between expected and actual experience	(2,032)	(1,953)	1,912	12,187	916
Changes of assumptions	—	(116)	—	—	(166)
Benefit payments	(2,956)	(399)	(6,024)	(17,273)	(5,486)
<b>Net change in Total Pension Liability</b>	<b>3,530</b>	<b>(1,448)</b>	<b>11,650</b>	<b>6,626</b>	<b>(3,239)</b>
<b>Total Pension Liability - beginning</b>	<b>75,628</b>	<b>20,442</b>	<b>154,274</b>	<b>175,957</b>	<b>44,789</b>
<b>Total Pension Liability - ending</b>	<b>\$ 79,158</b>	<b>\$ 18,994</b>	<b>\$ 165,924</b>	<b>\$ 182,583</b>	<b>\$ 41,550</b>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 2,058	\$ 399	\$ 2,797	\$ 16,387	\$ 5,486
Employee contributions	1,142	117	1,994	—	—
Net investment income	5,377	44	10,298	1,137	—
Benefit payments	(2,956)	(399)	(6,024)	(17,273)	(5,486)
Administrative expenses	(71)	(1)	(137)	(6)	—
Other	—	—	16	—	—
<b>Net change in Fiduciary Net Position</b>	<b>\$ 5,550</b>	<b>\$ 160</b>	<b>\$ 8,944</b>	<b>\$ 245</b>	<b>\$ —</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>67,895</b>	<b>647</b>	<b>129,789</b>	<b>16,013</b>	<b>—</b>
<b>Plan Fiduciary Net Position - ending</b>	<b>\$ 73,445</b>	<b>\$ 807</b>	<b>\$ 138,733</b>	<b>\$ 16,258</b>	<b>\$ —</b>
<b>Net Pension Liability</b>	<b>\$ 5,713</b>	<b>\$ 18,187</b>	<b>\$ 27,191</b>	<b>\$ 166,325</b>	<b>\$ 41,550</b>

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

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

### Employees' Retirement System of Rhode Island

For the fiscal year ended June 30, 2019 the State recognized net pension expense of \$220.6 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 \$127.3 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, 2019 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	\$ 169,365	\$ 102,239	\$ 271,604
Net difference between projected and actual earnings on pension plan investments	21,014	16,214	37,228
Differences between expected and actual experience	13,437	19,855	33,292
Changes of assumptions	129,340	98,603	227,943
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,708	49,529	57,237
Totals	<u>\$ 340,864</u>	<u>\$ 286,440</u>	<u>\$ 627,304</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 25,850	\$ 25,891	\$ 51,741
Changes of assumptions	1,539	15,974	17,513
Changes in proportion and differences between employer contributions and proportionate share of contributions	321	14,810	15,131
Totals	<u>\$ 27,710</u>	<u>\$ 56,675</u>	<u>\$ 84,385</u>

The \$169.4 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, 2020. In addition, the \$102.2 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, 2020. 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:		
2020	\$ 63,151	\$ 43,140
2021	48,369	26,572
2022	24,201	2,937
2023	7,502	20,550
2024	566	26,998
Thereafter	—	7,330
	<u>\$ 143,789</u>	<u>\$ 127,527</u>

Business-type Activities:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$	1,738
Net difference between projected and actual earnings on pension plan investments		179
Differences between expected and actual experience		114
Changes of assumptions		1,101
Changes in proportion and differences between employer contributions and proportionate share of contributions		321
Totals	<u>\$</u>	<u>3,453</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$	220
Changes of assumptions		13
Changes in proportion and differences between employer contributions and proportionate share of contributions		226
Totals	<u>\$</u>	<u>459</u>

The \$1.7 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, 2020. 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:		
2020	\$	579
2021		404
2022		170
2023		93
2024		10
Thereafter		—
	<u>\$</u>	<u>1,256</u>

**Other Single Employer Pension Plans**

For the fiscal year ended June 30, 2019 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	\$ 2,250
RIJRFT	(1,191)
SPRBT	6,463
SPRFT	22,544
JNCRP	2,246
Total	<u>\$ 32,312</u>

The June 30, 2018 measurement date information includes a pension credit of \$1.2 million for the RIJFRT plan which principally results from an actuarial gain (expected compared to actual experience).

At June 30, 2019 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the single employer plans from the following sources (expressed in thousands):

	<u>JRBT</u>	<u>RIJRFT</u>	<u>SPRBT</u>	<u>SPRFT</u>	<u>JNCRP</u>	<u>Totals</u>
<u>Deferred Outflows of Resources</u>						
Employer contributions subsequent to the measurement date	\$ 1,922	\$ 399	\$ 3,567	\$ 16,387	\$ 5,029	\$ 27,304
Net difference between projected and actual earnings on pension plan investments	339	—	582	—	—	921
Differences between expected and actual experience	—	—	10,273	—	—	10,273
Change of Assumptions	3,162	—	7,428	—	—	10,590
Totals	<u>\$ 5,423</u>	<u>\$ 399</u>	<u>\$ 21,850</u>	<u>\$ 16,387</u>	<u>\$ 5,029</u>	<u>\$ 49,088</u>
<u>Deferred Inflows of Resources</u>						
Net difference between projected and actual earnings on pension plan investments	\$ —	\$ 13	\$ —	\$ 822	\$ —	\$ 835
Differences between expected and actual experience	4,249	—	5,132	—	—	9,381
Change of assumptions	101	—	189	—	—	290
Totals	<u>\$ 4,350</u>	<u>\$ 13</u>	<u>\$ 5,321</u>	<u>\$ 822</u>	<u>\$ —</u>	<u>\$ 10,506</u>

The amount of \$27.3 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, 2020. 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
2020	\$ 300	\$ —	\$ 3,030	\$ (271)	—	\$ 3,059
2021	(183)	(1)	1,896	(271)	—	1,441
2022	(550)	(8)	174	(271)	—	(655)
2023	(416)	(4)	1,170	(9)	—	741
2024	—	—	1,422	—	—	1,422
Thereafter	—	—	5,270	—	—	5,270
	<u>\$ (849)</u>	<u>\$ (13)</u>	<u>\$ 12,962</u>	<u>\$ (822)</u>	<u>\$ —</u>	<u>\$ 11,278</u>

#### J. Defined Benefit Plan - LIUNA

All State employees who are members of the Laborers' International Union of North America (LIUNA), in addition to participating in ERSRI, also participate in the LIUNA National Pension Fund (the Plan), a cost sharing multi-employer defined benefit plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Plan is administered by the Fund's Board of Trustees. Eligibility and benefit provisions are defined in the Plan document adopted by the Board of Trustees. As of June 30, 2019, 868 employees of the State were members of the Plan.

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

The contribution requirements of the State and employees are established by contract and may be amended by union negotiation. Employees are required to contribute \$0.77 to \$1.73 per hour up to a maximum of 1,820 hours per year to the Plan for calendar year 2019. 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 \$5.1 million for the fiscal year ended June 30, 2019, 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 \$19.8 million during the year ended June 30, 2019.

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

- The first plan, RIPTA Employees' Pension Plan, covers employees of the Authority who work more than 1,000 hours per year. There are no age or minimum service requirements and employees are eligible to participate immediately upon employment. Any changes to the plan are subject to the collective bargaining process. Plan benefits and other provisions are established by the plan document. The Plan is administered by the Authority's Joint Pension Board. The plan provides retirement, disability and death benefits. Benefits vest upon completion of ten years of service. Authority employees are eligible to retire upon attainment of normal retirement age (62, or if later, upon completion of 5 years of service). Retired employees are entitled to a monthly benefit for life as stipulated in the plan provisions. Employees are required to contribute between 3% and 4% of their base salary to the plan each year until the earlier of the participant's normal retirement date or termination of service. The remaining contributions to the plan are made by the Authority. At the June 30, 2018 measurement date the plans' total pension liabilities exceeded the plans' fiduciary net position by an aggregate amount of \$64.1 million. Accordingly, a net pension liability of that amount has been recorded as of June 30, 2019. For the fiscal year ended June 30, 2019 pension expense of \$13.2 million was recorded related to the plan.
- The second plan, Laborers' International Union of North America National Pension Fund, covers all employees who are members of the Local 808 union. The Plan is administered by the Fund's Board of Trustees. The plan provides retirement, disability and death benefits to plan members. An employee is eligible to receive pension benefits if they have attained age 62, have five or more years of pension credit and have earned at least one of the years of pension credit during the period that his or her employer is contributing to the plan. The amount of regular pension benefits payable to an employee is determined by the highest contribution rate at which he or she earned pension credit and years of pension credits earned (up to a maximum of 30 years of pension credits). The contribution requirements of the Authority and employees are established by contract and may be amended by union negotiation. Employees are required to contribute \$1.46 per hour up to a maximum of 40 hours per week to the Plan for calendar year 2019. The Authority is not required to contribute to the Plan.

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, 2018, the plan's fiduciary net position exceeded the plan's total pension liability by \$540 thousand. Accordingly, a net pension asset in that amount has been recorded as of June 30, 2019. For the fiscal year ended June 30, 2019 pension expense of \$126 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.commercerci.com](http://www.commercerci.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 18. 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 2019 OPEB expense (credit)	Net OPEB liability (asset) at June 30, 2018 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	\$ 34,750	\$ 455,475
			Business-type activities	\$ 303	\$ 3,876
B	Teachers	Single-employer plan – advance funded through a trust	Certified public school teachers electing to participate in the System	\$ (76)	\$ 538
C	Judges	Single-employer plan - advance funded through a trust	Judges and magistrates	\$ (232)	\$ (2,907)
D	State Police	Single-employer plan - advance funded through a trust	State police officers	\$ 4,295	\$ 40,591
E	Legislators	Single-employer plan - advance funded through a trust	Retired and former members of the General Assembly	\$ (72)	\$ (1,448)
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	\$ 3	\$ 87
	<b>Totals</b>			\$ 38,971	\$ 496,212

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

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

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

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

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

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

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

Plan membership, based on the June 30, 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 0.9% of their salary. The contribution of employees covered under the BOE plan can be changed by the Board of Education.

## C. Contributions and Funding Policy

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

The State and other participating employers are required by law to fund the plans on an actuarially determined basis. For the fiscal year ended June 30, 2019, the State and other participating employers paid \$60 million into the plans.

The fiscal year 2019 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, 2019 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	\$ 39,703	\$ 2,277 ***	\$ —	\$ 8,257	\$ 15	\$ 12

\* Actuarially determined amount not expressed as rate.

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

\*\*\* The contribution funded in fiscal 19 was the amount appropriated by the General Assembly.

#### 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 2018. The State's proportion for the State Employees Plan for State employees was 89.4%.

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, 2018 (expressed in thousands):

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

Total Net OPEB Liability - State Employees Plan	\$ 509,330
<i>Less portion attributable to other entities:</i>	
Enterprise Fund - Rhode Island Lottery	\$ (3,876)
Discretely Presented Component Units	
University of Rhode Island	\$ 27,863
Rhode Island College	9,645
Community College of RI	7,090
RI Division of Higher Education Assistance	709
RI Commerce Corporation	69
RI Airport Corporation	434
	<u>(45,810)</u>
Related organization - Narragansett Bay Commission	<u>(4,169)</u>
State Employees Plan - State's Share of Net OPEB Liability - Governmental Activities	\$ 455,475
Board of Education Plan - State's share of Net OPEB Liability - Governmental Activities	<u>87</u>
State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans - Governmental Activities	<u>\$ 455,562</u>
State Employees Plan - Rhode Island Lottery's Share of Net OPEB Liability - Business-type Activities	<u>\$ 3,876</u>
Total State's share of Net OPEB Liability - Multiple Employer Cost-sharing Plans	<u>\$ 459,438</u>
<b>Net OPEB Liability (Asset) - Single Employer Plans:</b>	
Net OPEB Liability - Single Employer OPEB Plans	
Teachers	\$ 538
State Police	40,591
Total Net OPEB Liability	<u>\$ 41,129</u>
<b>Net OPEB Liability - All Plans</b>	<u>\$ 500,567</u>
<b>Net OPEB (Asset) - Single Employer OPEB Plans</b>	
Judges	\$ (2,907)
Legislators	(1,448)
<b>Total Net OPEB (Asset)</b>	<u>\$ (4,355)</u>

Statement of Net Position

	Governmental Activities	Business-Type Activities	Total
Net OPEB Liability	\$ 496,691	\$ 3,876	\$ 500,567
Net OPEB (Asset)	\$ (4,355)	\$ —	\$ (4,355)

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, 2018 is presented below:

	Teachers	Judges	State Police	Legislators
Total OPEB liability	\$ 12,333	\$ 1,206	\$ 86,735	\$ 1,594
Plan fiduciary net position	11,795	4,113	46,144	3,042
Net OPEB liability (asset)	\$ 538	\$ (2,907)	\$ 40,591	\$ (1,448)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	95.6%	341.0%	53.2%	190.9%

**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
<b>Actuarial Cost Method</b>	Individual Entry Age					
<b>Actuarial Assumptions</b>						
<b>Investment Rate of Return</b>	5.00%					
<b>Projected Salary Increases</b>	3.0% to 6.0%	N/A	3.0%	4.0% to 14.0%	3.0% to 6.0%	3.0% to 6.0%
<b>Valuation Health Care Cost Trend Rate</b>	9% in 2018, grading to 3.5% in 2031					
<b>Mortality Rates</b>	Healthy Male Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for males with White Collar adjustment, projected with the MP 2016 ultimate rates. Healthy Female Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for females with White Collar adjustment, projected with the MP 2016 ultimate rates. Healthy Male State Employees and Police: RP-2014 Combined Healthy for males with Blue Collar adjustment, projected with the MP 2016 ultimate rates. Healthy Female State Employees and Police: RP- 2014 Combined Healthy for females, projected with the MP 2016 ultimate rates.					
<b>Excise Tax Under the Patient Protection and Affordable Care Act</b>	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.					
<b>Note:</b> Although an inflation rate was not explicitly used, for purposes of determining total OPEB liability inflation was consistent with a 2.75% assumption.						

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

The long-term expected rate of return best-estimate on OPEB plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of OPEB plan expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 34 nationally recognized consulting firms. The June 30, 2018 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	65%	6.25%
Fixed Income	35%	1.39%

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

**b. Discount rate**

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

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

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

Governmental Activities:

	1.00% Decrease (4.00%)	Current Discount Rate (5.0%)	1.00% Increase (6.00%)
State employees	\$ 534,885	\$ 455,475	\$ 389,429
Teachers	\$ 1,691	\$ 538	\$ (452)
Judges	\$ (2,848)	\$ (2,907)	\$ (2,960)
State Police	\$ 47,751	\$ 40,591	\$ 34,130
Legislators	\$ (1,342)	\$ (1,448)	\$ (1,545)
BOE	\$ 108	\$ 87	\$ 69

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	\$ 4,552	\$ 3,876	\$ 3,314

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

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

## Governmental Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
State employees	\$ 375,390	\$ 455,475	\$ 555,388
Teachers	\$ (508)	\$ 538	\$ 1,736
Judges	\$ (2,920)	\$ (2,907)	\$ (2,894)
State Police	\$ 32,070	\$ 40,591	\$ 50,512
Legislators	\$ (1,559)	\$ (1,448)	\$ (1,323)
BOE	\$ 66	\$ 87	\$ 114

## Business-type Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Rhode Island Lottery:			
OPEB Plan - State Employees	\$ 3,195	\$ 3,876	\$ 4,727

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

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

	Teachers	Judges	State Police	Legislators
<b>Total OPEB Liability</b>				
Service cost	\$ —	\$ 15	\$ 3,920	\$ 54
Interest	612	68	4,148	74
Differences between expected and actual experience	91	(271)	(907)	102
Changes of assumptions	—	—	—	—
Benefit payments, net of retiree contributions	(1,202)	72	(2,849)	(161)
<b>Net change in Total OPEB Liability</b>	<b>(499)</b>	<b>(116)</b>	<b>4,312</b>	<b>69</b>
<b>Total OPEB Liability - beginning</b>	<b>12,832</b>	<b>1,322</b>	<b>82,423</b>	<b>1,525</b>
<b>Total OPEB Liability - ending</b>	<b>\$ 12,333</b>	<b>\$ 1,206</b>	<b>\$ 86,735</b>	<b>\$ 1,594</b>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 2,321	\$ —	\$ 7,919	\$ 14
Net investment income	780	293	3,413	247
Benefit payments	(1,202)	72	(2,849)	(161)
Administrative expenses	(17)	(6)	(73)	(4)
Other	136	54	197	42
<b>Net change in Fiduciary Net Position</b>	<b>\$ 2,018</b>	<b>\$ 413</b>	<b>\$ 8,607</b>	<b>\$ 138</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>9,777</b>	<b>3,700</b>	<b>37,537</b>	<b>2,904</b>
<b>Plan Fiduciary Net Position - ending</b>	<b>\$ 11,795</b>	<b>\$ 4,113</b>	<b>\$ 46,144</b>	<b>\$ 3,042</b>
<b>Net OPEB Liability (Asset)</b>	<b>\$ 538</b>	<b>\$ (2,907)</b>	<b>\$ 40,591</b>	<b>\$ (1,448)</b>

**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, 2019 the State recognized OPEB expense of \$35.1 million related to State employees who are covered by the OPEB cost-sharing plans administered by the System.

At June 30, 2019 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	\$ 39,302	\$ 12	\$ 39,314
Differences between expected and actual experience	—	1	1
Changes of assumptions	23,493	7	23,500
Changes in proportion and differences between employer contributions and proportionate share of contributions	800	—	800
Totals	<u>\$ 63,595</u>	<u>\$ 20</u>	<u>\$ 63,615</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 22,985	\$ 9	\$ 22,994
Net difference between projected and actual investment earnings	8,421	3	8,424
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	18	\$ 18
Totals	<u>\$ 31,406</u>	<u>\$ 30</u>	<u>\$ 31,436</u>

The \$39.3 million reported as deferred outflows of resources related to OPEB resulting from State contributions to the plans subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2020. 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:		
2020	\$ (2,167)	\$ (4)
2021	(2,167)	(4)
2022	(2,167)	(4)
2023	(744)	(4)
2024	294	(3)
Thereafter	(162)	(3)
	<u>\$ (7,113)</u>	<u>\$ (22)</u>

Business-type Activities:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$	401
Changes of assumptions		200
Changes in proportion and differences between employer contributions and proportionate share of contributions		78
Totals	\$	<u>679</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$	196
Net difference between projected and actual investment earnings		71
Totals	\$	<u>267</u>

The \$401 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, 2020. 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:		
2020	\$	(7)
2021		(7)
2022		(7)
2023		5
2024		14
Thereafter		13
	\$	<u>11</u>

**Other Single Employer OPEB Plans**

For the fiscal year ended June 30, 2019 the table below provides information about OPEB expense (credit) recognized for each of the State's four single employer plans (expressed in thousands):

Plan	Annual OPEB Expense (Credit)
Teachers	\$ (76)
Judges	(232)
State Police	4,295
Legislators	(72)
Total	\$ <u>3,915</u>

The June 30, 2018 measurement date information includes pension credits of \$76 thousand, \$232 thousand, and \$72 thousand for the Teachers' plan, the Judges' plan and the Legislators' plan, respectively. These credits result from several factors including changes in assumptions, differences between expected and actual experience and differences between projected and actual investment earnings.

At June 30, 2019 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	\$ 2,277	\$ —	\$ 8,257	\$ 15	\$ 10,549
Differences between expected and actual experience	—	—	—	208	208
Change of Assumptions	—	183	—	—	183
Totals	<u>\$ 2,277</u>	<u>\$ 183</u>	<u>\$ 8,257</u>	<u>\$ 223</u>	<u>\$ 10,940</u>
<u>Deferred Inflows of Resources</u>					
Differences between expected and actual experience	\$ —	\$ 295	\$ 920	\$ —	\$ 1,215
Change of assumptions	—	—	4,319	33	4,352
Net difference between projected and actual investment earnings	472	186	2,269	176	3,103
Totals	<u>\$ 472</u>	<u>\$ 481</u>	<u>\$ 7,508</u>	<u>\$ 209</u>	<u>\$ 8,670</u>

The amount of \$10.5 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, 2020. 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:				
2020	\$ (140)	\$ (80)	\$ (1,643)	\$ (20)
2021	(140)	(133)	(1,643)	(20)
2022	(140)	(65)	(1,643)	(20)
2023	(52)	(20)	(1,261)	11
2024	—	—	(980)	32
Thereafter	—	—	(338)	16
	<u>\$ (472)</u>	<u>\$ (298)</u>	<u>\$ (7,508)</u>	<u>\$ (1)</u>

## G. Component Unit Postemployment Benefit Plans

### *Rhode Island Public Transit Authority*

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

At June 30, 2019 the plan's total OPEB liability totaled \$75 million. The total OPEB liability was determined by an actuarial valuation as of July 1, 2018 rolled forward to June 30, 2019. For the fiscal year ended June 30, 2019 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](http://www.ripta.com).

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

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

At June 30, 2019 each institution's proportionate share of net OPEB liability related to participation in the plans was as follows (in thousands):

University of Rhode Island	\$	49,930
Rhode Island College		25,512
Community College of Rhode Island		19,546
Total	\$	<u>94,988</u>

The net OPEB liabilities in the table above were measured as of June 30, 2018, the measurement date. The total OPEB liabilities used to calculate the net OPEB liabilities were determined for each plan by a separate actuarial valuation as of June 30, 2017 rolled forward to the June 30, 2018 measurement date. The proportion of net OPEB liability for each institution was based on its share of contributions to the Plans for fiscal year 2018 relative to the total contributions of all participating employers for that fiscal year.

For the fiscal year ended June 30, 2019 each institution recognized OPEB expense as follows (in thousands):

University of Rhode Island	\$	3,689
Rhode Island College		1,780
Community College of Rhode Island		1,269
Total	\$	<u>6,738</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](http://www.uri.edu)
- Rhode Island College - [www.ric.edu](http://www.ric.edu)
- Community College of Rhode Island - [www.ccri.edu](http://www.ccri.edu)

#### *Other Component Units*

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

#### **Note 19. 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 20. 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 2019, 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, 2019 and June 30, 2018 were calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

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

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 21. Other Information

### A. Elimination Entries

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

	Total Governmental Funds	Internal Service Funds	Total	Eliminations	Internal Balances
<b>Assets</b>					
Due from other funds	\$ 2,276	\$ 7,687	\$ 9,963	\$ (7,664)	\$ 2,299
Loans to other funds	143,818	—	143,818	(143,818)	—
Total assets	<u>\$ 146,094</u>	<u>\$ 7,687</u>	<u>\$ 153,781</u>	<u>\$ (151,482)</u>	<u>\$ 2,299</u>
<b>Liabilities</b>					
Due to other funds	\$ 7,289	\$ 375	\$ 7,664	\$ (7,664)	\$ —
Loans from other funds	132,468	11,350	143,818	(143,818)	—
Total liabilities	<u>\$ 139,757</u>	<u>\$ 11,725</u>	<u>\$ 151,482</u>	<u>\$ (151,482)</u>	<u>\$ —</u>
<b>Program revenue</b>					
General government	\$ —	\$ 410,774	\$ 410,774	\$ (410,774)	\$ —
Public safety	—	11,718	11,718	(11,718)	—
<b>Expenses</b>					
General government	—	(410,878)	(410,878)	410,878	—
Public safety	—	(11,614)	(11,614)	11,614	—
Net revenue (expenses)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Transfers</b>					
Transfers in	\$ 627,562	\$ —	\$ 627,562	\$ (259,326)	\$ 368,236
Transfers out	(259,326)	—	(259,326)	259,326	—
Net transfers	<u>\$ 368,236</u>	<u>\$ —</u>	<u>\$ 368,236</u>	<u>\$ —</u>	<u>\$ 368,236</u>
	Total Business-type Activities		Total	Eliminations	Internal Balances
<b>Assets</b>					
Due from other funds	\$ 157	\$ —	\$ 157	\$ (2,456)	\$ (2,299)
Total assets	<u>\$ 157</u>	<u>\$ —</u>	<u>\$ 157</u>	<u>\$ (2,456)</u>	<u>\$ (2,299)</u>
<b>Liabilities</b>					
Due to other funds	\$ 2,456	\$ —	\$ 2,456	\$ (2,456)	\$ —
Total liabilities	<u>\$ 2,456</u>	<u>\$ —</u>	<u>\$ 2,456</u>	<u>\$ (2,456)</u>	<u>\$ —</u>
<b>Transfers</b>					
Transfers in	\$ 29,085	\$ —	\$ 29,085	\$ (29,085)	\$ —
Transfers out	(397,321)	—	(397,321)	29,085	(368,236)
Net transfers	<u>\$ (368,236)</u>	<u>\$ —</u>	<u>\$ (368,236)</u>	<u>\$ —</u>	<u>\$ (368,236)</u>

### B. Related Party Transactions

*Rhode Island Turnpike and Bridge Authority (RITBA)* - The State has transferred custody, control and supervision of the Jamestown and the Sakonnet River Bridges and related land and improvements from the Department of Transportation to the R.I. Turnpike and Bridge Authority (RITBA). While maintenance responsibilities for the two bridges rest with RITBA, ownership and title remains with the State. Per statute, the State earmarks \$0.035 per gallon of the gas tax to the Authority to fund the additional maintenance costs associated with these bridges. In addition, the Authority provides administrative and operational functions for the RhodeWorks truck tolling initiative which commenced in fiscal 18. The cumulative amount of toll collections, which began in June 2018, totaled \$7.3 million through June 30, 2019.

*The R.I. Industrial-Recreational Building Authority (RIIRBA)* - RIIRBA is authorized to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private sector entities by financial institutions and the Rhode Island Industrial Facilities Corporation (RIIFC) on industrial or recreational projects in the State up to a maximum of \$60 million of outstanding principal balances under such insured mortgages and security agreements. The RIIRBA has a net deficit as of June 30, 2019 relating to the insured commitments payable for a bond issued by the RIIFC on behalf of a private-sector entity that is in default on its payments to the bondholder. As the insurer of the bond, the RIIRBA is responsible for making the debt payments. The RIIRBA has estimated the insured commitments payable to be \$3.4 million as of June 30, 2019.

*I-195 Redevelopment District Commission (I-195 RDC)* - The State has transferred land associated with the former Interstate 195 highway in Providence Rhode Island to the I-195 Redevelopment District Commission (I-195 RDC). The value of the land, which the commission intends to develop, was reported in the State's financial statements as a capital contribution at the historical cost of \$343 per acre, for a total of \$7,203. Improvements to the land are being funded by the State to complete redevelopment of the land for sale. In April 2013, the R.I. Commerce Corporation (RICC) issued conduit debt obligations on behalf of the I-195 RDC totaling \$38.4 million. State appropriations for debt service were \$1.9 million in fiscal 2019. Also the State appropriated \$2.2 million for operations in fiscal 2019. The State has appropriated \$27 million to I-195 RDC to facilitate the sale of land and project development within the District.

Because Wexford is receiving incentives under the Rebuild Rhode Island Tax Credit Act and the I-195 Redevelopment Project Fund Act, the Commission is requiring Wexford to provide for return to the Commission from cash flows and/or upon a capital event based upon higher than expected returns from the project. Such contractual provisions are intended to recoup funding to the extent the project performs above an expected level of return as determined on a case by case basis. To date, no payment has been made to the Commission under such contractual provisions with respect to the project.

*Rhode Island College (RIC)* - The voters of Rhode Island authorized the issuance of \$30 million in general obligation debt for the construction of a new residence hall at Rhode Island College (RIC). Of this amount, \$20 million will be repaid to the State. The residence hall was finished and in service by September 2007, at which time RIC began collecting revenues to pay for its share of the debt service. Debt service obligation is to be split two-thirds to RIC and one-third to the State for all payments after September 2007. RIC will repay the State for the debt service paid on its behalf on a straight-line basis, amortized over the remaining life of the bonds, which carry rates ranging from 3% to 5% and a life of 19 years beginning in fiscal 2009.

*Rhode Island Higher Education Savings Trust (RIHEST)* - 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 \$1.1 million to the State in support of the administration of CollegeBound Saver 529 and \$5.1 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, 2019.

*Rhode Island Health and Educational Building Corporation (RIHEBC)* - During fiscal 2016, the State created the School Building Authority Fund program to address high priority school building projects in communities with limited resources. Certain administrative duties related to the management and custody of monetary assets of the program were assigned to the Rhode Island Health and Educational Building Corporation (RIHEBC), including establishing a trust to hold related monies, creating and maintaining program accounting records, and the distribution and management of awards. Approved awards can be loans, grants or a combination of both. An appropriation of \$14.2 million was made to RIHEBC during the fiscal ended June 30, 2019, 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. In addition, the PayGo program received a \$7.1 million appropriation from the State. Also, in November 2018 \$250 million

in bonds were authorized by the voters of the State for a new program, to be administered by RIHEBC, to provide further assistance to cities and towns for school construction projects.

*Rhode Island Infrastructure Bank (RIIB)* - The Municipal Road and Bridge Revolving Fund was created within the Rhode Island Infrastructure Bank (RIIB) to provide municipalities with low-cost financial assistance for road and bridge projects. In accordance with certain bond statutes, premium received from the issuance of bonds totaling \$12.5 million was transferred to RIIB for this fund during fiscal 2019. State statute requires RIIB to administer the financial components of the fund and requires the RI Department of Transportation to receive, review and rank municipal road and bridge projects submitted for funding consideration on an annual basis.

*R. I. Commerce Corporation (RICC)* - RICC received various state appropriations totaling approximately \$33.8 million during fiscal 2019 to fund various economic development initiatives on behalf of the State. The corporation reported approximately \$82 million reserved for economic development initiatives at June 30, 2019 relating to State appropriations received in recent years.

The Corporation has on occasion required developers of projects receiving incentives under the Rebuild Rhode Island Tax Credit Program or the Tax Increment Financing Program to provide for return from cash flows and/or upon a capital event based upon higher than expected returns from a project. Such contractual provisions are intended to recoup funding to the extent the project performs above an expected level of return as determined on a case by case basis. To date, no developer has made a payment to the Rhode Island Commerce Corporation under such contractual provisions in relation to a project for which incentives have been provided under the foregoing programs.

*Other Component Units* - The University of Rhode Island, Rhode Island College, Community College of Rhode Island, Central Falls School District, RI I-195 Redevelopment Commission, Rhode Island Commerce Corporation, and Rhode Island Public Transit Authority receive significant financial support from the State of Rhode Island. See Note 21D, Significant Transactions with Component Units for further details.

## C. Budgeting, Budgetary Control, and Legal Compliance

### Budget Preparation

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

As required by the Constitution and the Rhode Island General Laws, annual appropriations are limited to 97.0% of estimated general revenues. The remaining 3.0% is contributed to the Budget Reserve Account until such account equals 5.0% of total general revenues and opening surplus. Excess contributions to 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	\$ 80,978	Operating assistance
Rhode Island College	49,092	Operating assistance
Community College of Rhode Island	51,144	Operating assistance
Central Falls School District	50,212	Operating assistance
The Met	11,253	Operating assistance
R.I. Commerce Corporation	33,993	Operating assistance
R.I. Division of Higher Education Assistance	6,178	Operating assistance
R.I. Public Transit Authority	3,855	Operating assistance
R.I. Health and Educational Building Corporation	65,067	School Building Authority Capital Fund/School Housing Aid
IST		
R.I. Public Transit Authority	57,687	Operating assistance
R.I. Turnpike and Bridge Authority	18,206	Infrastructure improvements
Bond Capital		
University of Rhode Island	69,129	Construction, improvement or purchase of assets
R.I. Infrastructure Bank	26,894	Infrastructure improvements, bond proceeds and bond premiums
R.I. Housing and Mortgage Finance Corporation	3,794	Infrastructure improvements and bond proceeds
R.I. Health and Educational Building Corporation	7,163	Infrastructure improvements and bond proceeds
R. I. Capital Plan		
University of Rhode Island	11,091	Construction, improvement or purchase of assets
Rhode Island College	16,251	Construction, improvement or purchase of assets
Community College of Rhode Island	5,598	Construction, improvement or purchase of assets
R.I. Housing and Mortgage Finance Corporation	3,231	Construction, improvement or purchase of assets
	\$ 570,816	
Total Governmental Activities		

In addition, the R.I. Infrastructure Bank transferred \$4 million to the primary government during the fiscal year ended June 30, 2019.

---

## E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2019:

- DCAMM (\$831 thousand)
- Central Utilities (\$25 thousand)
- Information Technology (\$1.057 million)
- State Telecommunications (\$95 thousand)
- Records Center (\$173 thousand)
- Capitol Police (\$17 thousand)

The deficits will be eliminated through charges for services in fiscal 2020.

## Note 22. Subsequent Events

### Primary Government

In December 2019 the State of Rhode Island issued the following general obligation bonds:

- Consolidated Capital Development Loan of 2019, Series C (Tax Exempt) with a par amount of \$135,500,000 for various capital projects.
- Consolidated Capital Development Loan of 2019, Series D (Federally Taxable) with a par amount of \$17,500,000 for various capital projects.
- Consolidated Capital Development Loan of 2019, Series E (Tax Exempt) with a par amount of \$68,150,000 for refunding of various bond issues from previous years. This refunding resulted in an economic gain of approximately \$6.8 million.

### *Rhode Island Lottery*

The Rhode Island Lottery launched online (mobile) sports betting in September 2019. Players must create and register an account prior to placing wagers, via the internet or smart phone, on sporting events, combinations of sporting events and certain other sporting events as authorized by the Lottery Division. Wagers are only allowed for patrons within the geographical limits of the State.

### Discretely Presented Component Units

Effective February 1, 2020, the University of Rhode Island will no longer be governed by the Rhode Island Council on Postsecondary Education but will be governed by a Board of Trustees consisting of 17 members appointed by the governor with the advice and consent of the Rhode Island Senate. The board will be dedicated solely to the University and will exercise similar powers and authority as was exercised by the Council on Postsecondary Education including oversight of employment and the University's property, purchases, and procurement. The University president will report to the Board of Trustees. The Rhode Island Council on Postsecondary Education will continue to oversee Rhode Island College and the Community College of Rhode Island.

In December 2019 the Rhode Island Turnpike and Bridge Authority (RITBA) issued Motor Fuel Tax Revenue Bonds, Series 2019 A with a par amount of \$44,525,000 for the purposes of providing funds, together with available funds of the Authority from the Authority's Residual Fund, to finance (i) the renovation, renewal, repair, rehabilitation, retrofitting, upgrading and improvement of the Claiborne Pell Bridge, the Jamestown Verrazzano Bridge, the Sakonnet River Bridge, Mount Hope Bridge and other projects, (ii) a debt service reserve and (iii) the costs of issuing the Series 2019 A bonds.

In December 2019 RITBA also issued Taxable Refunding Toll Revenue Bonds, 2019 Series 1 with a par amount of \$48,805,000 for the purpose of refunding RITBA's outstanding Series 2010 A Bonds and to pay costs of the issuance of the Series 1 bonds.

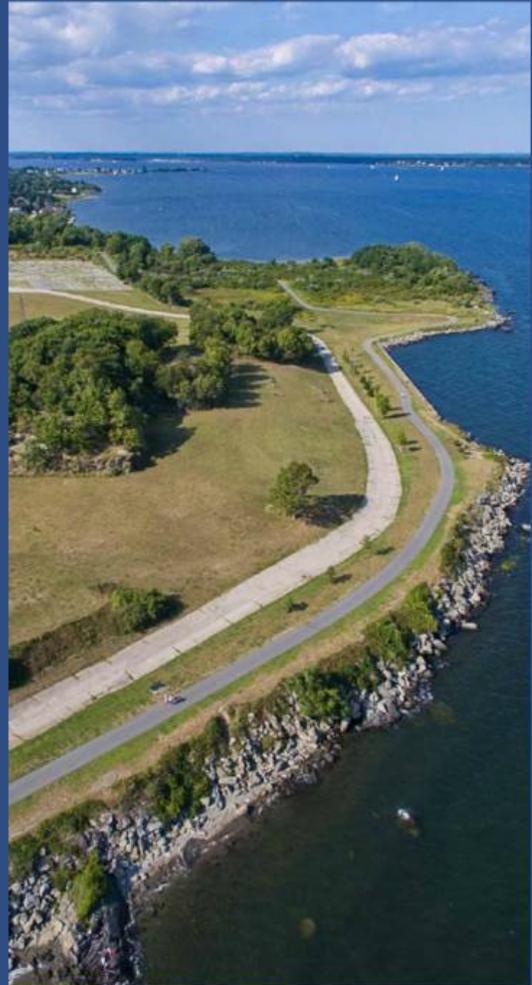
In October 2019, the Rhode Island Housing and Mortgage Finance Corporate (RIHMFC) issued:

- 
- Multi-Family Development Bonds, 2019 Series 1-A (Non-AMT) with a par amount of \$25,900,000 for the purpose of funding construction loans relating to all of the 2019 Series 1 Developments.
  - Multi-Family Development Bonds, 2019 Series 1-B (Non-AMT) with a par amount of \$36,000,000 for the purpose of providing long-term financing to three of the 2019 Series 1 Developments.
  - Multi-Family Development Bonds, 2019 Series 2-T (Federally Taxable) with a par amount of \$11,700,000 for the purpose of providing long-term financing to the 2019 Series 2 Development.

In November 2019, RIHMFC also issued Homeownership Opportunity Bonds, Series 71 (non-AMT) with a par amount of \$97,340,000 for the purpose of purchasing Program Loans (the Series 71 Program Loans) to finance the ownership or improvement of single family housing within the State by eligible low and moderate income families.

In the normal course of business certain of the State's discretely presented component units issue new debt and refund existing debt.

# Required Supplementary Information



**State of Rhode Island**  
Fiscal Year Ended  
June 30, 2019



**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, 2019**  
**(Expressed in Thousands)**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
General Revenues:				
Personal Income Tax	\$ 1,385,593	\$ 1,384,000	\$ 1,396,963	\$ 12,963
General Business Taxes:				
Business Corporations	177,592	164,500	155,111	(9,389)
Public Utilities Gross Earnings	101,800	102,900	101,613	(1,287)
Financial Institutions	21,800	23,300	21,145	(2,155)
Insurance Companies	130,507	110,800	116,968	6,168
Bank Deposits	2,700	3,000	2,900	(100)
Health Care Provider Assessment	51,423	44,600	43,946	(654)
Sales and Use Taxes:				
Sales and Use	1,101,139	1,117,600	1,125,693	8,093
Motor Vehicle	3,134	1,100	1,035	(65)
Cigarettes	139,500	139,800	138,859	(941)
Alcohol	20,700	20,700	20,437	(263)
Other Taxes:				
Inheritance and Gift	32,100	48,000	48,019	19
Racing and Athletics	1,100	1,100	1,151	51
Realty Transfer Tax	14,500	12,550	12,748	198
<i>Total Taxes (1)</i>	<u>3,183,588</u>	<u>3,173,950</u>	<u>3,186,588</u>	<u>12,638</u>
Departmental Revenue	404,148	422,170	416,730	(5,440)
Total Taxes and Departmental Revenue	<u>3,587,736</u>	<u>3,596,120</u>	<u>3,603,318</u>	<u>7,198</u>
Other Sources:				
Lottery	391,700	400,100	397,321	(2,779)
Unclaimed Property	9,700	11,200	11,579	379
Other Miscellaneous	9,349	11,437	12,362	925
Total Other Sources	<u>410,749</u>	<u>422,737</u>	<u>421,262</u>	<u>(1,475)</u>
Total General Revenues	<u>3,998,485</u>	<u>4,018,857</u>	<u>4,024,580</u>	<u>5,723</u>
Federal Revenues	2,904,232	3,005,553	2,827,006	(178,547)
Restricted Revenues	278,084	283,465	281,236	(2,229)
Other Revenues	70,994	67,292	68,973	1,681
<i>Total Revenues (2)</i>	<u>7,251,795</u>	<u>7,375,167</u>	<u>7,201,795</u>	<u>(173,372)</u>
<b>Expenditures (4):</b>				
General government	732,629	737,035	690,486	46,549
Human services	4,062,950	4,153,419	4,034,359	119,060
Education	1,690,264	1,704,850	1,685,669	19,181
Public safety	574,191	596,859	577,668	19,191
Natural resources	101,483	97,982	81,985	15,997
<i>Total Expenditures (2)</i>	<u>7,161,517</u>	<u>7,290,145</u>	<u>7,070,167</u>	<u>\$ 219,978</u>
Transfer of Excess Budget Reserve to RI Capital Fund	—	—	116,960	
Transfer of scholarship revenue to RI Division of Higher Education (5)	—	—	6,178	
Total Expenditures and Transfers	<u>\$ 7,161,517</u>	<u>\$ 7,290,145</u>	<u>7,193,305</u>	
Change in Fund Balance			8,490	
Fund balance - beginning (restated)			362,542	
Fund balance - ending			<u>\$ 371,032</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, 2019**  
**(Expressed in Thousands)**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Expenditures by Source:</b>				
General Revenues	\$ 3,908,207	\$ 3,933,834	\$ 3,924,050	\$ 9,784
Federal Funds	2,904,232	3,005,553	2,827,006	178,547
Restricted Receipts	278,084	283,465	256,417	27,048
Other Funds	70,994	67,293	62,694	4,599
	<u>\$ 7,161,517</u>	<u>\$ 7,290,145</u>	<u>\$ 7,070,167</u>	<u>\$ 219,978</u>

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

**Budgeted Surplus:**

Total Revenue - Final Budget	\$ 7,375,167	
Total Expenditures - Final Budget	<u>7,290,145</u>	
<b>Final Budget - Projected Surplus (3)</b>		\$ 85,022

**Final Budget and Actual - Results**

Total Revenues - Variance (Actual Revenue less than Budget)	\$ (173,372)	
Total Expenditures - Variance (Actual Expenditures less than Budget)	<u>219,978</u>	
<b>Surplus resulting from operations compared to final budget</b>		<u>\$ 46,606</u>
Total General Fund Surplus - Fiscal Year Ended June 30, 2019		\$ 131,628

Transfer to RI Division of Higher Education Assistance (5)	(6,178)
Transfer of Excess Budget Reserve to RICAP Fund	<u>(116,960)</u>

<b>Net Change in General Fund - Fund Balance</b>	\$ 8,490
Fund Balance, Beginning as restated	<u>362,542</u>
Fund Balance, Ending	<u><u>\$ 371,032</u></u>

**Notes:**

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

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

Historical Tax Credit Fund Transfers to the General Fund in Fiscal 2019 by Tax Type:

	General Fund Reported Revenue	Historic Tax Credits Applied Transfer from HTCF	Budgetary Comparison Total
Personal Income	\$ 1,391,890	\$ 5,073	\$ 1,396,963
Business Corporations	155,095	16	155,111
Insurance Corporations	108,762	8,206	116,968

(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, 2019.

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

General Government	\$ 136,758
Education	44,036
Public Safety	500
	<u>\$ 181,294</u>

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

(Continued)

**State of Rhode Island and Providence Plantations**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2019**  
**(Expressed in Thousands)**

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

	<b>Fund Balance Reported in the Financial Statements</b>	<b>Budgetary Perspective</b>	
		<b>Fund Balance Not Available for Appropriation in Fiscal 2020</b>	<b>Fund Balance Available for Appropriation in Fiscal 2020</b>
Nonspendable	\$ 1,558	\$ —	\$ 1,558 (d)
Restricted	119,677	119,677	—
Committed	5,206	5,206	—
Assigned	37,255	11,791 (a)	25,464 (b)
Unassigned	207,336	203,855 (c)	3,481 (d)
<b>Total Fund Balance</b>	<b>\$ 371,032</b>	<b>\$ 340,529</b>	<b>\$ 30,503</b>

(a) Assigned fund balance not available for appropriation in fiscal 2020 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 2020 represents fiscal 2019 ending surplus appropriated as a resource in the 2020 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)

See Notes to Required Supplementary Information.

**State of Rhode Island and Providence Plantations**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Intermodal Surface Transportation Fund**  
**For the Fiscal Year Ended June 30, 2019**  
*(Expressed in Thousands)*

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenues:</b>				
Taxes	\$ 141,711	\$ 141,711	\$ 240,099	\$ 98,388
Licenses, fines, sales, and services	97,007	130,256	31,975	(98,281)
Departmental restricted revenue	3,034	3,007	2,660	(347)
Federal grants	299,540	324,514	287,303	(37,211)
Other revenues	2,798	6,415	2,568	(3,847)
Total revenues	<u>544,090</u>	<u>605,903</u>	<u>564,605</u>	<u>(41,298)</u>
<b>Revenues and other Financing Sources (unbudgeted):</b>				
Miscellaneous revenue			6,741	
Total revenues			<u>571,346</u>	
Other Financing Sources:				
Transfers from RI Capital Plan			43,494	
Total Other Financing Sources			<u>43,494</u>	
Total Revenues and Other Financing Sources			<u>614,840</u>	
<b>Expenditures (budgeted):</b>				
Central Management				
Federal Funds	6,503	6,312	5,699	613
Gasoline Tax	4,741	7,283	5,236	2,047
Total - Central Management	<u>11,244</u>	<u>13,595</u>	<u>10,935</u>	<u>2,660</u>
Management and Budget				
Gasoline Tax	5,822	2,396	1,598	798
Total - Management and Budget	<u>5,822</u>	<u>2,396</u>	<u>1,598</u>	<u>798</u>
Infrastructure-Engineering-GARVEE/Motor Fuel Tax Bonds				
Federal Funds	288,650	318,201	281,610	36,591
Federal Funds-Stimulus	4,387	—	—	—
Restricted Receipts	3,034	3,007	2,627	380
Gasoline Tax	75,837	80,393	81,937	(1,544)
Toll Revenue	41,000	7,000	81	6,919
Land Sale Revenue	2,648	6,365	1,295	5,070
Total - Infrastructure - Engineering	<u>415,556</u>	<u>414,966</u>	<u>367,550</u>	<u>47,416</u>
Infrastructure - Maintenance				
Gasoline Tax	18,919	15,153	22,855	(7,702)
Non-Land Surplus Property	50	50	—	50
Outdoor Advertising	100	—	—	—
Utility Access Permit Fees	500	50	—	50
Rhode Island Highway Maintenance Account	97,007	130,256	98,077	32,179
Total - Infrastructure - Maintenance	<u>116,576</u>	<u>145,509</u>	<u>120,932</u>	<u>24,577</u>
Total Expenditures (budgeted)	<u>\$ 549,198</u>	<u>\$ 576,466</u>	<u>\$ 501,015</u>	<u>\$ 75,451</u>
<b>Expenditures and Other Financing Uses (unbudgeted):</b>				
Infrastructure Expenditures - State Match funded by RI Capital Plan and Bond Capital Funds			44,148	
Infrastructure expenditures - GARVEE			105,553	
I-195 Redevelopment District project			10,219	
Transfers to general fund - Gas Tax			45,848	
Total Expenditures and Other Financing Uses (unbudgeted)			<u>205,768</u>	
Total Expenditures and Other Financing Uses			<u>706,783</u>	
Net change in fund balance			(91,943)	
Fund balance, beginning			415,725	
Fund balance, ending			<u>\$ 323,782</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**  
**Required Supplementary Information - Pension Information**  
**Defined Benefit Multiple-Employer Cost-sharing Plan**

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

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

The amounts included in these schedules for fiscal 2019 reflect a June 30, 2018 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 17 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 - Pension Information**  
**Schedule of State's Proportionate Share**  
**of the Net Pension Liability**  
**Last Five Fiscal Years**  
**(Expressed in Thousands)**

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

Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State's proportion of the net pension liability	89.5%	89.2%	88.9%	89.0%	89.0%
State's proportionate share of the net pension liability	\$ 2,013,417	\$ 2,010,955	\$ 1,887,351	\$ 1,767,095	\$ 1,585,647
State's covered payroll	\$ 627,595	\$ 620,754	\$ 612,081	\$ 594,466	\$ 581,589
State's proportionate share of the net pension liability as a percentage of its covered payroll	320.8%	324.0%	308.3%	297.3%	272.6%
Plan fiduciary net position as a percentage of the total pension liability	52.5%	51.8%	51.9%	55.0%	58.6%

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

See Notes to Required Supplementary Information.

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

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

*Rhode Island Lottery*

Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Lottery's proportion of the net pension liability	0.8%	0.7%	0.8%	0.8%	0.7%
Lottery's proportionate share of the net pension liability	\$ 17,142	\$ 16,869	\$ 16,260	\$ 15,074	\$ 13,315
Lottery's covered payroll	\$ 5,311	\$ 5,186	\$ 5,156	\$ 5,071	\$ 4,891
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	322.8%	325.3%	315.4%	297.3%	272.2%
Plan fiduciary net position as a percentage of the total pension liability	52.5%	51.8%	51.9%	55.0%	58.6%

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

See Notes to Required Supplementary Information.

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

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

Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
State's proportion of the net pension liability	42.7%	43.1%	40.7%	40.6%	40.7%
State's proportionate share of the net pension liability	\$ 1,357,444	\$ 1,357,577	\$ 1,212,754	\$ 1,117,395	\$ 990,129
Plan fiduciary net position as a percentage of the total pension liability	54.3%	54.0%	54.1%	57.6%	61.4%

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

See Notes to Required Supplementary Information.

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

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

	2019*	2018	2017	2016	2015
Actuarially determined contribution	\$ 169,365	\$ 156,083	\$ 157,299	\$ 144,696	\$ 138,689
Contributions in relation to the actuarially determined contribution	\$ 169,365	\$ 156,083	\$ 157,299	\$ 144,696	\$ 138,689
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 644,463	\$ 627,595	\$ 620,754	\$ 612,081	\$ 594,466
Contributions as a percentage of covered payroll	26.28%	24.87%	25.34%	23.64%	23.33%

\* The 2019 contributions as a percentage of covered payroll includes the actuarially determined contribution rate of 25.75% and an additional contribution of .53% representing and elective contribution by the State to offset the impact of a voluntary retirement incentive offered to State employees in 2017.

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

See Notes to Required Supplementary Information.

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

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

*Rhode Island Lottery*

	2019*	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,738	\$ 1,321	\$ 1,314	\$ 1,219	\$ 1,183
Contributions in relation to the actuarially determined contribution	\$ 1,738	\$ 1,321	\$ 1,314	\$ 1,219	\$ 1,183
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 6,613	\$ 5,311	\$ 5,186	\$ 5,156	\$ 5,071
Contributions as a percentage of covered payroll	26.28%	24.87%	25.34%	23.64%	23.33%

\* The 2019 contributions as a percentage of covered payroll includes the actuarially determined contribution rate of 25.75% and an additional contribution of .53% representing an elective contribution by the State to offset the impact of a voluntary retirement incentive offered to State employees in 2017.

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

See Notes to Required Supplementary Information.

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

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

	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 102,239	\$ 98,121	\$ 96,542	\$ 87,998	\$ 84,944
Contributions in relation to the statutorily required contribution	102,239	98,121	96,542	87,998	84,944
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —

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

See Notes to Required Supplementary Information.

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

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

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

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

The amounts included in these schedules for fiscal 2019 reflect a June 30, 2018 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 17 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 - Pension Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Five Fiscal Years**  
**(Expressed in Thousands)**

**State Police Retirement Benefits Trust**

Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>					
Service cost	\$ 4,999	\$ 4,498	\$ 4,316	\$ 4,198	\$ 5,122
Interest	10,763	9,393	9,058	8,540	7,768
Benefit Changes	—	—	—	1,170	—
Differences between expected and actual experience	1,912	10,694	(4,139)	(3,522)	—
Changes of assumptions	—	9,274	—	—	(364)
Benefit payments	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
<b>Net Change in Total Pension Liability</b>	<b>11,650</b>	<b>28,717</b>	<b>4,650</b>	<b>7,889</b>	<b>10,759</b>
<b>Total Pension Liability-Beginning</b>	<b>154,274</b>	<b>125,557</b>	<b>120,907</b>	<b>113,018</b>	<b>102,259</b>
<b>Total Pension Liability-Ending</b>	<b>\$ 165,924</b>	<b>\$ 154,274</b>	<b>\$ 125,557</b>	<b>\$ 120,907</b>	<b>\$ 113,018</b>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 2,797	\$ 2,980	\$ 4,005	\$ 3,432	\$ 3,331
Employee contributions	1,994	2,060	2,035	1,732	2,034
Net investment income	10,298	13,694	58	2,656	14,124
Benefit payments	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
Administrative expenses	(137)	(125)	(103)	(100)	(83)
Other	16	5	1	4	5
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 8,944</b>	<b>\$ 13,472</b>	<b>\$ 1,411</b>	<b>\$ 5,227</b>	<b>\$ 17,644</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>129,789</b>	<b>116,317</b>	<b>114,906</b>	<b>109,679</b>	<b>92,035</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 138,733</b>	<b>\$ 129,789</b>	<b>\$ 116,317</b>	<b>\$ 114,906</b>	<b>\$ 109,679</b>
<b>Net Pension Liability</b>	<b>\$ 27,191</b>	<b>\$ 24,485</b>	<b>\$ 9,240</b>	<b>\$ 6,001</b>	<b>\$ 3,339</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total</b>					
<b>Pension Liability</b>	83.6%	84.1%	92.6%	95.0%	97.0%
<b>Covered Payroll</b>	\$ 22,590	\$ 22,728	\$ 20,985	\$ 19,701	\$ 23,051
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	120.4%	107.7%	44.0%	30.5%	14.5%

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

See Notes to Required Supplementary Information.

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

**Judicial Retirement Benefits Trust**

Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>					
Service cost	\$ 3,215	\$ 3,001	\$ 2,859	\$ 3,024	\$ 3,002
Interest	5,303	5,031	4,744	4,540	4,134
Benefit Changes	—	—	—	253	—
Differences between expected and actual experience	(2,032)	(1,788)	(1,206)	(2,857)	—
Changes of assumptions	—	5,173	—	—	(672)
Benefit payments	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
<b>Net Change in Total Pension Liability</b>	<b>3,530</b>	<b>8,677</b>	<b>3,866</b>	<b>3,151</b>	<b>4,833</b>
<b>Total Pension Liability-Beginning</b>	<b>75,628</b>	<b>66,951</b>	<b>63,085</b>	<b>59,934</b>	<b>55,101</b>
<b>Total Pension Liability-Ending</b>	<b>\$ 79,158</b>	<b>\$ 75,628</b>	<b>\$ 66,951</b>	<b>\$ 63,085</b>	<b>\$ 59,934</b>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 2,058	\$ 2,057	\$ 2,410	\$ 2,709	\$ 2,543
Employee contributions	1,142	1,118	1,053	1,121	1,093
Net investment income	5,377	7,107	29	1,368	7,221
Benefit payments	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
Administrative expenses	(71)	(65)	(53)	(51)	(43)
Other	—	—	—	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 5,550</b>	<b>\$ 7,477</b>	<b>\$ 908</b>	<b>\$ 3,338</b>	<b>\$ 9,183</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>67,895</b>	<b>60,418</b>	<b>59,510</b>	<b>56,172</b>	<b>46,989</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 73,445</b>	<b>\$ 67,895</b>	<b>\$ 60,418</b>	<b>\$ 59,510</b>	<b>\$ 56,172</b>
<b>Net Pension Liability</b>	<b>\$ 5,713</b>	<b>\$ 7,733</b>	<b>\$ 6,533</b>	<b>\$ 3,575</b>	<b>\$ 3,762</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>92.8%</b>	<b>89.8%</b>	<b>90.2%</b>	<b>94.3%</b>	<b>93.7%</b>
<b>Covered Payroll</b>	<b>\$ 9,653</b>	<b>\$ 9,532</b>	<b>\$ 8,981</b>	<b>\$ 9,570</b>	<b>\$ 9,314</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>59.2%</b>	<b>81.1%</b>	<b>72.7%</b>	<b>37.4%</b>	<b>40.4%</b>

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

See Notes to Required Supplementary Information.

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

**Rhode Island Judicial Retirement Fund Trust**

Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>					
Service cost	\$ 294	\$ 350	\$ 466	\$ 416	\$ 498
Interest	726	586	719	673	710
Benefit Changes	—	—	—	—	—
Differences between expected and actual experience	(1,953)	—	(1,060)	(642)	1,617
Changes of assumptions	(116)	(666)	1,865	859	(1,160)
Benefit payments	(399)	(399)	(231)	—	—
<b>Net Change in Total Pension Liability</b>	<b>(1,448)</b>	<b>(129)</b>	<b>1,759</b>	<b>1,306</b>	<b>1,665</b>
<b>Total Pension Liability-Beginning</b>	<b>20,442</b>	<b>20,571</b>	<b>18,812</b>	<b>17,506</b>	<b>15,841</b>
<b>Total Pension Liability-Ending</b>	<b>\$ 18,994</b>	<b>\$ 20,442</b>	<b>\$ 20,571</b>	<b>\$ 18,812</b>	<b>\$ 17,506</b>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 399	\$ 332	\$ 140	\$ —	\$ —
Employee contributions	117	117	135	159	153
Net investment income	44	64	4	9	12
Benefit payments	(399)	(399)	(231)	—	—
Administrative expenses	(1)	(1)	—	—	—
Other	—	—	—	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 160</b>	<b>\$ 113</b>	<b>\$ 48</b>	<b>\$ 168</b>	<b>\$ 165</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>647</b>	<b>534</b>	<b>486</b>	<b>318</b>	<b>153</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 807</b>	<b>\$ 647</b>	<b>\$ 534</b>	<b>\$ 486</b>	<b>\$ 318</b>
<b>Net Pension Liability</b>	<b>\$ 18,187</b>	<b>\$ 19,795</b>	<b>\$ 20,037</b>	<b>\$ 18,326</b>	<b>\$ 17,188</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>					
<b>Covered Payroll</b>	<b>\$ 1,020</b>	<b>\$ 988</b>	<b>\$ 963</b>	<b>\$ 1,321</b>	<b>\$ 1,276</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>1783.0%</b>	<b>2003.3%</b>	<b>2189.2%</b>	<b>1387.4%</b>	<b>1346.8%</b>

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

See Notes to Required Supplementary Information.

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

**State Police Retirement Fund Trust**

Year Ended	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2018	June 30, 2017
<b>Total Pension Liability</b>		
Service cost	\$ —	\$ —
Interest	11,712	12,589
Benefit Changes	—	—
Differences between expected and actual experience	12,187	—
Changes of assumptions	—	4,214
Benefit payments	(17,273)	(17,392)
<b>Net Change in Total Pension Liability</b>	<u>6,626</u>	<u>(589)</u>
<b>Total Pension Liability-Beginning</b>	<u>175,957</u>	<u>176,546</u>
<b>Total Pension Liability-Ending</b>	<u><u>\$ 182,583</u></u>	<u><u>\$ 175,957</u></u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 16,387	\$ 31,566
Employee contributions	—	—
Net investment income	1,137	1,839
Benefit payments	(17,273)	(17,392)
Administrative expenses	(6)	—
Other	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<u>\$ 245</u>	<u>\$ 16,013</u>
<b>Plan Fiduciary Net Position-Beginning</b>	<u>16,013</u>	<u>—</u>
<b>Plan Fiduciary Net Position-Ending</b>	<u><u>\$ 16,258</u></u>	<u><u>\$ 16,013</u></u>
<b>Net Pension Liability</b>	<u><u>\$ 166,325</u></u>	<u><u>\$ 159,944</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>		
<b>Covered Payroll</b>	\$ —	\$ —
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	8.9%	9.1%
	—%	—%

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

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is required prospectively until 10 years of data are presented. However, there are only two years 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 - Pension Information**  
**Schedule of State Contributions**  
**Last Five Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**State Police Retirement Benefits Trust**

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 3,567	\$ 2,802	\$ 2,980	\$ 4,005	\$ 3,432
Contributions in relation to the actuarially determined contribution	3,567	2,802	2,980	4,005	3,432
Contribution deficiency (excess)	<u>\$ —</u>				
Covered payroll	\$ 24,199	\$ 22,930	\$ 22,191	\$ 23,258	\$ 19,907
Contributions as a percentage of covered payroll	14.74%	12.22%	13.43%	17.22%	17.24%

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

See Notes to Required Supplementary Information.

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

**Judicial Retirement Benefits Trust**

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,922	\$ 2,064	\$ 2,057	\$ 2,410	\$ 2,709
Contributions in relation to the actuarially determined contribution	1,922	2,064	2,057	2,410	2,709
Contribution deficiency (excess)	<u>\$ —</u>				
Covered payroll	\$ 9,477	\$ 9,768	\$ 9,532	\$ 8,993	\$ 9,566
Contributions as a percentage of covered payroll	20.28%	21.13%	21.58%	26.80%	28.32%

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

See Notes to Required Supplementary Information.

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

**Rhode Island Judicial Retirement Fund Trust**

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,224	\$ 1,322	\$ 1,241	\$ 1,200	\$ 1,623
Contributions in relation to the actuarially determined contribution	399	399	332	140	—
Contribution deficiency (excess)	<u>\$ 825</u>	<u>\$ 923</u>	<u>\$ 909</u>	<u>\$ 1,060</u>	<u>\$ 1,623</u>
Covered payroll	\$ 1,002	\$ 1,020	\$ 988	\$ 964	\$ 1,321
Contributions as a percentage of covered payroll	39.82%	39.12%	33.60%	14.52%	—%

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

See Notes to Required Supplementary Information.

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

**State Police Retirement Fund Trust**

	2019	2018
Actuarially determined contribution	\$ 16,387	\$ 16,387
Contributions in relation to the actuarially determined contribution	16,387	16,387
Contribution deficiency (excess)	\$ —	\$ —

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

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is required prospectively until 10 years of data are presented. However, there are only two years 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 - 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 2019 reflects a June 30, 2018 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 17 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 - Pension Information**  
**Schedule of Changes in Total Pension Liability**  
**Last Five Fiscal Years**  
**(Expressed in Thousands)**

**Judicial Non-Contributory Retirement Plan**

Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>					
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	1,497	1,380	1,860	2,172	2,334
Benefit changes	—	—	—	—	—
Differences between expected and actual experience	916	182	—	328	—
Changes of assumptions	(166)	(2,291)	3,510	1,885	—
Benefit payments	(5,486)	(5,763)	(6,107)	(6,020)	(6,173)
<b>Net Change in Total Pension Liability</b>	<b>(3,239)</b>	<b>(6,492)</b>	<b>(737)</b>	<b>(1,635)</b>	<b>(3,839)</b>
<b>Total Pension Liability-Beginning</b>	<b>44,789</b>	<b>51,281</b>	<b>52,018</b>	<b>53,653</b>	<b>57,492</b>
<b>Total Pension Liability-Ending</b>	<b>\$ 41,550</b>	<b>\$ 44,789</b>	<b>\$ 51,281</b>	<b>\$ 52,018</b>	<b>\$ 53,653</b>

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

See Notes to Required Supplementary Information.

**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 2019 were determined based on valuations performed as of June 30, 2016. Significant methods and assumptions are summarized for each plan in the table below:

	<i>ERS</i>		SPRBT	JRBT	RIJRFT	SPRFT
	<i>State Employees</i>	<i>Teachers</i>				
<b>Actuarial Cost Method</b>	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.					
<b>Amortization Method</b>	Level Percent of Payroll - Closed				Level Dollar	Level Dollar
<b>Equivalent single remaining amortization period</b>	19 years	21 years	19 years	20 years	16 years	15 years
<b>Asset valuation method</b>	5 year smoothed market					Market Value
<b>Amortization period for gains and losses</b>	20 years					
<b>Actuarial Assumptions</b>						
<b>Investment Rate of Return</b>	7.50%				2.85%	7.50%
<b>Projected Salary Increases</b>	3.50% to 6.50%	3.50% to 13.5%	3.75% to 11.75%	3.50%	3.50%	N/A
<b>Mortality</b>	<p>Male Employees: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.</p> <p>Female Employees: 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>					
<b>Inflation</b>	<b>2.75%</b>					

**Cost of Living Adjustments**

A COLA of 2.2% 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 RIRSA 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, 2018 measurement date** - There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date except for the changes in assumptions for the RIJRT and JNCRP plans due to use of the municipal bond index rate of 3.62% as of June 30, 2018. This rate was 3.56% at June 30, 2017.

The June 30, 2018 measurement date information includes a pension credit of \$1.2 million for the RIJRT plan which results from an actuarial gain (expected compared to actual experience).

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

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

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

**June 30, 2016 measurement date** -- There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date except for the changes in assumption for the RIJRT 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 RIJRT 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  
Required Supplementary Information - OPEB Information  
Multiple-Employer Cost-Sharing Plans**

The Rhode Island State Employees' and Electing Teachers OPEB System administers two multiple-employer cost-sharing OPEB plans covering state employees; the State Employees plan and the Board of Education plan. Separate actuarial valuations are performed for each plan but not for individual employers within each plan. The net OPEB liability and other OPEB related amounts are apportioned based on proportionate employer contributions to the plan.

The amounts included in these schedules for fiscal 2019 reflect a June 30, 2018 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 18 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 - OPEB Information**  
**Schedule of State's Proportionate Share**  
**of the Net OPEB Liability**  
**Last Two Fiscal Years**  
**(Expressed in Thousands)**

**State Employees-Governmental Activities**

Year Ended	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2018	June 30, 2017
State's proportion of the net OPEB liability	89.4%	89.2%
State's proportionate share of the net OPEB liability	\$ 455,475	\$ 463,597
State's covered payroll	\$ 633,562	\$ 632,672
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	71.9%	73.3%
Plan fiduciary net position as a percentage of the total OPEB liability	26.3%	22.4%

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**State Employees-Business-Type Activities**

Year Ended	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2018	June 30, 2017
<i>Rhode Island Lottery</i>		
Lottery's proportion of the net OPEB liability	0.8%	0.7%
Lottery's proportionate share of the net OPEB liability	\$ 3,876	\$ 3,864
Lottery's covered payroll	\$ 5,308	\$ 5,186
Lottery's proportionate share of the net OPEB liability as a percentage of its covered payroll	73.0%	74.5%
Plan fiduciary net position as a percentage of the total OPEB liability	26.3%	22.4%

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State's Proportionate Share**  
**of the Board of Education Plan Net OPEB Liability**  
**Last Two Fiscal Years**  
**(Expressed in Thousands)**

**State's Share of Board of Education Plan**

Year Ended	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2018	June 30, 2017
State's proportion of the net OPEB liability	0.2%	0.2%
State's proportionate share of the net OPEB liability	\$ 87	\$ 111
State's covered payroll	\$ 411	\$ 264
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	21.2%	42.0%
Plan fiduciary net position as a percentage of the total OPEB liability	38.6%	32.1%

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**State Employees-Governmental Activities**

	2019	2018
Actuarially determined contribution	\$ 39,302	\$ 37,887
Contributions in relation to the actuarially determined contribution	39,302	37,887
Contribution deficiency (excess)	\$ —	\$ —
Covered payroll	\$ 657,222	\$ 633,562
Contributions as a percentage of covered payroll	5.98%	5.98%

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**State Employees-Business-Type Activities**

*Rhode Island Lottery*

	2019	2018
Actuarially determined contribution	\$ 401	\$ 317
Contributions in relation to the actuarially determined contribution	401	317
Contribution deficiency (excess)	\$ —	\$ —
Covered payroll	\$ 6,705	\$ 5,308
Contributions as a percentage of covered payroll	5.98%	5.98%

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State Contributions to Board of Education Plan**  
**Last Two Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**State's Share of Board of Education Plan**

	2019	2018
Actuarially determined contribution	\$ 12	\$ 18
Contributions in relation to the actuarially determined contribution	12	18
Contribution deficiency (excess)	\$ —	\$ —
Covered payroll	\$ 276	\$ 411
Contributions as a percentage of covered payroll	4.36%	4.36%

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island and Providence Plantations  
Required Supplementary Information - OPEB Information  
Single-Employer Plans**

Certain state employees are covered by the following single-employer plans, which are separate from the State Employees and Board of Education multiple-employer cost-sharing plans, that cover most state employees.

- Teachers Plan
- Judges Plan
- State Police Plan
- Legislators Plan

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

The amounts included in these schedules for fiscal 2019 reflect a June 30, 2018 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 18 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 - OPEB Information  
Schedule of Changes in Net OPEB Liability and Related Ratios  
Last Two Fiscal Years  
(Expressed in Thousands)**

**Teachers Plan**

Year Ended	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2018	June 30, 2017
<b>Total OPEB Liability</b>		
Service cost	\$ —	\$ —
Interest	612	562
Benefit Changes	—	—
Differences between expected and actual experience	91	1,625
Changes of assumptions	—	217
Benefit payments	(1,202)	(1,610)
<b>Net Change in Total OPEB Liability</b>	(499)	794
<b>Total OPEB Liability-Beginning</b>	12,832	12,038
<b>Total OPEB Liability-Ending</b>	<u>\$ 12,333</u>	<u>\$ 12,832</u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 2,321	\$ 2,321
Net investment income	780	864
Benefit payments	(1,202)	(1,610)
Administrative expenses	(17)	7
Other	136	103
<b>Net Change in Plan Fiduciary Net Position</b>	\$ 2,018	\$ 1,685
<b>Plan Fiduciary Net Position-Beginning</b>	9,777	8,092
<b>Plan Fiduciary Net Position-Ending</b>	<u>\$ 11,795</u>	<u>\$ 9,777</u>
<b>Net OPEB Liability</b>	<u>\$ 538</u>	<u>\$ 3,055</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	95.6%	76.2%
<b>Covered Payroll</b>	\$ —	\$ —
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	N/A	N/A

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island and Providence Plantations  
Required Supplementary Information - OPEB Information  
Schedule of Changes in Net OPEB Asset and Related Ratios  
Last Two Fiscal Years  
(Expressed in Thousands)**

**Judges Plan**

Year Ended	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2018	June 30, 2017
<b>Total OPEB Liability</b>		
Service cost	\$ 15	\$ 20
Interest	68	50
Benefit Changes	—	—
Differences between expected and actual experience	(271)	(306)
Changes of assumptions	—	503
Benefit payments	72	138
<b>Net Change in Total OPEB Liability</b>	<u>(116)</u>	<u>405</u>
<b>Total OPEB Liability-Beginning</b>	1,322	917
<b>Total OPEB Liability-Ending</b>	<u>\$ 1,206</u>	<u>\$ 1,322</u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ —	\$ —
Net investment income	293	334
Benefit payments	72	138
Administrative expenses	(6)	—
Other	54	26
<b>Net Change in Plan Fiduciary Net Position</b>	<u>\$ 413</u>	<u>\$ 498</u>
<b>Plan Fiduciary Net Position-Beginning</b>	3,700	3,202
<b>Plan Fiduciary Net Position-Ending</b>	<u>\$ 4,113</u>	<u>\$ 3,700</u>
<b>Net OPEB Liability (Asset)</b>	<u>\$ (2,907)</u>	<u>\$ (2,378)</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	341.0 %	279.9 %
<b>Covered Payroll</b>	\$ 10,746	\$ 10,746
<b>Net OPEB Asset as a Percentage of Covered Payroll</b>	(27.1)%	(22.1)%

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information - OPEB Information**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**Last Two Fiscal Years**  
**(Expressed in Thousands)**

**State Police Plan**

Year Ended	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2018	June 30, 2017
<b>Total OPEB Liability</b>		
Service cost	\$ 3,920	\$ 3,836
Interest	4,148	4,202
Benefit Changes	—	—
Differences between expected and actual experience	(907)	(174)
Changes of assumptions	—	(6,005)
Benefit payments	(2,849)	(3,130)
<b>Net Change in Total OPEB Liability</b>	<u>4,312</u>	<u>(1,271)</u>
<b>Total OPEB Liability-Beginning</b>	82,423	83,694
<b>Total OPEB Liability-Ending</b>	<u>\$ 86,735</u>	<u>\$ 82,423</u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 7,919	\$ 7,702
Net investment income	3,413	3,491
Benefit payments	(2,849)	(3,130)
Administrative expenses	(73)	(1)
Other	197	163
<b>Net Change in Plan Fiduciary Net Position</b>	<u>\$ 8,607</u>	<u>\$ 8,225</u>
<b>Plan Fiduciary Net Position-Beginning</b>	37,537	29,312
<b>Plan Fiduciary Net Position-Ending</b>	<u>\$ 46,144</u>	<u>\$ 37,537</u>
<b>Net OPEB Liability</b>	<u>\$ 40,591</u>	<u>\$ 44,886</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	53.2%	45.5%
<b>Covered Payroll</b>	\$ 21,334	\$ 21,334
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	190.3%	210.4%

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island and Providence Plantations**  
**Required Supplementary Information - OPEB Information**  
**Schedule of Changes in Net OPEB Asset and Related Ratios**  
**Last Two Fiscal Years**  
**(Expressed in Thousands)**

**Legislators Plan**

Year Ended	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2018	June 30, 2017
<b>Total OPEB Liability</b>		
Service cost	\$ 54	\$ 63
Interest	74	66
Benefit Changes	—	—
Differences between expected and actual experience	102	168
Changes of assumptions	—	(45)
Benefit payments	(161)	(36)
<b>Net Change in Total OPEB Liability</b>	<u>69</u>	<u>216</u>
<b>Total OPEB Liability-Beginning</b>	<u>1,525</u>	<u>1,309</u>
<b>Total OPEB Liability-Ending</b>	<u><u>\$ 1,594</u></u>	<u><u>\$ 1,525</u></u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 14	\$ 27
Net investment income	247	283
Benefit payments	(161)	(36)
Administrative expenses	(4)	—
Other	42	29
<b>Net Change in Plan Fiduciary Net Position</b>	<u>\$ 138</u>	<u>\$ 303</u>
<b>Plan Fiduciary Net Position-Beginning</b>	<u>2,904</u>	<u>2,601</u>
<b>Plan Fiduciary Net Position-Ending</b>	<u><u>\$ 3,042</u></u>	<u><u>\$ 2,904</u></u>
<b>Net OPEB Liability (Asset)</b>	<u><u>\$ (1,448)</u></u>	<u><u>\$ (1,379)</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	190.9 %	190.4 %
<b>Covered Payroll</b>	\$ 1,719	\$ 1,719
<b>Net OPEB Asset as a Percentage of Covered Payroll</b>	(84.2)%	(80.2)%

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**Teachers Plan**

	2019	2018
Actuarially determined contribution	\$ 2,321	\$ 2,321
Contributions in relation to the actuarially determined contribution	2,277 *	2,321
Contribution deficiency (excess)	\$ 44	\$ —
Covered payroll	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A

\* The contribution funded in Fiscal 2019 was the amount appropriated by the General Assembly.

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

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

**Judges Plan**

	2019	2018
Actuarially determined contribution	\$ —	\$ —
Contributions in relation to the actuarially determined contribution	—	—
Contribution deficiency (excess)	\$ —	\$ —
Covered payroll	\$ 11,297	\$ 10,746
Contributions as a percentage of covered payroll	—%	—%

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

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**State Police Plan**

	2019	2018
Actuarially determined contribution	\$ 8,257	\$ 7,919
Contributions in relation to the actuarially determined contribution	8,257	7,919
Contribution deficiency (excess)	\$ —	\$ —
Covered payroll	\$23,666	\$22,698
Contributions as a percentage of covered payroll	34.9%	34.9%

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**Legislators Plan**

	2019	2018
Actuarially determined contribution	\$ 15	\$ 14
Contributions in relation to the actuarially determined contribution	15	14
Contribution deficiency (excess)	\$ —	\$ —
Covered payroll	\$ 1,812	\$ 1,728
Contributions as a percentage of covered payroll	0.8%	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.

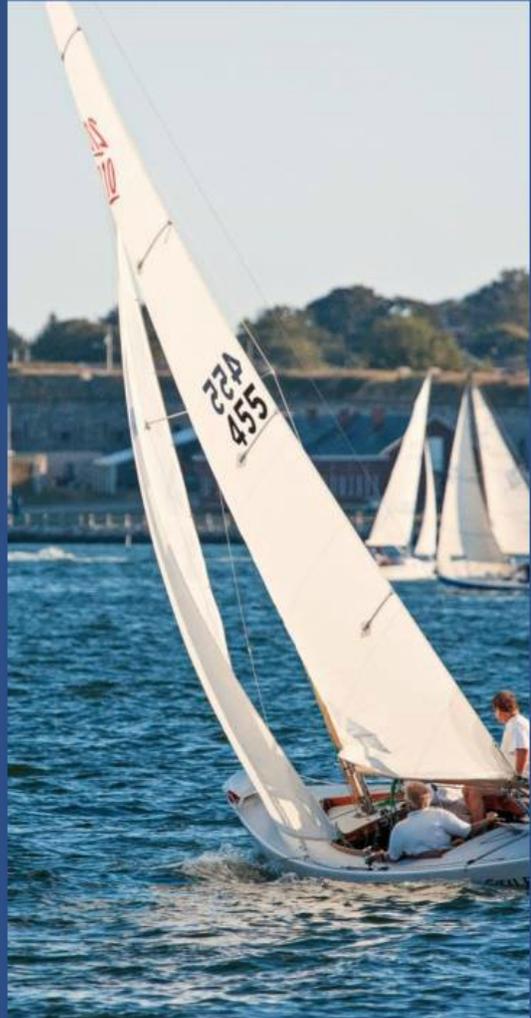
**Required Supplementary Information - OPEB**

**Significant Methods and Assumptions used in calculating the actuarially determined contributions**

The actuarially determined contribution rates for fiscal 2019 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
<b>Actuarial Cost Method</b>	Entry Age Normal					
<b>Amortization Method</b>	Level Percent of Pay	Level Dollar	Level Percent of Pay			
<b>Remaining amortization period</b>	21 Years Closed	Determined by Statutory Contribution	30 Years Open	21 Years Closed	30 Years Open	21 Years Closed
<b>Asset valuation method</b>	4 Year smoothed market; 20% corridor					
<b>Actuarial Assumptions</b>						
<b>Investment Rate of Return</b>	5%, net of OPEB plan expenses, including inflation					
<b>Projected Salary Increases</b>	3.50% to 6.50%	N/A	3.50%	3.75% to 11.75%	3.50% to 6.50%	3.50% to 6.50%
<b>Retirement Age</b>	Experience-based table of rates that are specific to the type of eligibility condition.					
<b>Mortality</b>	<b>Post-Retirement Mortality</b>					
	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.					
<b>Mortality</b>	<b>Disabled Mortality</b>					
	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.					
<b>Mortality</b>	<b>Pre-Retirement Mortality</b>					
	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.					
<b>Health Care Trend Rates</b>	Based on the Getzen Model, with trend starting at 9.00% and gradually decreasing to an ultimate trend rate of 3.5%.					
<b>Aging Factors</b>	The tables used in developing the retiree only premium are based on a recent Society of Actuaries study of health costs.					
<b>Inflation</b>	Not explicitly used, consistent with 2.75% assumption.					

# Combining Financial Statements



**State of Rhode Island**  
Fiscal Year Ended  
June 30, 2019



## Nonmajor Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2019**  
**(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
<b>Assets</b>													
Cash and cash equivalents	\$ 584	\$ 95,622	\$ 10,506	\$ 147	\$ 106,859	\$168,849	\$ 2,418	\$ 4,587	\$ —	\$175,854	\$ 238	\$ 1,742	\$ 284,693
Funds on deposit with fiscal agent	—	—	71,890	—	71,890	—	—	—	27,745	27,745	—	—	99,635
Restricted cash equivalents	—	—	—	—	—	—	—	—	—	—	51,450	—	51,450
Receivables (net)	—	49,934	—	—	49,934	—	—	—	—	—	21,484	—	71,418
Due from other funds	—	—	781	—	781	—	—	—	—	—	—	43	824
Loans to other funds	—	—	—	—	—	—	113,960	—	—	113,960	—	—	113,960
Total assets	\$ 584	\$ 145,556	\$ 83,177	\$ 147	\$ 229,464	\$168,849	\$116,378	\$ 4,587	\$ 27,745	\$317,559	\$ 73,172	\$ 1,785	\$ 621,980
<b>Liabilities and Fund Balances</b>													
<b>Liabilities</b>													
Accounts payable	—	59	—	—	59	11,986	12,135	—	936	25,057	9	963	26,088
Due to other funds	—	486	—	—	486	1,324	1,376	750	—	3,450	—	—	3,936
Due to component units	—	—	—	—	—	5,538	5,683	—	4,907	16,128	—	—	16,128
Loans from other funds	—	—	—	—	—	18,500	—	—	8	18,508	—	—	18,508
Other liabilities	—	157	—	—	157	—	302	—	—	302	—	—	459
Total liabilities	—	702	—	—	702	37,348	19,496	750	5,851	63,445	9	963	65,119
<b>Fund balances</b>													
Nonspendable	—	—	—	—	—	—	—	—	—	—	—	174	174
Restricted	584	144,854	83,177	—	228,615	131,501	96,882	3,837	21,894	254,114	72,934	648	556,311
Unrestricted	—	—	—	—	—	—	—	—	—	—	—	—	—
Committed	—	—	—	147	147	—	—	—	—	—	229	—	376
Total fund balances	584	144,854	83,177	147	228,762	131,501	96,882	3,837	21,894	254,114	73,163	822	556,861
Total liabilities and fund balances	\$ 584	\$ 145,556	\$ 83,177	\$ 147	\$ 229,464	\$168,849	\$116,378	\$ 4,587	\$ 27,745	\$317,559	\$ 73,172	\$ 1,785	\$ 621,980

**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, 2019**  
**(Expressed in Thousands)**

	Special Revenue					Capital Projects					Debt Service	Permanent	Total Nonmajor Governmental Funds
	Coastal Resources Management Council Dredge	R.I. Temporary Disability	Historic Tax Credit Financing	R.I. Public Rail Corp	Total Special Revenue Funds	Bond Capital	R.I. Capital Plan	R.I. Clean Water Act Environmental Trust	Certificates of Participation	Total Capital Project Funds	Tobacco Settlement Financing Corporation	Permanent School	
<b>Revenues:</b>													
Taxes	\$ —	\$ 190,107	\$ —	\$ —	\$ 190,107	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 190,107
Licenses, fines, sales, and services	44	—	203	29	276	—	—	—	—	—	—	144	420
Income from investments	—	1,580	705	3	2,288	2,649	148	109	509	3,415	1,069	41	6,813
Other revenues	—	—	—	—	—	—	—	—	—	—	41,724	—	41,724
Total revenues	44	191,687	908	32	192,671	2,649	148	109	509	3,415	42,793	185	239,064
<b>Expenditures:</b>													
General government	—	199,703	6,282	—	205,985	—	—	—	—	—	69	—	206,054
Education	—	—	—	—	—	—	—	—	—	—	—	1,132	1,132
Transportation	—	—	—	1,733	1,733	—	—	—	—	—	—	—	1,733
Capital outlays	—	—	—	—	—	153,650	97,479	67	15,885	267,081	—	70	267,151
Debt service:													
Principal	—	—	—	—	—	—	1,494	—	—	1,494	19,740	—	21,234
Interest and other charges	—	—	879	—	879	843	—	—	1,026	1,869	25,460	—	28,208
Total expenditures	—	199,703	7,161	1,733	208,597	154,493	98,973	67	16,911	270,444	45,269	1,202	525,512
Excess (deficiency) of revenues over (under) expenditures	44	(8,016)	(6,253)	(1,701)	(15,926)	(151,844)	(98,825)	42	(16,402)	(267,029)	(2,476)	(1,017)	(286,448)
<b>Other financing sources (uses)</b>													
Issuance of bonds and notes	—	—	76,925	—	76,925	148,600	—	—	30,295	178,895	—	—	255,820
Issuance of refunding certificates of participation	—	—	—	—	—	—	—	—	—	—	—	—	—
Premium	—	—	—	—	—	13,236	—	—	3,352	16,588	—	—	16,588
Transfers in	—	—	—	1,716	1,716	—	117,153	—	—	117,153	—	—	118,869
Payment to refunded bonds escrow agent	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers out	—	(1,012)	(13,296)	—	(14,308)	(2,912)	(52,399)	(1,254)	—	(56,565)	—	—	(70,873)
Total other financing sources (uses)	—	(1,012)	63,629	1,716	64,333	158,924	64,754	(1,254)	33,647	256,071	—	—	320,404
Net change in fund balances	44	(9,028)	57,376	15	48,407	7,080	(34,071)	(1,212)	17,245	(10,958)	(2,476)	(1,017)	33,956
Fund balances - beginning (restated)	540	153,882	25,801	132	180,355	124,421	130,953	5,049	4,649	265,072	75,639	1,839	522,905
Fund balances - ending	\$ 584	\$ 144,854	\$ 83,177	\$ 147	\$ 228,762	\$ 131,501	\$ 96,882	\$ 3,837	\$ 21,894	\$ 254,114	\$ 73,163	\$ 822	\$ 556,861

**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, 2019**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
<b>* Revenues:</b>				
Taxes	\$ 190,107	\$ 190,107	\$ 190,107	\$ —
Other Revenues	1,580	1,580	1,580	—
Total Revenues	<u>191,687</u>	<u>191,687</u>	<u>191,687</u>	<u>—</u>
<b>Expenditures:</b>				
Department of Labor and Training	203,411	199,515	200,486	(971)
Treasury Department	275	238	229	9
Total Expenditures	<u>\$ 203,686</u>	<u>\$ 199,753</u>	<u>\$ 200,715</u>	<u>\$ (962)</u>
Net change in fund balance			<u>(9,028)</u>	
Fund balance - beginning			<u>\$ 153,882</u>	
Fund balance - ending			<u><u>\$ 144,854</u></u>	

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

**State of Rhode Island and Providence Plantations**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Rhode Island Capital Plan**  
**For the Fiscal Year Ended June 30, 2019**  
**(Expressed in Thousands)**

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
<b>Revenues:</b>				
Transferred from Budget Reserve	\$ 117,482	\$ 117,075	\$ 116,960	\$ 115
Bond Premium*	192	192	193	(1)
Investment Earnings*	148	148	148	—
Total Revenues	117,822	117,415	117,301	114
<b>Expenditures:</b>				
Administration				
Security Measures State Buildings	250	750	632	118
Energy Efficiency Improvements	500	784	626	158
Cranston Street Armory	500	500	500	—
State House Renovations	1,175	3,476	2,221	1,255
Zambarano Building Rehabilitation	1,500	1,500	1,074	426
Cannon Building	600	1,500	1,004	496
Old State House	500	257	73	184
State Office Building	350	350	106	244
Old Colony House	50	50	—	50
William Powers Building	1,500	1,000	941	59
Pastore Center Utility System Upgrades	1,300	2,188	1,590	598
Pastore Center Medical Buildings Asset Protection	2,000	5,085	289	4,796
Replacement of Fueling Tanks	300	356	50	306
Environmental Compliance	200	268	280	(12)
Big River Management Area	100	75	32	43
Pastore Center Buildings Demolition	175	50	9	41
Washington County Government Center	950	35	19	16
Veterans Memorial Auditorium	200	200	199	1
Chapin Health Laboratory	1,000	400	354	46
Shepard Building	400	63	—	63
Pastore Center Water Tanks & Pipes	280	115	91	24
RI Convention Center Authority	5,300	6,800	5,652	1,148
Dunkin Donuts Center	1,500	3,000	2,299	701
Board of Elections (Medical Examiner)	7,175	11	11	—
Pastore Center Power Plant Rehabilitation	750	1,027	502	525
Accessibility - Facility Renovations	1,000	1,000	982	18
DoIT Operations Center	800	200	112	88
BHDDH DD & Community Facilities - Asset Protection	—	256	225	31
BHDDH DD & Community Homes - Fire Code	—	1,200	56	1,144
BHDDH DD Regional Facilities - Asset Protection	—	500	318	182
BHDDH Group Homes	—	800	828	(28)
BHDDH Substance Abuse Asset Protection	—	233	178	55
Hospital Consolidation	—	1,500	1,359	141

(Continued)

**State of Rhode Island and Providence Plantations**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Rhode Island Capital Plan**  
**For the Fiscal Year Ended June 30, 2019**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
McCoy Stadium Repairs	—	519	399	120
Statewide Facility Master Plan	—	650	485	165
Pastore Center Parking	—	83	83	—
Virks Building Renovations	—	(458)	(528)	70
Pastore Center Non-Medical Buildings Asset Protection	—	8,210	6,669	1,541
Pastore Center Medical Buildings Asset Protection	—	—	—	—
<b>Business Regulation</b>				
Fire Academy	—	305	359	(54)
<b>Executive Office of Commerce</b>				
I-195 Commission	300	425	425	—
Quonset Piers	2,660	3,000	3,000	—
Quonset Point Infrastructure	4,000	4,000	4,000	—
<b>Labor and Training</b>				
Center General Asset Protection	1,250	—	—	—
<b>Children, Youth, and Families</b>				
Training School Asset Protection	1,900	750	365	385
Training School Generators	—	40	33	7
<b>Human Services</b>				
Blind Vending Facilities	165	165	147	18
<b>Behavioral Healthcare, Developmental Disabilities, and Hospitals</b>				
Medical Center Rehabilitation	300	—	—	—
DD Private Waiver Fire Code	100	1,749	1,749	—
Regional Center Repair/Rehabilitation	300	—	—	—
Community Facilities Fire Code	200	—	—	—
DD Residential Development	500	300	124	176
MH Community Facilities Repair	200	—	—	—
Substance Abuse Asset Protection	200	—	—	—
Zambarano Buildings and Utilities	250	—	—	—
Eleanor Slater Administrative Building Renovation	250	—	—	—
Community Facilities	500	—	—	—
Hospital Equipment	300	300	281	19
<b>Elementary and Secondary Education</b>				
Davies HVAC	200	6	45	(39)
Davies Asset Protection	150	276	248	28
Davies Advanced Manufacturing	3,250	3,149	2,563	586
RI School for the Deaf Asset Protection	50	50	50	—
Met School Asset Protection	250	250	250	—
<b>Public Higher Education</b>				
Higher Education Centers	2,000	200	68	132

(Continued)

**State of Rhode Island and Providence Plantations**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Rhode Island Capital Plan**  
**For the Fiscal Year Ended June 30, 2019**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
Westerly Job Skills Center	—	29	18	11
University of Rhode Island				
Asset Protection	7,437	7,650	7,647	3
Fine Arts Center Advanced Planning	6,400	6,913	2,815	4,098
Biological Resources Lab	3,063	1,750	237	1,513
Fire and Safety Protection	—	233	233	—
Electrical Substation Replacement	—	189	159	30
Rhode Island College				
Asset Protection	3,562	4,376	2,612	1,764
Infrastructure Modernization	3,500	5,371	3,505	1,866
Academic Building Phase I	4,000	11,737	10,134	1,603
Master Plan Advanced Planning	150	—	—	—
Community College of Rhode Island				
Asset Protection	2,368	3,634	3,486	148
Knight Campus Lab Renovation	375	375	76	299
Knight Campus Renewal	3,600	3,711	1,995	1,716
RI Atomic Energy Commission				
RINSC Asset Protection	50	50	50	—
Attorney General				
Building Renovations and Repairs	150	150	150	—
Corrections				
Asset Protection	3,000	2,929	2,929	—
Maximum - General Renovations	1,000	546	478	68
Dix Building Renovations	750	375	107	268
ISC Exterior Envelope and HVAC	1,750	1,035	589	446
Medium Infrastructure	5,000	5,050	6,160	(1,110)
High Security Renovations and Repairs	1,000	—	—	—
Judiciary				
Judicial Complexes - HVAC	1,000	1,000	999	1
Judicial Complexes Asset Protection	950	1,132	1,118	14
Licht Judicial Complex Restoration	750	778	771	7
Licht Window Exterior Restoration	800	804	796	8
Noel Shelled Courtroom Build Out	3,939	2,300	2,479	(179)
Military Staff				
Armory of Mounted Command Roof Replacement	700	182	4	178
Asset Protection	700	897	476	421
Bristol Readiness Center	125	—	—	—
Joint Force Headquarters Building	7,106	6,202	5,421	781
Middletown Armory Land Transfer	—	1,189	—	1,189

(Continued)

**State of Rhode Island and Providence Plantations**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Rhode Island Capital Plan**  
**For the Fiscal Year Ended June 30, 2019**  
**(Expressed in Thousands)**

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Public Safety				
DPS Asset Protection	250	642	393	249
Training Academy Upgrades	500	358	164	194
Facilities Master Plan	100	450	352	98
Emergency Management Agency				
RI Statewide Communications Network	1,494	1,494	1,494	—
Environmental Management				
Blackstone Valley Park Improvements	250	386	72	314
Dam Repair	1,900	240	62	178
Fort Adams Rehabilitation	300	317	113	204
Recreational Facilities Improvement	2,500	2,100	1,120	980
Galilee Piers Upgrades	1,750	210	21	189
Fish & Wildlife Maintenance Facilities	150	—	—	—
Natural Resources Offices/Visitor's Center	5,000	175	175	—
Marine Infrastructure and Pier Development	1,000	757	346	411
State Recreation Building Demolition	100	189	37	152
Fort Adams Sailing Improvements	—	75	75	—
Newport Pier	—	194	121	73
Coastal Resources Management Council				
Rhode Island Coastal Storm Risk Study	525	525	525	—
Narragansett Bay SAMP	200	250	75	175
Green Hill Pond Dredging Study	—	29	29	—
Transportation				
RIPTA Land and Buildings	90	108	94	14
RIPTA Pawtucket Bus Hub	946	1,259	281	978
RIPTA Providence Transit Connector	1,561	1,583	835	748
Highway Improvement Program	35,851	43,495	43,496	(1)
Maintenance Facilities Improvements	524	93	93	—
Salt Storage Facilities	1,000	929	974	(45)
Maintenance Equipment Replacement	1,500	1,500	1,486	14
Train Station Maintenance and Repairs	350	255	68	187
Total Expenditures	\$ 170,696	\$ 187,698	\$ 151,372	\$ 36,326
Net change in fund balance			(34,071)	
Fund balance - beginning			\$ 130,953	
Fund balance - ending			\$ 96,882	

(Concluded)

\* Revenues are not legislatively adopted, budgeted revenues for these line items are assumed to equal actual amounts.

Certain items included in the budget and actual comparison schedule are presented as transfers to other funds on the Rhode Island Capital Plan financial statement.

## Internal Service Funds

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

**Human Resources** - accounts for costs of human resource services provided to State agencies.

**DCAMM Facilities** - accounts for costs of property management and maintenance services provided to State agencies.

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

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

**Information Technology** - accounts for costs of information technology provided to State agencies.

**Central Mail** - provides for the delivery of mail services for the State.

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

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

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

**Correctional Industries** - provides job training for inmates through prison industries.

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

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

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

**State Fleet Replacement Revolving Loan** - used to finance the acquisition of new vehicles by various State agencies, and functions as a revolving loan fund.

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

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2019**  
**(Expressed in Thousands)**

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom	Automotive Maintenance
<b>Assets:</b>								
Current assets:								
Cash and cash equivalents	\$ —	\$ 2,413	\$ 2,983	\$ 5,460	\$ 3,029	\$ 28	\$ 96	\$ 1,115
Receivables (net)	—	—	1,052	—	8	400	148	394
Due from other funds	2,291	635	—	1,080	2,952	—	—	—
Inventories	—	—	—	—	—	261	—	265
Other assets	—	—	1,000	—	—	—	—	—
Total current assets	2,291	3,048	5,035	6,540	5,989	689	244	1,774
Noncurrent assets:								
Capital assets (net)	—	30	—	—	836	2	—	12
Total noncurrent assets	—	30	—	—	836	2	—	12
Total assets	2,291	3,078	5,035	6,540	6,825	691	244	1,786
<b>Liabilities:</b>								
Current liabilities:								
Accounts payable	68	2,788	393	—	4,735	44	115	441
Due to other funds	—	—	159	—	—	38	130	18
Loans from other funds	422	—	1,000	6,561	—	—	—	1,000
Other liabilities	1,306	1,121	1,858	4	3,147	188	94	67
Total current liabilities	1,796	3,909	3,410	6,565	7,882	270	339	1,526
<b>Net Position (Deficit):</b>								
Net investment in capital assets	—	30	—	—	836	2	—	12
Unrestricted	495	(861)	1,625	(25)	(1,893)	419	(95)	248
Total net position (deficit)	\$ 495	\$ (831)	\$ 1,625	\$ (25)	\$ (1,057)	\$ 421	\$ (95)	\$ 260

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2019**  
**(Expressed in Thousands)**

	Central Warehouse	Correctional Industries	Records Center	Surplus Property	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
<b>Assets:</b>								
Current assets:								
Cash and cash equivalents	\$ 2,538	\$ 1,509	\$ 152	\$ 61	\$ 23,939	\$ 4,896	\$ —	\$ 48,219
Receivables (net)	11	1,610	72	—	3,074	2,019	—	8,788
Due from other funds	519	38	—	—	47	125	—	7,687
Inventories	697	874	—	—	—	—	—	2,097
Other assets	—	—	—	—	6,281	—	—	7,281
Total current assets	3,765	4,031	224	61	33,341	7,040	—	74,072
Noncurrent assets:								
Capital assets (net)	2,168	225	—	—	—	—	—	3,273
Total noncurrent assets	2,168	225	—	—	—	—	—	3,273
Total assets	5,933	4,256	224	61	33,341	7,040	—	77,345
<b>Liabilities:</b>								
Current liabilities:								
Accounts payable	281	563	16	—	18,542	—	—	27,986
Due to other funds	—	—	30	—	—	—	—	375
Loans from other funds	—	2,050	300	—	—	—	17	11,350
Other liabilities	77	333	51	—	522	—	—	8,768
Total current liabilities	358	2,946	397	—	19,064	—	17	48,479
<b>Net Position (Deficit):</b>								
Net investment in capital assets	2,168	225	—	—	—	—	—	3,273
Unrestricted	3,407	1,085	(173)	61	14,277	7,040	(17)	25,593
Total net position (deficit)	\$ 5,575	\$ 1,310	\$ (173)	\$ 61	\$ 14,277	\$ 7,040	\$ (17)	\$ 28,866

(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, 2019**  
**(Expressed in Thousands)**

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom	Automotive Maintenance
<b>Operating revenues:</b>								
Charges for services	\$ 13,255	\$ 35,574	\$ 41,001	\$ 27,300	\$ 35,298	\$ 6,758	\$ 3,650	\$ 12,304
Total operating revenues	13,255	35,574	41,001	27,300	35,298	6,758	3,650	12,304
<b>Operating expenses:</b>								
Personal services	10,545	11,339	1,556	140	23,655	1,290	1,021	705
Supplies, materials, and services	1,590	26,231	36,838	27,174	14,676	5,055	2,337	11,808
Depreciation	—	2	2	—	55	2	—	6
Total operating expenses	12,135	37,572	38,396	27,314	38,386	6,347	3,358	12,519
Operating income (loss)	1,120	(1,998)	2,605	(14)	(3,088)	411	292	(215)
<b>Nonoperating revenues (expenses):</b>								
Interest revenue	—	—	25	—	—	—	—	3
Other nonoperating revenues (expenses)	—	(8)	50	—	(271)	—	—	(3)
Change in net position	1,120	(2,006)	2,680	(14)	(3,359)	411	292	(215)
Net position (deficit) - beginning	(625)	1,175	(1,055)	(11)	2,302	10	(387)	475
Net position (deficit) - ending	\$ 495	\$ (831)	\$ 1,625	\$ (25)	\$ (1,057)	\$ 421	\$ (95)	\$ 260

(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, 2019**  
**(Expressed in Thousands)**

	Central Warehouse	Correctional Industries	Records Center	Surplus Property	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
<b>Operating revenues:</b>								
Charges for services	\$ 4,577	\$ 6,361	\$ 823	\$ —	\$ 234,753	\$ 58	\$ 780	\$ 422,492
Total operating revenues	4,577	6,361	823	—	234,753	58	780	422,492
<b>Operating expenses:</b>								
Personal services	816	1,763	402	—	1,025	—	780	55,037
Supplies, materials, and services	3,671	4,665	440	1	241,130	—	—	375,616
Depreciation	102	48	—	—	—	—	—	217
Total operating expenses	4,589	6,476	842	1	242,155	—	780	430,870
Operating income (loss)	(12)	(115)	(19)	(1)	(7,402)	58	—	(8,378)
<b>Nonoperating revenues (expenses):</b>								
Interest revenue	—	—	—	—	394	51	—	473
Other nonoperating revenues (expenses)	—	—	(4)	—	—	—	—	(236)
Change in net position	(12)	(115)	(23)	(1)	(7,008)	109	—	(8,141)
Net position (deficit) - beginning	5,587	1,425	(150)	62	21,285	6,931	(17)	37,007
Net position (deficit) - ending	\$ 5,575	\$ 1,310	\$ (173)	\$ 61	\$ 14,277	\$ 7,040	\$ (17)	\$ 28,866

(Concluded)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2019**  
**(Expressed in Thousands)**

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom	Automotive Maintenance
<b>Cash flows from operating activities:</b>								
Cash received from customers	\$ 12,338	\$ 39,742	\$ 41,952	\$ 26,221	\$ 41,027	\$ 6,854	\$ 3,806	\$ 12,897
Cash payments to suppliers for goods and services	(1,579)	(26,372)	(38,639)	(27,174)	(10,803)	(5,396)	(2,339)	(12,270)
Cash payments to employees	(10,580)	(11,213)	(1,304)	(137)	(23,655)	(1,286)	(1,021)	(694)
Other operating revenue (expense)	—	(8)	50	—	(271)	—	—	2
Net cash provided by (used for) operating activities	179	2,149	2,059	(1,090)	6,298	172	446	(65)
<b>Cash flows from noncapital financing activities:</b>								
Loans from other funds	—	—	—	5,773	—	—	—	—
Repayment of loans to other funds	—	—	—	—	—	—	—	—
Repayment of loans from other funds	(179)	—	—	—	(2,378)	(144)	(350)	—
Net cash provided by (used for) noncapital financing activities	(179)	—	—	5,773	(2,378)	(144)	(350)	—
<b>Cash flows from capital and related financing activities:</b>								
Acquisition of capital assets	—	(31)	—	—	(891)	—	—	(13)
Net cash provided by (used for) capital and related financing activities	—	(31)	—	—	(891)	—	—	(13)
<b>Cash flows from investing activities:</b>								
Interest on investments	—	—	26	—	—	—	—	2
Net cash provided by (used for) investing activities	—	—	26	—	—	—	—	2
Net increase (decrease) in cash and cash equivalents	—	2,118	2,085	4,683	3,029	28	96	(76)
Cash and cash equivalents - July 1	—	295	898	777	—	—	—	1,191
Cash and cash equivalents - June 30	\$ —	\$ 2,413	\$ 2,983	\$ 5,460	\$ 3,029	\$ 28	\$ 96	\$ 1,115

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2019**  
**(Expressed in Thousands)**

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom	Automotive Maintenance
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>								
Operating income (loss)	\$ 1,120	\$ (1,998)	\$ 2,605	\$ (14)	\$ (3,088)	\$ 411	\$ 292	\$ (215)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>								
Depreciation	—	2	2	—	55	2	—	6
Other (revenue) expense and transfers (in) out	—	(8)	50	—	(271)	—	—	2
(Increase) decrease in assets:								
Receivables	(916)	4,167	(161)	(1,080)	5,729	96	155	592
Inventory	—	—	—	—	—	(17)	—	37
Prepaid items	—	—	(1,000)	—	—	—	—	—
Increase (decrease) in liabilities:								
Accounts payable	12	(140)	177	—	3,873	(324)	(1)	(498)
Accrued expenses	(37)	126	386	4	—	4	—	11
Total adjustments	(941)	4,147	(546)	(1,076)	9,386	(239)	154	150
Net cash provided by (used for) operating activities	\$ 179	\$ 2,149	\$ 2,059	\$ (1,090)	\$ 6,298	\$ 172	\$ 446	\$ (65)

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2019**  
**(Expressed in Thousands)**

	Central Warehouse	Correctional Industries	Records Center	Surplus Property	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
<b>Cash flows from operating activities:</b>								
Cash received from customers	\$ 4,322	\$ 6,371	\$ 837	\$ —	\$ 235,685	\$ 58	\$ 780	\$ 432,890
Cash payments to suppliers for goods and services	(3,729)	(4,740)	(463)	(1)	(239,707)	—	—	(373,212)
Cash payments to employees	(832)	(1,726)	(395)	—	(1,230)	—	(780)	(54,853)
Other operating revenue (expense)	—	—	(4)	—	—	—	—	(231)
Net cash provided by (used for) operating activities	(239)	(95)	(25)	(1)	(5,252)	58	—	4,594
<b>Cash flows from noncapital financing activities:</b>								
Loans from other funds	—	—	—	—	—	—	—	5,773
Repayment of loans to other funds	2,777	—	—	—	—	3,122	—	5,899
Repayment of loans from other funds	—	—	—	—	—	(27)	—	(3,078)
Net cash provided by (used for) noncapital financing activities	2,777	—	—	—	—	3,095	—	8,594
<b>Cash flows from capital and related financing activities:</b>								
Acquisition of capital assets	—	(24)	—	—	—	—	—	(959)
Net cash provided by (used for) capital and related financing activities	—	(24)	—	—	—	—	—	(959)
<b>Cash flows from investing activities:</b>								
Interest on investments	—	—	—	—	395	51	—	474
Net cash provided by (used for) investing activities	—	—	—	—	395	51	—	474
Net increase (decrease) in cash and cash equivalents	2,538	(119)	(25)	(1)	(4,857)	3,204	—	12,703
Cash and cash equivalents - July 1	—	1,628	177	62	28,796	1,692	—	35,516
Cash and cash equivalents - June 30	\$ 2,538	\$ 1,509	\$ 152	\$ 61	\$ 23,939	\$ 4,896	\$ —	\$ 48,219

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2019**  
**(Expressed in Thousands)**

	Central Warehouse	Correctional Industries	Records Center	Surplus Property	Health Insurance Active	State Fleet Replacement Revolving Loan	Capitol Police	Total
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>								
Operating income (loss)	\$ (12)	\$ (115)	\$ (19)	\$ (1)	\$ (7,402)	\$ 58	\$ —	\$ (8,378)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>								
Depreciation	102	48	—	—	—	—	—	217
Other (revenue) expense and transfers (in) out	—	—	(4)	—	—	—	—	(231)
(Increase) decrease in assets:								
Receivables	(254)	10	14	—	932	—	—	9,284
Inventory	(53)	69	—	—	—	—	—	36
Prepaid items	—	—	—	—	—	—	—	(1,000)
Increase (decrease) in liabilities:								
Accounts payable	(5)	(144)	(23)	—	1,279	—	—	4,206
Accrued expenses	(17)	37	7	—	(61)	—	—	460
Total adjustments	(227)	20	(6)	—	2,150	—	—	12,972
Net cash provided by (used for) operating activities	\$ (239)	\$ (95)	\$ (25)	\$ (1)	\$ (5,252)	\$ 58	\$ —	\$ 4,594

(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, 2019**  
**(Expressed in Thousands)**

	<b>Pension Trust</b>	<b>Other Employee Benefits Trust</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,412	\$ 6,427	\$ 10,839
Advance held by claims processing agent	—	811	811
Receivables			
Contributions	33,252	1,913	35,165
Due from State for teachers	20,322	—	20,322
Other	1,278	—	1,278
Miscellaneous	—	9	9
Total receivables	54,852	1,922	56,774
Prepaid expenses	3,928	—	3,928
Due from other plans	1,453	—	1,453
Investments, at fair value			
Equity in pooled trust	8,511,352	335,526	8,846,878
Other investments	1,024,125	—	1,024,125
Total investments	9,535,477	335,526	9,871,003
Total assets	9,600,122	344,686	9,944,808
<b>Liabilities</b>			
Accounts payable	5,564	352	5,916
Due to other plans	1,453	—	1,453
Incurred but not reported claims	—	1,575	1,575
Other	—	4,515	4,515
Total liabilities	7,017	6,442	13,459
<b>Net position restricted for pension and other postemployment benefits</b>	<b>\$ 9,593,105</b>	<b>\$ 338,244</b>	<b>\$ 9,931,349</b>

**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, 2019**  
**(Expressed in Thousands)**

	Pension Trust	Other Employee Benefits Trust	Totals
<b>Additions</b>			
Contributions			
Member contributions	\$ 209,371	\$ 1,698	\$ 211,069
Employer contributions	440,171	60,007	500,178
Supplemental employer contributions	511	—	511
State contributions for teachers	102,239	—	102,239
Interest on service credits purchased	52	—	52
Service credit transfer payments	8,499	—	8,499
Total contributions	760,843	61,705	822,548
Other income	28	1,352	1,380
Investment income			
Net appreciation in fair value of investments	545,557	24,872	570,429
Interest	68,498	3,569	72,067
Dividends	61,963	—	61,963
Other investment income	184	—	184
	676,202	28,441	704,643
Less investment expense	84,175	157	84,332
Net investment income	592,027	28,284	620,311
Total additions	1,352,898	91,341	1,444,239
<b>Deductions</b>			
Retirement benefits	959,808	—	959,808
Death benefits	3,434	—	3,434
Distributions	19,843	—	19,843
Refund of contributions	6,801	—	6,801
Administrative expense	9,971	146	10,117
Service credit transfers	8,499	—	8,499
OPEB benefits	—	31,365	31,365
Total deductions	1,008,356	31,511	1,039,867
Net Increase	344,542	59,830	404,372
<b>Net position restricted for pension and other postemployment benefits</b>			
Net position - beginning	9,248,563	278,414	9,526,977
Net position - ending	\$ 9,593,105	\$ 338,244	\$ 9,931,349

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Fiduciary Net Position**  
**Pension Trust Funds**  
**June 30, 2019**  
**(Expressed in Thousands)**

	<b>Employees' Retirement System</b>	<b>Municipal Employees' Retirement</b>	<b>State Police Retirement Benefits Trust</b>	<b>State Police Retirement Fund Trust</b>	<b>Judicial Retirement Benefits Trust</b>	<b>Judicial Retirement Fund Trust</b>	<b>Teachers' Survivors Benefit Plan</b>	<b>Defined Contribution Plan</b>	<b>FICA Alternative Retirement Program</b>	<b>Totals</b>
<b>Assets</b>										
Cash and cash equivalents	\$ 2,812	\$ 556	\$ 104	\$ 72	\$ 56	\$ 306	\$ 506	\$ —	\$ —	\$ 4,412
Receivables										
Contributions	28,425	4,822	3	—	1	—	1	—	—	33,252
Due from State for teachers	20,322	—	—	—	—	—	—	—	—	20,322
Other	1,000	245	—	—	—	32	1	—	—	1,278
Total receivables	49,747	5,067	3	—	1	32	2	—	—	54,852
Prepaid expenses	3,068	642	48	8	24	—	138	—	—	3,928
Due from other plans	909	544	—	—	—	—	—	—	—	1,453
Investments, at fair value										
Equity in Pooled Trust	6,310,284	1,620,078	147,327	16,527	77,569	628	338,939	—	—	8,511,352
Other-Defined Contribution Plan	—	—	—	—	—	—	—	1,020,966	3,159	1,024,125
Total investments	6,310,284	1,620,078	147,327	16,527	77,569	628	338,939	1,020,966	3,159	9,535,477
Total assets	6,366,820	1,626,887	147,482	16,607	77,650	966	339,585	1,020,966	3,159	9,600,122
<b>Liabilities</b>										
Accounts payable	4,435	838	77	9	37	—	168	—	—	5,564
Due to other plans	544	909	—	—	—	—	—	—	—	1,453
Total liabilities	4,979	1,747	77	9	37	—	168	—	—	7,017
<b>Net position restricted for pension benefits</b>	<b>\$ 6,361,841</b>	<b>\$ 1,625,140</b>	<b>\$ 147,405</b>	<b>\$ 16,598</b>	<b>\$ 77,613</b>	<b>\$ 966</b>	<b>\$ 339,417</b>	<b>\$ 1,020,966</b>	<b>\$ 3,159</b>	<b>\$ 9,593,105</b>

**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, 2019**  
**(Expressed in Thousands)**

	<b>Employees' Retirement System</b>	<b>Municipal Employees' Retirement</b>	<b>State Police Retirement Benefits Trust</b>	<b>State Police Retirement Fund Trust</b>	<b>Judicial Retirement Benefits Trust</b>	<b>Judicial Retirement Fund Trust</b>	<b>Teachers' Survivors Benefit Plan</b>	<b>Defined Contribution Plan</b>	<b>FICA Alternative Retirement Program</b>	<b>Totals</b>
<b>Additions</b>										
Contributions										
Member contributions	\$ 90,044	\$ 18,042	\$ 2,130	\$ —	\$ 1,109	\$ 122	\$ 746	\$ 96,801	\$ 377	\$ 209,371
Employer contributions	337,163	50,853	3,567	16,388	1,922	399	746	29,133	—	440,171
Supplemental employer contributions	511	—	—	—	—	—	—	—	—	511
State contributions for teachers	102,239	—	—	—	—	—	—	—	—	102,239
Interest on service credits purchased	50	1	1	—	—	—	—	—	—	52
Service credit transfers (net)	6,880	1,619	—	—	—	—	—	—	—	8,499
Total contributions	536,887	70,515	5,698	16,388	3,031	521	1,492	125,934	377	760,843
Investment income										
Net appreciation in fair value of investments	361,666	92,690	8,422	739	4,432	36	19,400	58,172	—	545,557
Interest	50,978	12,954	1,162	70	611	5	2,718	—	—	68,498
Dividends	44,742	11,390	1,027	55	540	4	2,389	1,816	—	61,963
Other investment income	—	—	—	—	—	—	—	—	184	184
	457,386	117,034	10,611	864	5,583	45	24,507	59,988	184	676,202
Less investment expense	62,501	16,005	1,451	96	764	6	3,352	—	—	84,175
Net investment income	394,885	101,029	9,160	768	4,819	39	21,155	59,988	184	592,027
Miscellaneous revenue	17	1	—	—	—	—	—	10	—	28
Total additions	931,789	171,545	14,858	17,156	7,850	560	22,647	185,932	561	1,352,898
<b>Deductions</b>										
Retirement benefits	821,402	101,358	6,005	16,799	3,609	399	10,236	—	—	959,808
Death benefits	2,673	761	—	—	—	—	—	—	—	3,434
Distributions	—	—	—	—	—	—	—	19,633	210	19,843
Refund of contributions	5,124	1,181	42	—	—	—	454	—	—	6,801
Administrative expense	6,428	1,578	140	17	72	1	333	1,343	59	9,971
Service credit transfers (net)	6,515	1,984	—	—	—	—	—	—	—	8,499
Total deductions	842,142	106,862	6,187	16,816	3,681	400	11,023	20,976	269	1,008,356
Net increase	89,647	64,683	8,671	340	4,169	160	11,624	164,956	292	344,542
<b>Net position restricted for pension benefits</b>										
Net position - beginning	6,272,194	1,560,457	138,734	16,258	73,444	806	327,793	856,010	2,867	9,248,563
Net position - ending	\$ 6,361,841	\$ 1,625,140	\$ 147,405	\$ 16,598	\$ 77,613	\$ 966	\$ 339,417	\$ 1,020,966	\$ 3,159	\$ 9,593,105

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Fiduciary Net Position**  
**Other Employee Benefit Trust Funds**  
**June 30, 2019**  
**(Expressed in Thousands)**

	<b>State Employees</b>	<b>Teachers</b>	<b>Judges</b>	<b>State Police</b>	<b>Legislators</b>	<b>Board of Education</b>	<b>Totals</b>
<b>Assets</b>							
Cash and cash equivalents	\$ 3,312	\$ 1,075	\$ 555	\$ 917	\$ 107	\$ 461	\$ 6,427
Advance held by claims processing agent	811	—	—	—	—	—	811
Receivables							
Due from other funds	—	—	—	—	—	9	9
Contributions Receivable	1,529	—	—	207	—	177	1,913
Investments at fair value - equity in pooled trust	220,605	13,016	3,925	55,668	3,185	39,127	335,526
<b>Total assets</b>	<b>226,257</b>	<b>14,091</b>	<b>4,480</b>	<b>56,792</b>	<b>3,292</b>	<b>39,774</b>	<b>344,686</b>
<b>Liabilities</b>							
Accounts payable	284	15	13	26	1	13	352
Incurred but not reported claims	1,087	171	15	172	10	120	1,575
Due to other funds	184	55	3	46	13	34	335
Other	4,180	—	—	—	—	—	4,180
<b>Total liabilities</b>	<b>5,735</b>	<b>241</b>	<b>31</b>	<b>244</b>	<b>24</b>	<b>167</b>	<b>6,442</b>
<b>Net position restricted for other postemployment benefits</b>	<b>\$ 220,522</b>	<b>\$ 13,850</b>	<b>\$ 4,449</b>	<b>\$ 56,548</b>	<b>\$ 3,268</b>	<b>\$ 39,607</b>	<b>\$ 338,244</b>

**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, 2019**  
**(Expressed in Thousands)**

	<b>State Employees</b>	<b>Teachers</b>	<b>Judges</b>	<b>State Police</b>	<b>Legislators</b>	<b>Board of Education</b>	<b>Totals</b>
<b>Additions</b>							
Contributions							
Member contributions	\$ —	\$ —	\$ —	\$ —	\$ —	1,698	\$ 1,698
Employer contributions	43,858	2,277	—	8,257	15	5,600	60,007
Total contributions	43,858	2,277	—	8,257	15	7,298	61,705
Other income	893	108	45	236	30	40	1,352
Investment income							
Net appreciation in fair value of investments	16,402	919	299	4,125	243	2,884	24,872
Interest and dividends	2,317	187	44	584	35	402	3,569
	18,719	1,106	343	4,709	278	3,286	28,441
Less investment expense	104	5	2	26	2	18	157
Net investment income	18,615	1,101	341	4,683	276	3,268	28,284
Total additions	63,366	3,486	386	13,176	321	10,606	91,341
<b>Deductions</b>							
Benefits	24,193	1,438	54	2,801	98	2,781	31,365
Administrative expense	123	3	—	11	—	9	146
Total deductions	24,316	1,441	54	2,812	98	2,790	31,511
Net increase	39,050	2,045	332	10,364	223	7,816	59,830
<b>Net position restricted for other postemployment benefits</b>							
Net position - beginning	181,472	11,805	4,117	46,184	3,045	31,791	278,414
Net position - ending	\$ 220,522	\$ 13,850	\$ 4,449	\$ 56,548	\$ 3,268	\$ 39,607	\$ 338,244

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**June 30, 2019**  
**(Expressed in Thousands)**

	<b>Tuition Savings Program</b>	<b>Touro Jewish Synagogue</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,117	\$ —	\$ 6,117
Receivables			
Program investments sold	375	—	375
Investments, at fair value	5,688,363	3,006	5,691,369
Total assets	5,694,855	3,006	5,697,861
<b>Liabilities</b>			
Accounts payable	14,398	—	14,398
Total liabilities	14,398	—	14,398
<b>Net position</b>			
Restricted for:			
Tuition Savings Program	5,680,457	—	5,680,457
Other	—	3,006	3,006
Total net position	\$ 5,680,457	\$ 3,006	\$ 5,683,463

**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, 2019**  
**(Expressed in Thousands)**

	<b>Tuition Savings Program</b>	<b>Touro Jewish Synagogue</b>	<b>Totals</b>
<b>Additions</b>			
Program participant subscriptions	\$ 266,565	\$ —	\$ 266,565
Investment income			
Net appreciation in fair value of investments	51,824	139	51,963
Dividends and interest	190,040	50	190,090
Total additions	<u>508,429</u>	<u>189</u>	<u>508,618</u>
<b>Deductions</b>			
Program participant redemptions	830,891	—	830,891
Administrative expense	29,600	129	29,729
Total deductions	<u>860,491</u>	<u>129</u>	<u>860,620</u>
<b>Change in net position restricted for:</b>			
Tuition Savings Program	(352,062)	—	(352,062)
Other	—	60	60
Net position - beginning	6,032,519	2,946	6,035,465
Net position - ending	<u>\$ 5,680,457</u>	<u>\$ 3,006</u>	<u>\$ 5,683,463</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, 2019**  
**(Expressed in Thousands)**

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>HealthSource RI Trust</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 3,620	\$ 103,652	\$ 104,578	\$ 2,694
Receivables	—	2	—	2
<b>Total assets</b>	<b>\$ 3,620</b>	<b>\$ 103,654</b>	<b>\$ 104,578</b>	<b>\$ 2,696</b>
<b>Liabilities</b>				
Deposits held for others	\$ 3,611	\$ 117,590	\$ 118,506	\$ 2,695
Accounts payable	9	1,701	1,709	1
<b>Total liabilities</b>	<b>\$ 3,620</b>	<b>\$ 119,291</b>	<b>\$ 120,215</b>	<b>\$ 2,696</b>
<b>RIPTA Health Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,861	\$ 58,218	\$ 57,569	\$ 3,510
Receivables	3,609	5,023	4,483	4,149
<b>Total assets</b>	<b>\$ 6,470</b>	<b>\$ 63,241</b>	<b>\$ 62,052</b>	<b>\$ 7,659</b>
<b>Liabilities</b>				
Deposits held for others	\$ 3,409	\$ 931	\$ 4,154	\$ 186
Accounts payable	3,061	24,395	19,983	7,473
<b>Total liabilities</b>	<b>\$ 6,470</b>	<b>\$ 25,326</b>	<b>\$ 24,137</b>	<b>\$ 7,659</b>
<b>Statutory Deposits</b>				
<b>Assets</b>				
Deposits held as security for entities doing business in the State	\$ 53,015	\$ 6,294	\$ 5,365	\$ 53,944
<b>Total assets</b>	<b>\$ 53,015</b>	<b>\$ 6,294</b>	<b>\$ 5,365</b>	<b>\$ 53,944</b>
<b>Liabilities</b>				
Deposits held for others	\$ 53,015	\$ 6,294	\$ 5,365	\$ 53,944
<b>Total liabilities</b>	<b>\$ 53,015</b>	<b>\$ 6,294</b>	<b>\$ 5,365</b>	<b>\$ 53,944</b>
<b>Court Deposits</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 10,252	\$ 13,259	\$ 12,973	\$ 10,538
Receivables	75	840	847	68
<b>Total assets</b>	<b>\$ 10,327</b>	<b>\$ 14,099</b>	<b>\$ 13,820</b>	<b>\$ 10,606</b>
<b>Liabilities</b>				
Deposits held for others	10,257	4,678	4,345	10,590
Accounts payable	70	5,183	5,237	16
<b>Total liabilities</b>	<b>\$ 10,327</b>	<b>\$ 9,861</b>	<b>\$ 9,582</b>	<b>\$ 10,606</b>
<b>Total - All Agencies</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 16,733	\$ 175,129	\$ 175,120	\$ 16,742
Deposits held as security for entities doing business in the State	53,015	6,294	5,365	53,944
Receivables	3,684	5,865	5,330	4,219
<b>Total assets</b>	<b>\$ 73,432</b>	<b>\$ 187,288</b>	<b>\$ 185,815</b>	<b>\$ 74,905</b>
<b>Liabilities</b>				
Deposits held for others	\$ 70,292	\$ 129,493	\$ 132,370	\$ 67,415
Accounts payable	3,140	31,279	26,929	7,490
<b>Total liabilities</b>	<b>\$ 73,432</b>	<b>\$ 160,772</b>	<b>\$ 159,299</b>	<b>\$ 74,905</b>

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2019**  
**(Expressed in Thousands)**

	CFSD	The Met	DHEA	RIHMFC	RIIFC	RIIRBA
<b>Assets and deferred outflows of resources</b>						
Current Assets:						
Cash and cash equivalents	\$ 1,884	\$ 14,306	\$ —	\$ 6,576	\$ 311	\$ 1,725
Investments	—	—	398	—	—	—
Receivables (net)	295	652	—	1,281	—	30
Restricted assets:						
Cash and cash equivalents	695	—	21,083	310,048	—	—
Investments	—	—	—	99,649	—	—
Receivables (net)	—	—	—	—	—	—
Other assets	—	—	—	36,888	—	—
Due from primary government	2,856	916	473	—	—	—
Due from other governments	328	—	—	455	—	—
Due from other component units	—	—	—	—	9	—
Inventories	—	—	—	—	—	—
Other assets	510	95	4	4,057	3	6
Total current assets	6,568	15,969	21,958	458,954	323	1,761
Noncurrent Assets:						
Investments	—	—	—	—	—	—
Receivables (net)	—	—	—	9,583	—	—
Restricted assets:						
Cash and cash equivalents	—	—	—	—	—	—
Investments	—	—	—	182,609	—	—
Receivables (net)	—	—	—	—	—	—
Other assets	3,614	—	—	1,373,929	—	—
Capital assets - nondepreciable	—	—	194	—	—	—
Capital assets - depreciable (net)	1,846	233	49	—	—	—
Due from other component units	—	—	—	—	—	—
Other assets, net of amortization	—	—	—	159,846	—	—
Total noncurrent assets	5,460	233	243	1,725,967	—	—
Total assets	12,028	16,202	22,201	2,184,921	323	1,761
<b>Deferred outflows of resources</b>	10,315	—	505	1,248	—	—

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2019**  
**(Expressed in Thousands)**

	CFSD	The Met	DHEA	RIHMFC	RIIFC	RIIRBA
<b>Liabilities and deferred inflows of resources</b>						
Current liabilities:						
Accounts payable	4,165	1,854	52	849	—	—
Due to primary government	—	—	250	—	—	—
Due to other component units	—	—	—	—	28	20
Unearned revenue	10	—	—	—	3	—
Other liabilities	—	—	8	215,387	—	453
Compensated absences	54	—	—	—	—	—
Current portion of long-term debt	42	—	—	117,830	—	—
Total current liabilities	<u>4,271</u>	<u>1,854</u>	<u>310</u>	<u>334,066</u>	<u>31</u>	<u>473</u>
Noncurrent liabilities:						
Unearned revenue	—	—	—	—	23	—
Notes payable	—	—	—	172,317	—	—
Loans payable	—	—	—	—	—	—
Obligations under capital leases	211	—	—	—	—	—
Net pension liability	34,969	—	1,495	—	—	—
Net OPEB liability	10,656	—	786	6,937	—	—
Other liabilities	—	—	—	222,637	—	2,945
Compensated absences	748	—	21	1,794	—	—
Bonds payable	—	—	—	1,113,702	—	—
Total noncurrent liabilities	<u>46,584</u>	<u>—</u>	<u>2,302</u>	<u>1,517,387</u>	<u>23</u>	<u>2,945</u>
Total liabilities	<u>50,855</u>	<u>1,854</u>	<u>2,612</u>	<u>1,851,453</u>	<u>54</u>	<u>3,418</u>
<b>Deferred inflows of resources</b>	<u>4,452</u>	<u>—</u>	<u>951</u>	<u>686</u>	<u>—</u>	<u>—</u>
<b>Net position (deficit)</b>						
Net investment in capital assets	1,593	233	243	8,909	—	—
Restricted for:						
Debt	—	—	—	236,939	—	—
Other	1,921	1,050	18,900	1,671	—	—
Other nonexpendable	—	—	—	—	—	—
Unrestricted	(36,478)	13,065	—	86,511	269	(1,657)
Net position (deficit)	<u>\$ (32,964)</u>	<u>\$ 14,348</u>	<u>\$ 19,143</u>	<u>\$ 334,030</u>	<u>\$ 269</u>	<u>\$ (1,657)</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2019**  
**(Expressed in Thousands)**

	<u>RIRRC</u>	<u>QDC</u>	<u>RIIB</u>	<u>RIHEBC</u>	<u>Totals</u>
<b>Assets and deferred outflows of resources</b>					
Current Assets:					
Cash and cash equivalents	\$ 48,745	\$ 878	\$ 26,196	\$ 7,525	\$ 108,146
Investments	—	—	—	80	478
Receivables (net)	7,655	1,876	13,289	585	25,663
Restricted assets:					
Cash and cash equivalents	—	4,334	271,146	20,563	627,869
Investments	—	—	84,299	—	183,948
Receivables (net)	—	—	91,665	—	91,665
Other assets	—	—	218	—	37,106
Due from primary government	—	2,150	—	3,388	9,783
Due from other governments	—	—	—	—	783
Due from other component units	—	1,888	—	—	1,897
Inventories	2,439	—	—	—	2,439
Other assets	623	227	—	62	5,587
Total current assets	<u>59,462</u>	<u>11,353</u>	<u>486,813</u>	<u>32,203</u>	<u>1,095,364</u>
Noncurrent Assets:					
Investments	—	—	—	—	—
Receivables (net)	—	73	90,710	2,183	102,549
Restricted assets:					
Cash and cash equivalents	2,565	—	—	—	2,565
Investments	109,898	—	—	—	292,507
Receivables (net)	—	—	1,161,667	—	1,161,667
Other assets	—	783	—	—	1,378,326
Capital assets - nondepreciable	13,381	99,675	—	—	113,250
Capital assets - depreciable (net)	73,147	133,185	270	26	208,756
Due from other component units	—	1,413	—	—	1,413
Other assets, net of amortization	3,440	—	—	—	163,286
Total noncurrent assets	<u>202,431</u>	<u>235,129</u>	<u>1,252,647</u>	<u>2,209</u>	<u>3,424,319</u>
Total assets	<u>261,893</u>	<u>246,482</u>	<u>1,739,460</u>	<u>34,412</u>	<u>4,519,683</u>
<b>Deferred outflows of resources</b>	<u>11</u>	<u>372</u>	<u>5,379</u>	<u>—</u>	<u>17,830</u>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2019**  
**(Expressed in Thousands)**

	RIRRC	QDC	RIIB	RIHEBC	Totals
<b>Liabilities and deferred inflows of resources</b>					
Current liabilities:					
Accounts payable	7,330	5,164	612	—	20,026
Due to primary government	—	—	—	222	472
Due to other component units	—	—	—	—	48
Unearned revenue	—	3,951	—	—	3,964
Other liabilities	908	—	184,158	5,556	406,470
Compensated absences	498	—	—	—	552
Current portion of long-term debt	4,407	2,734	71,162	—	196,175
Total current liabilities	<u>13,143</u>	<u>11,849</u>	<u>255,932</u>	<u>5,778</u>	<u>627,707</u>
Noncurrent liabilities:					
Unearned revenue	—	173	—	—	196
Notes payable	2,143	—	—	—	174,460
Loans payable	—	12,920	—	—	12,920
Obligations under capital leases	—	—	—	—	211
Net pension liability	—	—	—	—	36,464
Net OPEB liability	700	—	—	—	19,079
Other liabilities	109,214	—	1,249	—	336,045
Compensated absences	—	—	—	—	2,563
Bonds payable	13,185	1,720	774,798	—	1,903,405
Total noncurrent liabilities	<u>125,242</u>	<u>14,813</u>	<u>776,047</u>	<u>—</u>	<u>2,485,343</u>
Total liabilities	<u>138,385</u>	<u>26,662</u>	<u>1,031,979</u>	<u>5,778</u>	<u>3,113,050</u>
<b>Deferred inflows of resources</b>					
	9	502	733	—	7,333
<b>Net position (deficit)</b>					
Net investment in capital assets	75,446	215,486	270	26	302,206
Restricted for:					
Debt	—	—	—	—	236,939
Other	2,565	467	662,135	23,557	712,266
Other nonexpendable	—	—	—	—	—
Unrestricted	45,499	3,737	49,722	5,051	165,719
Net position (deficit)	<u>\$ 123,510</u>	<u>\$ 219,690</u>	<u>\$ 712,127</u>	<u>\$ 28,634</u>	<u>\$1,417,130</u>

(Concluded)

**State of Rhode Island and Providence Plantations**  
**Combining Statement of Activities**  
**Nonmajor Component Units**  
**For the Fiscal Year Ended June 30, 2019**  
**(Expressed in Thousands)**

	<b>CFSD</b>	<b>The Met</b>	<b>DHEA</b>	<b>RIHMFC</b>	<b>RIIFC</b>	<b>RIIRBA</b>	<b>RIRRC</b>	<b>QDC</b>	<b>RIIB</b>	<b>RIHEBC</b>	<b>Totals</b>
<b>Expenses</b>	\$ 54,243	\$ 15,968	\$ 11,906	\$ 116,834	\$ 78	\$ 1,758	\$ 48,596	\$ 15,087	\$ 37,257	\$ 17,145	\$ 318,872
<b>Program revenues:</b>											
Charges for services	238	4,700	452	96,533	47	1,729	72,717	16,998	6,996	3,131	203,541
Operating grants and contributions	51,672	11,844	6,178	14,967	—	—	—	—	2,582	21,336	108,579
Capital grants and contributions	—	—	—	—	—	—	—	32,464	52,343	—	84,807
Total program revenues	51,910	16,544	6,630	111,500	47	1,729	72,717	49,462	61,921	24,467	396,927
Net (Expenses) Revenues	(2,333)	576	(5,276)	(5,334)	(31)	(29)	24,121	34,375	24,664	7,322	78,055
<b>General revenues:</b>											
Interest and investment earnings	—	168	284	14,583	—	19	6,387	7	33,726	196	55,370
Miscellaneous revenues	1,020	55	—	—	—	—	911	—	—	210	2,196
Total general revenues	1,020	223	284	14,583	—	19	7,298	7	33,726	406	57,566
Change in net position	(1,313)	799	(4,992)	9,249	(31)	(10)	31,419	34,382	58,390	7,728	135,621
<b>Net position (deficit) - beginning (as restated)</b>	(31,651)	13,549	24,135	324,781	300	(1,647)	92,091	185,308	653,737	20,906	1,281,509
<b>Net Position</b>	<b>\$ (32,964)</b>	<b>\$ 14,348</b>	<b>\$ 19,143</b>	<b>\$ 334,030</b>	<b>\$ 269</b>	<b>\$ (1,657)</b>	<b>\$123,510</b>	<b>\$219,690</b>	<b>\$ 712,127</b>	<b>\$ 28,634</b>	<b>\$ 1,417,130</b>

# Statistical Section



State of Rhode Island  
Comprehensive Annual Financial Report  
Fiscal year ended June 30, 2019

**2019**

## Statistical Section

### Index

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

	<u>Page</u>
<b>Financial Trends Information</b>	<b>274</b>
These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	
<b>Revenue Capacity Information</b>	<b>280</b>
These schedules contain information to help the reader assess the State's most significant taxes, income and sales.	
<b>Debt Capacity Information</b>	<b>286</b>
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	<b>288</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	
<b>Operating Information</b>	<b>291</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports of the relevant year.

*Note: When applicable, financial data has been reported at restated amounts in the Statistical Section.*

**State of Rhode Island and Providence Plantations**

**Schedule of Net Position by Components**

**Last Ten Fiscal Years**

(accrual basis of accounting)

(expressed in thousands)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities										
Net investment in capital assets	\$ 3,517,242	\$ 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
Restricted *	850,784	578,309	920,232	741,971	841,777	799,274	775,758	696,743	553,421	538,104
Unrestricted *	(5,124,876)	(4,702,373)	(4,581,514)	(4,342,299)	(4,380,849)	(4,454,382)	(1,436,799)	(1,458,163)	(1,529,992)	(1,644,279)
Total governmental activities net position	<u>\$ (756,850)</u>	<u>\$ (768,024)</u>	<u>\$ (448,902)</u>	<u>\$ (536,701)</u>	<u>\$ (604,633)</u>	<u>\$ (948,899)</u>	<u>\$ 1,825,742</u>	<u>\$ 1,540,948</u>	<u>\$ 1,138,430</u>	<u>\$ 958,056</u>
Business-type activities										
Net investment in capital assets	\$ (42,225)	\$ (50,807)	\$ (53,682)	\$ (57,493)	\$ (61,956)	\$ (62,060)	\$ (67,394)	\$ (64,492)	\$ (63,156)	\$ (61,806)
Restricted	561,601	471,070	384,198	283,901	155,682	33,795	8,340	9,308	11,036	13,161
Unrestricted	(27,981)	(26,437)	(19,684)	(19,970)	(21,312)	(19,991)	(86,571)	(157,396)	(159,388)	(122,955)
Total business-type activities net position	<u>\$ 491,395</u>	<u>\$ 393,826</u>	<u>\$ 310,832</u>	<u>\$ 206,438</u>	<u>\$ 72,414</u>	<u>\$ (48,256)</u>	<u>\$ (145,625)</u>	<u>\$ (212,580)</u>	<u>\$ (211,508)</u>	<u>\$ (171,600)</u>
Primary government										
Net investment in capital assets	\$ 3,475,017	\$ 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
Restricted *	1,412,385	1,049,379	1,304,430	1,025,872	997,459	833,069	784,098	706,051	473,787	497,092
Unrestricted *	(5,152,857)	(4,728,810)	(4,601,198)	(4,362,269)	(4,402,161)	(4,474,373)	(1,523,370)	(1,615,559)	(1,598,710)	(1,713,061)
Total primary government net position	<u>\$ (265,455)</u>	<u>\$ (374,198)</u>	<u>\$ (138,070)</u>	<u>\$ (330,263)</u>	<u>\$ (532,219)</u>	<u>\$ (997,155)</u>	<u>\$ 1,680,117</u>	<u>\$ 1,328,368</u>	<u>\$ 926,922</u>	<u>\$ 786,456</u>

\* Reclassifications from fiscal years 2010 through 2015 were made to conform with current presentation.

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Expenses</b>										
Governmental activities:										
General government	\$ 841,779	\$ 751,362	\$ 753,011	\$ 769,469	\$ 695,611	\$ 736,911	\$ 625,081	\$ 653,003	\$ 644,194	\$ 741,329
Human services	4,063,865	3,965,185	3,802,311	3,652,875	3,631,236	3,302,590	3,038,841	2,970,269	3,013,081	2,900,673
Education	1,803,273	1,708,408	1,619,343	1,595,289	1,472,786	1,399,347	1,364,575	1,334,355	1,332,453	1,273,985
Public safety	580,367	433,815	551,000	545,329	478,854	478,826	473,580	468,098	436,940	418,485
Natural resources	103,477	97,253	90,082	87,537	83,979	80,690	76,730	85,039	80,360	73,551
Transportation	426,522	403,365	350,585	343,270	283,085	298,626	300,639	268,523	300,366	305,460
Interest and other charges	99,971	92,231	109,664	83,899	121,845	129,421	129,714	145,964	148,850	142,924
<b>Total governmental activities</b>	<b>7,919,254</b>	<b>7,451,619</b>	<b>7,275,996</b>	<b>7,077,668</b>	<b>6,767,396</b>	<b>6,426,411</b>	<b>6,009,160</b>	<b>5,925,251</b>	<b>5,956,244</b>	<b>5,856,407</b>
Business-type activities:										
Lottery	680,356	521,594	510,302	507,199	484,293	462,153	397,625	399,421	368,870	358,127
Convention Center	51,698	52,684	50,658	48,905	48,628	49,255	48,437	49,439	32,986	50,732
Employment Security	148,430	149,227	155,672	157,018	167,527	257,145	396,909	559,440	645,979	783,878
<b>Total business-type activities</b>	<b>880,484</b>	<b>723,505</b>	<b>716,632</b>	<b>713,122</b>	<b>700,448</b>	<b>768,553</b>	<b>842,971</b>	<b>1,008,300</b>	<b>1,047,835</b>	<b>1,192,737</b>
<b>Total primary government expenses</b>	<b>\$ 8,799,738</b>	<b>\$ 8,175,124</b>	<b>\$ 7,992,628</b>	<b>\$ 7,790,790</b>	<b>\$ 7,467,844</b>	<b>\$ 7,194,964</b>	<b>\$ 6,852,131</b>	<b>\$ 6,933,551</b>	<b>\$ 7,004,079</b>	<b>\$ 7,049,144</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 273,477	\$ 240,236	\$ 224,704	\$ 229,659	\$ 209,005	\$ 212,275	\$ 220,376	\$ 212,750	\$ 185,918	\$ 179,646
Human services	294,852	274,115	252,678	266,091	246,604	229,047	227,158	204,287	210,905	198,555
Education	45,262	34,357	32,250	29,749	29,775	27,617	26,840	26,044	22,022	18,263
Public safety	35,122	38,239	22,070	45,245	39,709	44,192	47,075	37,339	34,389	35,272
Natural resources	30,579	28,429	28,980	28,655	29,258	27,259	28,975	26,060	29,046	29,746
Transportation	34,663	25,929	23,857	25,354	22,806	7,199	1,076	1,660	372	744
Operating grants and contributions	2,817,912	2,784,544	2,747,631	2,677,431	2,666,243	2,403,772	2,211,800	2,194,892	2,387,540	2,361,446
Capital grants and contributions	295,979	207,673	230,956	178,628	217,604	228,649	190,551	210,720	162,032	162,090
<b>Total governmental activities program revenues</b>	<b>3,827,846</b>	<b>3,633,522</b>	<b>3,563,126</b>	<b>3,480,812</b>	<b>3,461,004</b>	<b>3,180,010</b>	<b>2,953,851</b>	<b>2,913,752</b>	<b>3,032,224</b>	<b>2,985,762</b>
Business-type activities:										
Charges for services	1,332,911	1,142,564	1,151,505	1,177,083	1,163,752	1,127,206	1,055,070	1,056,285	985,556	947,825
Operating grants and contributions	1,278	1,259	1,373	1,558	839	53,146	166,164	278,671	358,932	418,270
<b>Total business-type activities program revenues</b>	<b>1,334,189</b>	<b>1,143,823</b>	<b>1,152,878</b>	<b>1,178,641</b>	<b>1,164,591</b>	<b>1,180,352</b>	<b>1,221,234</b>	<b>1,334,956</b>	<b>1,344,488</b>	<b>1,366,095</b>
<b>Total primary government program revenues</b>	<b>\$ 5,162,035</b>	<b>\$ 4,777,345</b>	<b>\$ 4,716,004</b>	<b>\$ 4,659,453</b>	<b>\$ 4,625,595</b>	<b>\$ 4,360,362</b>	<b>\$ 4,175,085</b>	<b>\$ 4,248,708</b>	<b>\$ 4,376,712</b>	<b>\$ 4,351,857</b>

(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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Net (Expenses)/Revenues</b>										
Governmental activities	\$ (4,091,408)	\$ (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)
Business-type activities	453,705	420,318	436,246	465,519	464,143	411,799	378,263	326,656	296,653	173,358
Total primary government net expenses	<u>\$ (3,637,703)</u>	<u>\$ (3,397,779)</u>	<u>\$ (3,276,624)</u>	<u>\$ (3,131,337)</u>	<u>\$ (2,842,249)</u>	<u>\$ (2,834,602)</u>	<u>\$ (2,677,046)</u>	<u>\$ (2,684,843)</u>	<u>\$ (2,627,367)</u>	<u>\$ (2,697,287)</u>
<b>General Revenue and Other Changes in Net Position</b>										
Governmental activities:										
Taxes	\$ 3,609,427	\$ 3,474,545	\$ 3,308,575	\$ 3,266,347	\$ 3,206,935	\$ 2,980,387	\$ 2,870,969	\$ 2,824,368	\$ 2,665,169	\$ 2,577,519
Interest and investment earnings	19,028	10,548	6,313	3,134	3,212	4,852	4,893	4,304	5,561	4,309
Miscellaneous	101,495	124,370	146,205	90,836	107,382	108,398	143,240	118,506	102,478	91,110
Gain on sale of capital assets	(1,977)	—	598	4,693	993	953	3,757	—	—	—
Special items	—	—	—	—	(5,000)	—	—	—	—	—
Transfers	368,236	343,273	338,978	335,765	345,190	332,824	333,804	344,386	331,186	318,772
Payments from component units	—	—	—	—	—	—	—	—	—	7,228
Total governmental activities	<u>4,096,209</u>	<u>3,952,736</u>	<u>3,800,669</u>	<u>3,700,775</u>	<u>3,658,712</u>	<u>3,427,414</u>	<u>3,356,663</u>	<u>3,291,564</u>	<u>3,104,394</u>	<u>2,998,938</u>
Business-type activities:										
Interest and investment earnings	639	604	312	164	186	109	117	94	79	164
Miscellaneous	11,461	8,946	6,814	4,106	1,531	31,208	24,490	16,564	(5,454)	20,224
Transfers	(368,236)	(343,273)	(338,978)	(335,765)	(345,190)	(332,824)	(333,804)	(344,386)	(331,186)	(318,772)
Total business-type activities	<u>(356,136)</u>	<u>(333,723)</u>	<u>(331,852)</u>	<u>(331,495)</u>	<u>(343,473)</u>	<u>(301,507)</u>	<u>(309,197)</u>	<u>(327,728)</u>	<u>(336,561)</u>	<u>(298,384)</u>
Total primary government	<u>3,740,073</u>	<u>3,619,013</u>	<u>3,468,817</u>	<u>3,369,280</u>	<u>3,315,239</u>	<u>3,125,907</u>	<u>3,047,466</u>	<u>2,963,836</u>	<u>2,767,833</u>	<u>2,700,554</u>
<b>Changes in Net Position</b>										
Governmental activities	4,801	134,639	87,799	103,919	352,320	181,013	301,354	280,065	180,374	128,293
Business-type activities	97,569	86,595	104,394	134,024	120,670	110,292	69,066	(1,072)	(39,908)	(125,026)
Total primary government	<u>\$ 102,370</u>	<u>\$ 221,234</u>	<u>\$ 192,193</u>	<u>\$ 237,943</u>	<u>\$ 472,990</u>	<u>\$ 291,305</u>	<u>\$ 370,420</u>	<u>\$ 278,993</u>	<u>\$ 140,466</u>	<u>\$ 3,267</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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund										
Nonspendable	\$ 1,558	\$ 1,626	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 53,353	\$ 49,302
* Restricted	119,677	93,318	117,668	133,193	134,231	120,898	110,178	78,940	67,592	49,624
Unrestricted										
Committed	5,206	3,210	2,556	3,975	2,561	4,770	4,035	22,793	5,956	4,285
Assigned	37,255	42,385	67,931	128,422	130,964	72,005	105,639	97,639	8,425	—
* Unassigned	207,336	218,136	201,818	235,096	234,131	197,706	181,282	173,782	135,574	82,239
Total General Fund (as restated)	<u>\$ 371,032</u>	<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	\$ 174
** Restricted	794,052	862,109	916,016	614,687	660,845	615,667	660,198	619,799	528,251	681,782
Unrestricted										
** Committed	87,111	76,782	63,673	39,175	10,727	4,118	163	1,742	1,448	3,366
** Assigned	—	—	—	—	—	—	255	318	284	19,704
Unassigned	(694)	(1,130)	(1,518)	(1,519)	(1,486)	(4,028)	(4,113)	(4,717)	(5,043)	(6,160)
Total All Other Governmental Funds	<u>\$ 880,643</u>	<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>

\* 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Revenues:</b>										
Taxes	\$ 3,603,497	\$ 3,472,042	\$ 3,310,524	\$ 3,266,616	\$ 3,210,123	\$ 2,975,016	\$ 2,868,503	\$ 2,814,331	\$ 2,664,420	\$ 2,577,406
Licenses, fines, sales, and services	430,616	410,726	373,066	380,376	348,214	332,655	320,767	313,724	308,564	311,040
Departmental restricted revenue	283,896	231,624	218,618	244,754	229,492	223,314	222,027	194,279	174,563	150,357
Federal grants	3,113,925	2,986,155	2,966,335	2,865,006	2,889,963	2,630,678	2,402,444	2,411,262	2,541,335	2,518,048
Income from investments	18,554	9,783	6,138	3,017	3,156	4,809	4,840	4,280	5,537	4,207
Other revenues	96,518	130,381	137,832	100,356	106,872	115,804	147,090	121,202	100,164	93,687
Total operating revenues	\$ 7,547,006	\$ 7,240,711	\$ 7,012,513	\$ 6,860,125	\$ 6,787,820	\$ 6,282,276	\$ 5,965,671	\$ 5,859,078	\$ 5,794,583	\$ 5,654,745
<b>Expenditures:</b>										
Current:										
General government	\$ 745,574	\$ 707,953	\$ 749,616	\$ 764,066	\$ 697,289	\$ 656,826	\$ 634,010	\$ 635,554	\$ 620,110	\$ 714,861
Human services	4,034,359	3,928,845	3,831,633	3,694,123	3,661,964	3,325,538	3,042,705	2,969,166	3,009,097	2,884,419
Education	1,642,764	1,579,936	1,526,076	1,467,236	1,403,807	1,357,903	1,330,388	1,282,063	1,287,733	1,239,258
Public safety	577,168	555,393	534,495	504,217	490,981	478,108	463,734	459,114	428,687	394,860
Natural resources	81,986	80,820	77,680	78,307	79,941	76,127	70,202	75,156	71,818	67,435
Transportation	593,988	474,310	387,518	386,712	373,715	383,816	373,887	399,512	367,496	306,730
Capital outlays	267,151	203,687	194,955	185,361	171,469	139,848	130,415	111,044	138,843	250,653
Intergovernmental										
Debt service:										
Principal	179,561	153,974	141,378	103,310	190,784	176,885	176,970	164,245	154,475	163,063
Interest and other charges	114,596	112,311	125,060	99,802	140,728	122,663	126,852	135,806	138,066	139,723
Total operating expenditures	\$ 8,237,147	\$ 7,797,229	\$ 7,568,411	\$ 7,283,134	\$ 7,210,678	\$ 6,717,714	\$ 6,349,163	\$ 6,231,660	\$ 6,216,325	\$ 6,161,002
Excess (deficiency) of revenues over (under) expenditures	\$ (690,141)	\$ (556,518)	\$ (555,898)	\$ (423,009)	\$ (422,858)	\$ (435,438)	\$ (383,492)	\$ (372,582)	\$ (421,742)	\$ (506,257)

(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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Other financing sources (uses):</b>										
Issuance of bonds and notes	\$ 255,820	\$ 149,375	\$ 336,925	\$ 72,000	\$ 121,125	\$ 53,150	\$ 81,400	\$ 145,035	\$ —	\$ 155,665
Issuance of refundings and other escrow assets	—	43,020	91,560	459,235	830,139	78,700	88,175	146,730	—	78,960
Capital leases	—	1,328	25,932	5,021	49,495	—	26,690	31,980	—	—
Premium and accrued interest	16,588	14,893	87,513	73,516	82,553	14,719	27,507	45,437	—	9,839
Transfers in	627,562	593,815	577,435	572,569	622,520	566,076	592,804	581,679	545,229	586,025
Payments from component units	—	—	—	—	—	—	—	—	—	7,228
Payment to refunded bonds escrow agent	—	(60,111)	(109,895)	(532,780)	(866,168)	(91,991)	(101,172)	(172,094)	—	(84,769)
Proceeds from termination of investment contracts	—	—	—	—	26,361	—	—	—	—	—
Transfers out	(259,326)	(257,510)	(238,457)	(236,804)	(277,330)	(231,717)	(264,571)	(235,253)	(211,789)	(261,473)
<b>Total other financing sources (uses)</b>	<b>640,644</b>	<b>484,810</b>	<b>771,013</b>	<b>412,757</b>	<b>588,695</b>	<b>388,937</b>	<b>450,833</b>	<b>543,514</b>	<b>333,440</b>	<b>491,475</b>
Special items	—	—	—	—	(5,000)	—	—	—	—	—
<b>Net change in fund balances</b>	<b>\$ (49,497)</b>	<b>\$ (71,708)</b>	<b>\$ 215,115</b>	<b>\$ (10,252)</b>	<b>\$ 160,837</b>	<b>\$ (46,501)</b>	<b>\$ 67,341</b>	<b>\$ 170,932</b>	<b>\$ (88,302)</b>	<b>\$ (14,782)</b>
Total operating expenditures	\$ 8,237,147	\$ 7,797,229	\$ 7,568,411	\$ 7,283,134	\$ 7,210,678	\$ 6,717,714	\$ 6,349,163	\$ 6,231,660	\$ 6,216,325	\$ 6,161,002
Capital outlays	\$ 416,953	\$ 340,650	\$ 339,270	\$ 378,935	\$ 327,792	\$ 360,267	\$ 315,644	\$ 264,770	\$ 230,746	\$ 319,509
Total noncapital expenditures	\$ 7,820,194	\$ 7,456,579	\$ 7,229,141	\$ 6,904,199	\$ 6,882,886	\$ 6,357,447	\$ 6,033,519	\$ 5,966,890	\$ 5,985,579	\$ 5,841,493
Debt service as a percentage of noncapital expenditures	3.8%	3.6%	3.9%	3.5%	4.8%	4.7%	5.0%	5.1%	5.0%	5.0%

\*The capital outlay amount used to calculate the debt service as a percentage of noncapital expenditures is from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities, and includes infrastructure additions reported separately above as transportation expense.

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)

<b>Taxable Sales By Industry:</b>	Calendar Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Grocery, Food Stores, Delis, Bakeries	\$ 1,257.69	\$ 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
Restaurants and Bars	2,813.54	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
Room Rentals - Motels, Hotels	647.17	618.54	591.97	652.16	503.30	429.10	530.74	388.82	407.15	491.30
Utilities - Telephone, Electric, Gas, Water	286.21	266.24	255.14	591.87	673.23	600.82	617.53	583.28	588.48	589.94
<b>Total</b>	<b>\$ 5,004.61</b>	<b>\$ 4,861.10</b>	<b>\$ 4,706.52</b>	<b>\$ 4,910.05</b>	<b>\$ 4,649.90</b>	<b>\$ 4,417.22</b>	<b>\$ 4,358.63</b>	<b>\$ 4,046.96</b>	<b>\$ 4,028.06</b>	<b>\$ 4,040.95</b>
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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Farm Earnings	\$ 37	\$ 37	\$ 22	\$ 30	\$ 21	\$ 26	\$ 26	\$ 22	\$ 27	\$ 27
<b><u>Private Earnings</u></b>										
Forestry, Fishing and Other	(D)	(D)	(D)	(D)	(D)	(D)	66	(D)	(D)	54
Mining	(D)	(D)	(D)	(D)	(D)	(D)	11	(D)	(D)	14
Utilities	198	177	160	149	146	144	132	144	146	131
Construction	2,244	(D)	2,025	1,951	1,914	1,868	1,930	1,756	1,742	1,759
Manufacturing	3,170	3,104	3,037	3,091	3,007	2,888	2,790	2,725	2,667	3,060
Wholesale Trade	1,722	1,682	1,638	1,664	1,561	1,467	1,386	1,319	1,282	1,279
Retail Trade	2,285	2,191	2,168	2,220	2,180	2,193	2,188	2,114	2,036	1,904
Transportation and warehousing	761	719	697	683	646	641	642	622	585	552
Information	574	566	767	813	826	817	867	874	832	837
Finance and Insurance	3,217	3,312	2,975	2,879	2,822	2,527	2,432	2,063	2,139	2,124
Real Estate and Rental and Leasing	651	635	664	632	672	758	841	785	722	419
Professional, scientific, technical services	3,139	3,003	2,838	2,835	2,700	2,554	2,476	2,411	2,323	2,403
Management of companies and enterprises	1,934	1,941	1,901	1,799	1,700	1,559	1,409	1,230	1,156	1,185
Administrative and waste services	1,594	1,489	1,387	1,360	1,312	1,265	1,176	1,108	1,058	1,010
Educational services	1,482	1,437	1,418	1,439	1,371	1,295	1,271	1,297	1,258	1,119
Health care and social assistance	5,209	5,055	5,052	5,044	4,885	4,782	4,650	4,592	4,601	4,227
Arts, entertainment, and recreation	523	525	523	495	478	419	390	377	366	319
Accommodation and food services	1,473	1,397	1,339	1,262	1,176	1,166	1,118	1,013	935	927
Other services, except public administration	1,397	1,341	1,311	1,269	1,222	1,160	1,157	1,112	1,098	1,032
<b><u>Government and Government Enterprises</u></b>										
Federal/Civilian	1,347	1,320	1,234	1,195	1,147	1,106	1,122	1,104	1,092	973
Military	481	461	452	473	475	502	508	508	513	475
State and Local	4,488	4,343	4,247	4,216	4,110	3,973	3,906	3,942	3,944	3,916
<b>Total Personal Income by Industry*</b>	<b>\$ 38,038</b>	<b>\$ 36,932</b>	<b>\$ 35,951</b>	<b>\$ 35,589</b>	<b>\$ 34,447</b>	<b>\$ 33,183</b>	<b>\$ 32,495</b>	<b>\$ 31,193</b>	<b>\$ 30,604</b>	<b>\$ 28,713</b>

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

The U.S. Bureau of Economic Analysis has released updated statistics which resulted in restatements for amounts previously reported for calendar years 2009 -2017.

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Personal Income Tax (PIT) Revenue	\$ 1,345	\$ 1,244	\$ 1,217	\$ 1,228	\$ 1,116	\$ 1,086	\$ 1,060	\$ 1,021	\$ 898	\$ 941
Personal Income	56,880	53,705	53,000	52,006	49,683	49,434	48,184	46,881	45,268	43,471
PIT Revenue as a Percent of Personal Income	2.36%	2.32%	2.30%	2.36%	2.25%	2.20%	2.20%	2.18%	1.98%	2.16%

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 2018 All Filing Status Types	Tax Rate	3.75%	4.75%	5.99%		
	Income Bracket	\$ 0 - \$62,550	\$62,550 - \$142,150	over \$142,150		
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

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 2008 through 2017**

<u>Tax Year 2017</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	173,455	34.56%	\$ 13,071,271	1.21%
\$25,001 - \$50,000	120,894	24.09%	80,782,374	7.47%
\$50,001 - \$75,000	72,481	14.44%	104,524,797	9.67%
\$75,001 - \$100,000	45,756	9.11%	104,790,845	9.69%
\$100,001 - \$200,000	69,443	13.84%	323,717,549	29.95%
\$200,001 - \$500,000	16,766	3.34%	240,752,018	22.27%
\$500,001 - \$1,000,000	2,251	0.45%	86,024,930	7.96%
\$1,000,001 and greater	837	0.17%	127,304,302	11.78%
	<u>501,883</u>	<u>100.00%</u>	<u>\$ 1,080,968,086</u>	<u>100.00%</u>

<u>Tax Year 2016</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	178,845	35.59%	\$ 14,309,901	1.28%
\$25,001 - \$50,000	119,884	23.86%	83,011,473	7.43%
\$50,001 - \$75,000	71,266	14.18%	107,036,619	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>

(Continued)

**State of Rhode Island and Providence Plantations**  
**Schedule of Resident Personal Income Tax Filers & Liability by AGI**  
**Tax Years 2008 through 2017**

<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%	83,752,981	8.24%
\$50,001 - \$75,000	67,181	13.90%	107,779,597	10.60%
\$75,001 - \$100,000	43,316	8.96%	108,406,641	10.66%
\$100,001 - \$200,000	58,008	12.00%	273,640,681	26.93%
\$200,001 - \$500,000	12,612	2.61%	186,607,713	18.36%
\$500,001 - \$1,000,000	1,863	0.39%	72,200,723	7.10%
\$1,000,001 and greater	901	0.19%	168,326,180	16.56%
	<u>483,437</u>	<u>100.00%</u>	<u>\$ 1,016,502,611</u>	<u>100.00%</u>

<u>Tax Year 2011</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	187,194	38.94%	\$ 16,926,831	1.75%
\$25,001 - \$50,000	113,669	23.64%	85,575,958	8.82%
\$50,001 - \$75,000	67,075	13.95%	108,935,845	11.23%
\$75,001 - \$100,000	42,991	8.94%	109,489,374	11.29%
\$100,001 - \$200,000	56,062	11.66%	270,444,262	27.88%
\$200,001 - \$500,000	11,501	2.39%	171,575,565	17.69%
\$500,001 - \$1,000,000	1,582	0.33%	61,270,009	6.32%
\$1,000,001 and greater	714	0.15%	145,706,695	15.02%
	<u>480,788</u>	<u>100.00%</u>	<u>\$ 969,924,539</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>\$ 894,193,157</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>

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Governmental Activities</b>										
General obligation bonds	\$ 1,324,337	\$ 1,267,433	\$ 1,327,520	\$ 1,238,951	\$ 1,162,764	\$ 1,137,468	\$ 1,146,789	\$ 1,153,616	\$ 1,064,891	\$ 1,139,438
Revenue bonds (blended component units)	755,610	765,150	748,304	780,270	789,580	846,475	848,212	846,327	846,871	845,100
Capital leases	204,105	201,478	228,531	231,090	255,581	224,206	245,150	237,464	227,896	249,363
Special purpose bonds	666,788	648,237	606,195	391,240	435,600	415,955	468,730	519,060	567,190	613,355
<b>Total governmental activities</b>	<b>2,950,840</b>	<b>2,882,298</b>	<b>2,910,550</b>	<b>2,641,551</b>	<b>2,643,525</b>	<b>2,624,104</b>	<b>2,708,881</b>	<b>2,756,467</b>	<b>2,706,848</b>	<b>2,847,256</b>
<b>Business-type Activities</b>										
Revenue bonds	222,752	234,542	195,772	208,627	221,775	230,838	234,321	241,535	249,669	257,294
<b>Total primary government</b>	<b>\$ 3,173,592</b>	<b>\$ 3,116,840</b>	<b>\$ 3,106,322</b>	<b>\$ 2,850,178</b>	<b>\$ 2,865,300</b>	<b>\$ 2,854,942</b>	<b>\$ 2,943,202</b>	<b>\$ 2,998,002</b>	<b>\$ 2,956,517</b>	<b>\$ 3,104,550</b>
Debt as a Percentage of Personal Income	5.5%	5.6%	5.8%	5.8%	5.8%	6.0%	6.8%	7.5%	7.4%	8.2%
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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Revenue Bonds-Tobacco Settlement Financing Corporation (TSFC)</b>										
Revenue:										
Tobacco settlement revenue, cash basis	\$ 43,882	\$ 45,916	\$ 31,057	\$ 47,432	\$ 45,295	\$ 51,757	\$ 46,692	\$ 49,944	\$ 50,166	\$ 48,620
Investment income	1,043	540	212	50	1,436	3,300	3,376	3,234	4,354	3,410
Total revenue	44,925	46,456	31,269	47,482	46,731	55,057	50,068	53,178	54,520	52,030
Less: operating expenses	65	52	84	141	126	62	33	74	74	69
Net available revenue	\$ 44,860	\$ 46,404	\$ 31,185	\$ 47,341	\$ 46,605	\$ 54,995	\$ 50,035	\$ 53,104	\$ 54,446	\$ 51,961
Debt service										
Interest and required principal payments (c)	\$ 36,006	\$ 36,287	\$ 37,996	\$ 38,139	\$ 35,633	\$ 35,229	\$ 36,085	\$ 37,029	\$ 37,783	\$ 38,614
Covered ratio before turbo principal payment	125%	128%	82%	124%	131%	156%	139%	143%	144%	135%
Turbo principal payments (b)	9,160	10,315	6,275	10,005	25,520	20,340	14,265	15,735	12,570	14,710
Total debt service	\$ 45,166	\$ 46,602	\$ 44,271	\$ 48,144	\$ 61,153	\$ 55,569	\$ 50,350	\$ 52,764	\$ 50,353	\$ 53,324
Coverage ratio after turbo principal payments (a)	99%	100%	70%	98%	76%	99%	99%	101%	108%	97%
<b>Revenue Bonds-GARVEE (Federal Highway)</b>										
Revenue - FHWA participation	\$ 57,521	\$ 23,555	\$ 19,116	\$ 6,254	\$ 48,356	\$ 48,387	\$ 48,382	\$ 48,382	\$ 48,389	\$ 48,391
Net available revenue	\$ 57,521	\$ 23,555	\$ 19,116	\$ 6,254	\$ 48,356	\$ 48,387	\$ 48,382	\$ 48,382	\$ 48,389	\$ 48,391
Debt service (d)										
Principal	\$ 33,975	\$ —	\$ —	\$ —	\$ 34,160	\$ 32,615	\$ 31,075	\$ 29,590	\$ 28,205	\$ 26,910
Interest	23,560	23,560	19,116	6,254	14,196	15,772	17,308	18,792	20,184	21,481
Total debt service	\$ 57,535	\$ 23,560	\$ 19,116	\$ 6,254	\$ 48,356	\$ 48,387	\$ 48,383	\$ 48,382	\$ 48,389	\$ 48,391
Coverage (a)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Revenue Bonds - Motor Fuel (Gas Tax)</b>										
Revenue - 2 cents per gallon of the gasoline tax	\$ 9,776	\$ 8,976	\$ 8,845	\$ 8,981	\$ 8,793	\$ 8,473	\$ 8,275	\$ 8,412	\$ 8,421	\$ 8,579
Net available revenue	\$ 9,776	\$ 8,976	\$ 8,845	\$ 8,981	\$ 8,793	\$ 8,473	\$ 8,275	\$ 8,412	\$ 8,421	\$ 8,579
Debt service										
Principal	\$ 3,605	\$ —	\$ 4,200	\$ 4,375	\$ 4,185	\$ 3,985	\$ 3,840	\$ 3,710	\$ 3,585	\$ 3,480
Interest	1,751	948	2,661	2,839	3,006	3,162	3,304	3,439	3,561	3,667
Coverage (a)	183%	947%	129%	124%	122%	119%	116%	118%	118%	120%

(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**

	<b>Personal Income</b>				<b>Per Capita Personal Income</b>				<b>Population</b>			
	<b>(in billions)</b>				<b>(in dollars)</b>				<b>(in thousands)</b>			
	<b>United States</b>		<b>Rhode Island</b>		<b>United States</b>		<b>Rhode Island</b>		<b>United States</b>		<b>Rhode Island</b>	
	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Amount</b>	<b>Percent Change</b>	<b>Population</b>	<b>Percent Change</b>	<b>Population</b>	<b>Percent Change</b>
<b>2018</b>	17,813.0	5.6%	58.0	4.8%	54,446	4.9%	54,850	4.7%	327,167	0.6%	1,057	0.1%
<b>2017</b>	16,870.1	4.7%	55.3	3.6%	51,885	4.0%	52,379	3.6%	325,147	0.6%	1,056	-0.1%
<b>2016</b>	16,111.6	2.6%	53.4	1.1%	49,870	1.8%	50,541	1.0%	323,071	0.7%	1,057	0.1%
<b>2015</b>	15,709.2	4.8%	52.9	3.9%	48,978	4.1%	50,053	3.9%	320,743	0.7%	1,056	0.0%
<b>2014</b>	14,982.7	5.7%	50.9	4.3%	47,058	4.9%	48,165	4.2%	318,386	0.7%	1,056	0.1%
<b>2013</b>	14,175.5	1.3%	48.8	-0.1%	44,851	0.6%	46,225	-0.1%	316,058	0.7%	1,055	0.0%
<b>2012</b>	13,998.4	5.1%	48.8	3.7%	44,599	4.4%	46,283	3.6%	313,874	0.7%	1,055	0.1%
<b>2011</b>	13,315.5	6.2%	47.1	4.0%	42,735	5.4%	44,675	4.0%	311,580	0.7%	1,054	0.0%
<b>2010</b>	12,542.0	4.1%	45.3	5.4%	40,546	3.2%	42,945	5.3%	309,326	0.8%	1,054	0.0%
<b>2009</b>	12,051.3	-3.1%	43.0	-2.5%	39,284	-4.0%	40,766	-2.4%	306,772	0.9%	1,054	-0.1%

Source: United States Bureau of Economic Analysis

**Schedule of Economic Indicators  
Prior Ten Calendar Years**

	<b>Civilian Labor Force</b>		<b>Existing Single Family Home Sales</b>	
	<b>(in thousands)</b>		<b>Number</b>	<b>Percent</b>
	<b>Number in Labor Force</b>	<b>Percent Change</b>	<b>of Sales</b>	<b>Change</b>
<b>2018</b>	556	0.4%	14,524	-3.8%
<b>2017</b>	554	0.0%	15,091	3.6%
<b>2016</b>	553	-0.2%	14,570	6.2%
<b>2015</b>	555	-0.4%	13,715	7.0%
<b>2014</b>	557	-0.1%	12,814	-5.4%
<b>2013</b>	557	-0.3%	13,547	10.6%
<b>2012</b>	558	-0.3%	12,245	8.6%
<b>2011</b>	560	-1.2%	11,272	-1.9%
<b>2010</b>	567	-0.1%	11,494	-9.6%
<b>2009</b>	567	-0.5%	12,712	15.7%

Source: IHS Long Term Quarterly Forecast from September 2019

**State of Rhode Island and Providence Plantations  
Principal Employers  
2018 and 2009**

2018				2009			
Rank	Employer	Employed	Percentage	Rank	Employer	Employed	Percentage
1	Lifespan	12,733	2.29%	1	Lifespan	11,866	2.10%
2	CVS Health Corp.	8,300	1.49%	2	Care New England	6,894	1.22%
3	Care New England	6,334	1.14%	3	Roman Catholic Diocese of Providence	6,200	1.10%
4	Citizens Bank	5,121	0.92%	4	CVS Corporation	5,800	1.02%
5	General Dynamics Electric Boat	4,595	0.83%	5	Citizens Financial Group (Royal Bank of Scotland)	5,375	0.95%
6	Brown University	4,009	0.72%	6	Brown University	3,787	0.67%
7	Naval Undersea Warfare Center	3,456	0.62%	7	Bank of America	3,000	0.53%
8	Fidelity Investments	3,300	0.59%	8	Fidelity Investments	2,300	0.41%
9	Charter CARE Health Partners	3,132	0.56%	9	Warren Equities, Inc.	2,260	0.40%
10	Roman Catholic Diocese	3,000	0.54%	10	MetLife	2,214	0.39%
	Total employment	556,000	9.70%			566,000	8.79%

**Source:** Providence Business News  
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**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Full-time Employees</b>										
General Government	2,573	2,457	2,496	2,428	2,364	2,384	2,414	2,337	2,561	2,533
Human Services	3,211	3,096	3,196	3,190	3,273	3,353	3,273	3,118	3,247	3,125
Education	358	357	352	353	340	359	370	354	358	352
Public Safety	3,025	3,032	3,031	3,007	3,029	3,057	3,023	3,002	2,685	2,693
Natural Resources	861	851	860	843	879	904	898	887	865	863
Transportation	789	740	741	705	735	771	781	797	802	763
<b>State Total</b>	<b>10,817</b>	<b>10,533</b>	<b>10,676</b>	<b>10,526</b>	<b>10,620</b>	<b>10,828</b>	<b>10,759</b>	<b>10,495</b>	<b>10,518</b>	<b>10,329</b>

**Source:** Department of Administration

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b><u>General Government</u></b>										
Division of Taxation										
Dollars received electronically (expressed in thousands)	\$ 3,094,923	\$ 2,948,315	\$ 2,788,256	\$ 2,732,982	\$ 2,630,196	\$ 2,479,404	\$ 2,422,640	\$ 2,330,068	\$ 2,242,867	\$ 2,135,981
Number of business transactions processed electronically	844,749	809,922	1,219,895	1,042,129	1,026,097	1,160,506	988,669	970,394	917,982	857,553
Personal Income Tax returns filed electronically -Tax Year	559,995	546,404	555,142	531,354	505,137	490,000	463,900	451,406	442,383	379,495
Department of Labor and Training										
Labor force total (expressed in thousands)	555	553	553	555	553	554	560	566	569	567
Unemployment rate (percentage)	4.3%	4.7%	5.6%	6.7%	7.7%	8.9%	11.1%	11.4%	11.6%	11.2%
<b><u>Human Services</u></b>										
Department of Children, Youth and Families										
Average Number of Children in Out of Home Placement	2,838	2,531	2,535	2,484	2,306	2,141	2,116	2,249	2,201	2,410
Number of births (expressed in thousands)	11	12	12	12	11	11	12	12	12	12
<b><u>Education</u></b>										
Office of Postsecondary Commissioner										
Enrollment - Higher Education	39,779	40,098	41,030	43,335	42,765	42,786	44,504	43,254	43,224	43,409
Number of certificates and degrees awarded - Higher Education	8,372	8,325	7,888	7,675	7,400	7,256	6,804	6,500	6,516	6,255
<b><u>Public Safety</u></b>										
Department of Corrections										
Incarcerated offenders (male)	2,644	2,819	3,068	3,047	3,060	2,988	3,022	3,084	3,154	3,499
Incarcerated offenders (female)	140	138	125	136	154	173	169	189	187	190
<b><u>Natural Resources</u></b>										
Department of Environmental Management										
Hatchery fish raised and restocked (approximated in thousands)	180	180	143	141	145	138	131	114	119	136
Park visitations (expressed in thousands)	8,775	8,111	7,884	6,393	1,904	1,302	3,449	5,213	5,386	5,374
Recreational registrations (boats)	38,880	43,259	40,178	38,463	38,950	39,012	38,583	40,525	41,158	42,301
<b><u>Transportation</u></b>										
Department of Transportation										
Vehicle miles traveled (expressed in millions)	8,009	8,001	7,927	7,832	7,677	7,775	7,786	7,901	8,280	8,279

Source: Various Agencies

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b><u>General Government</u></b>										
Buildings	17	16	17	17	16	16	16	16	15	14
Vehicles	182	118	126	161	163	272	257	251	258	260
<b><u>Human Services</u></b>										
Buildings	188	188	188	188	205	199	199	196	197	201
Vehicles	243	248	273	281	280	291	286	304	337	339
<b><u>Education</u></b>										
Buildings	12	12	12	13	12	12	9	10	10	9
Vehicles	19	19	18	18	17	16	13	14	19	20
<b><u>Public Safety</u></b>										
Buildings	67	66	66	66	65	65	64	62	59	53
Vehicles	627	674	669	656	646	635	643	561	604	586
<b><u>Natural Resources</u></b>										
Buildings	60	81	80	81	78	80	80	67	49	47
Vehicles	381	388	424	443	416	431	419	426	428	420
Number of state parks, beaches, bike paths	34	34	34	25	26	21	21	21	21	21
Area of state parks, beaches (acres)	8,038	8,038	8,038	8,038	8,052	8,052	8,052	8,052	8,052	8,052
<b><u>Transportation</u></b>										
Buildings	23	22	21	19	33	23	23	21	19	19
Vehicles	833	790	693	606	652	558	547	555	621	611
Miles of state highway	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272

**Source: Department of Administration**

**The Rhode Island Commerce Corporation assisted in providing artwork for the  
State of Rhode Island's 2019 Comprehensive Annual Financial Report**

Cover – Mohegan Bluffs – Block Island



Introductory Section – Providence Skyline – Providence



Financial Section – The Breakers – Newport



Management's Discussion and Analysis – Crescent Beach – Block Island



Basic Financial Statements – Caste Hill Lighthouse - Newport



Required Supplementary Information – Rocky Point State Park – Warwick



Combining Financial Statements – Sailing Newport – Newport



Statistical Section – WaterFire at Waterplace Park – Providence

