

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

*Fiscal year ended June 30, 2022*



**Daniel J. McKee, Governor**

Department of Administration  
James Thorsen, Director of Administration  
Office of Accounts and Control  
Dorothy Pascale, CPA, State Controller

**2022**

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# Introductory Section



*State of Rhode Island*  
**Annual Comprehensive Financial Report**  
*Fiscal year ended June 30, 2022*

**2022**



STATE OF RHODE ISLAND  
**DEPARTMENT OF ADMINISTRATION**

Office of Accounts and Control

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January 31, 2023

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 Annual Comprehensive Financial Report (ACFR) of the State of Rhode Island for the fiscal year ended June 30, 2022.

## **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 respects in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board. Furthermore, we believe this report includes all disclosures necessary to enable the reader to gain an understanding of the State's financial activities.

*Independent Auditors:* The State's basic financial statements have been audited by the Office of the Auditor General as required by Section 35-7-10 of the General Laws. The Independent Auditor's Report is included in the Financial Section of this report.

*Internal Control Structure:* Management of the State is responsible for establishing and maintaining an internal control structure designed to provide reasonable, but not absolute, assurance that the assets of the State are protected from loss, theft, or misuse and that adequate accounting data is compiled to allow for preparation of financial statements in conformity with GAAP. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management. Managers in all branches and components of government are required to maintain comprehensive internal control systems, to regularly evaluate the effectiveness and adequacy of these systems by internal reviews, and to make an annual submission regarding these internal controls in accordance with the Financial Integrity and Accountability Act.

*Financial Reporting Entity:* The State Reporting Entity includes the primary government and its discretely presented component units. The primary government of the State of Rhode Island includes all funds, departments and other agencies that make up its legal entity. In addition to these primary government activities, this report includes information related to discretely presented component units for which the primary government is financially accountable. Although such information is provided in this report, the Management Discussion and Analysis and basic financial statements focus on the primary government

and its activities. Separately issued financial statements are available from the discretely presented component units and should be read to obtain a better understanding of their financial conditions. Additional information on all discretely presented component units can be found in Note 1B to the financial statements.

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

## PROFILE OF THE STATE

*Government Structure:* As shown in the organizational chart that follows this transmittal letter, State government is divided into three separate branches: legislative, executive, and judicial. The duties of each branch are outlined in the State's Constitution, which can be amended only by a majority vote of the State's citizens, and in the Rhode Island General Laws, which can be amended only by the General Assembly. State government services provided to citizens include building and maintaining roads; providing public safety, health and environmental protection services to protect the general health and welfare of the State's citizens; assisting adults, children and families through difficult times resulting from abuse, neglect, illness or unemployment; promoting an attractive business climate to encourage economic development; and protecting natural resources for conservation and recreational activities. The State also provides significant support to its three institutions of higher education and to the public schools.

*Budgetary Information - Annual and Long-term:* Preparation and submission of the budget is governed by both the State's Constitution and Rhode Island General Laws. The budget, as enacted by the General Assembly, contains a complete plan of appropriations supported by estimated revenues. The budget contains appropriations for certain governmental funds including the General Fund, Intermodal Surface Transportation Fund, Temporary Disability Fund and the RI Capital Plan Fund. Estimated general revenues are determined by a consensus of the Revenue Estimating Conference (Conference), which is made up of the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor. The Conference was established to provide a stable and accurate method of financial planning and budgeting to facilitate the adoption of a balanced budget wherein appropriations and expenditures do not exceed anticipated revenues, as is required by the Constitution of Rhode Island. Appropriations for restricted and dedicated revenue sources are supported by estimates submitted by the respective State agencies. The legal level of budgetary control is the line item.

The State maintains a State Budget Reserve and Cash Stabilization Account (the Reserve) within the General Fund. According to the State's Constitution, general revenue appropriations in the General Fund cannot exceed 97% of available general revenue sources. These sources consist of the current fiscal year's budgeted general revenue plus the General Fund available balance from the prior fiscal year. Excess revenue is transferred to the Reserve. If the balance in the Reserve exceeds 5% of the total general revenues and opening surplus, the excess is transferred to the Rhode Island Capital Plan Fund to be used for capital projects. The Reserve, or any portion thereof, may be appropriated in the event of an emergency involving the health, safety, or welfare of the citizens of the State or in the event of an unanticipated general revenue deficit in any given fiscal year caused by a general revenue shortfall, with 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 its interpretation.

*Economic Conditions and Outlook:* The Rhode Island economy continued its recovery from the COVID-19 pandemic in FY 2022, although a potential recession may impact the state in FY 2023. Rhode Island lost 108,000 jobs between February 2020 and April 2020 and has since gained back 91% of those jobs (as of November 2022). Lower wage industries were much more impacted by the pandemic, with industries with average wages less than \$50,000 accounting for 58% of job losses despite making up only 32% of total jobs in the state.

The largest gains since April 2020 have been experienced by sectors that saw the largest losses. The accommodation and food services and health care and social assistance sectors, the hardest hit parts of the economy, have both recovered 87% of jobs lost. Arts, entertainment, and recreation businesses have lagged a bit, recovering only 71% of jobs lost. Several sectors have gained back more jobs than were initially lost, including construction, manufacturing, and professional and business services. Rhode Island's labor force has also rebounded from the pandemic downturns, though apparently not quickly enough to absorb the increase in job openings. As of November 2022, there were 4,916 more Rhode Islanders in the labor force as compared to February 2020 (a 0.9% increase). Rhode Island's labor force participation rate as of November 2022 was 63.8%, almost identical to February 2020. The seasonally adjusted labor force participation rate hit a low during the early days of the pandemic of 61.0% in April 2020.

The consensus economic forecast adopted at the November 2022 Revenue Estimating Conference anticipates that employment growth will taper off in the coming years and turn negative due to the forecasted recession, with growth of -1.0% in fiscal 2024. The state's unemployment rate is expected to reach 5.1% in fiscal 2024 and remain above 4.0% for the next several years.

Robust consumer spending continued during FY 2022, although there were some shifts in spending patterns. The pandemic shifted consumer spending into goods purchases as public health measures and COVID-19 concerns moved people away from service spending such as meals out, travel, and entertainment. The movement toward the endemic stage of the virus and the termination of public health restrictions in 2022 shifted these patterns back, and pent-up demand for services was released. Rhode Island spending on goods grew at 9% in fiscal 2022, still robust but down significantly from its peak of 13% growth in fiscal 2021. However, while consumer spending on services grew by only 3% in fiscal 2021 (from a diminished fiscal 2020 base) it grew by 12% in FY 2022.

Consumer spending growth in general is expected to weaken over the next few fiscal years, as the job market is expected to tighten and inflation is expected to erode real purchasing power. However, services spending is expected to remain strong at 7% and 4% growth in fiscal years 2023 and 2024, respectively. Goods spending is expected to grow at a more modest rate of 3% in FY 2023, with no growth in FY 2024. Inflation is expected to be high in the short term, with 6.5% inflation in FY 2023, largely driven by the tight labor market putting upward pressure on wages. However, the forecast assumes the Federal Reserve continues increasing interest rates through FY 2023 and that this strategy is ultimately effective, easing inflation down to 2.9% in FY 2024.

*Additional Federal Funding Supports:* During FY 2021, the federal American Rescue Plan Act (ARPA) awarded the State of Rhode Island \$1.13 billion through the State Fiscal Recovery Fund included in the act. The State has opted to utilize a small portion of the funding in FY 2022 with significantly more to be appropriated within the fiscal 2023 State budget. The State has until December 31, 2024 to obligate its ARPA funding. In general, ARPA provides that states utilize the funding for certain purposes including but not limited to responding to the pandemic and its negative health and economic impacts; providing bonus pay to essential workers; preventing cuts in public services caused by pandemic-induced revenue losses and investing in water, sewer, or broadband infrastructure.

The federal Infrastructure Investment and Jobs Act (IIJA), a 5-year transportation funding package, provides RIDOT with an additional \$576 million of federal funds over a five-year period to expedite 100 projects valued at \$2.1 billion in the state Transportation Improvement Program. State matching funding will be combined with the federal funds to accelerate these improvements. Funding from the IIJA in total is expected to approximate \$1.7 billion for transportation infrastructure and bridge replacement in the State. In addition, the IIJA provides funding for significant investments in the State's airports, transit systems, electric vehicle charging networks, high-speed internet coverage, and drinking water infrastructure, as many of the infrastructure improvements targeted by the act.



*Economic Development Incentives:* The State offers a variety of economic development incentives designed to achieve job growth, stimulate business expansion, retain and attract businesses, promote workforce development, and other programs to promote economic prosperity in the State. Additional details of these programs can be found in Note 12 to the financial statements. All economic incentive programs are authorized by the General Assembly and developed and administered through several state agencies including the Executive Office of Commerce, the Department of Revenue, and the Rhode Island Commerce Corporation to name a few. Additional Information regarding the State's economic development initiatives can be found at <https://dor.ri.gov/revenue-analysis/reports> and <https://commerceri.com/>.

*Major Initiatives:* The following section highlights several notable initiatives contained in the enacted budget that may have an impact on revenue and/or expenditure trends in FY 2023 and beyond. The FY 2023 Budget was enacted by the General Assembly and signed into law by the Governor on June 27, 2022.

Several changes were authorized in the 2022 session of the General Assembly that will impact future general revenues. These include:

- The FY 2023 enacted budget includes a one-time child tax rebate of \$250 per child for up to three children for Rhode Island residents making up to \$100,000 for an individual and \$200,000 for a joint filer, estimated to affect approximately 190,000 filers. A child is defined as a dependent that was under the age of 18 in calendar year 2021. This is estimated to cost \$43.8 million and does not recur beyond FY 2023.
- Legalizing cannabis for adult use yields estimated revenues for FY 2023 of \$2.9 million of general revenues from the sales tax, \$4.1 million of restricted receipts from a new 10% state excise tax, \$1.2 million to be passed through to municipalities from a new 3% excise tax, and \$1.2 million in licensing fees direct to a new Social Equity Assistance Fund.
- Eliminating the taxation of military service pensions beginning in tax year 2023. The FY 2023 budget reduces revenues by \$3.1 million for half a fiscal year impact, which annualize to \$6.3 million for FY 2024.
- Reducing the interest rate associated with certain delinquent tax payments, including from income and corporate taxes, from 18% to 12% beginning with tax year 2023. The fiscal impact is \$2.5 million less for FY 2023; it would annualize to \$6.3 million in FY 2024.
- Increasing the income threshold for property tax credit or "circuit breaker" program eligibility from \$30,000 to \$35,000 and increasing the credit to \$600 beginning with tax year 2022. This is estimated to cost \$3.7 million for FY 2023.
- Increasing the allowable modification of taxable retirement income from certain pension plans and annuities from \$15,000 to \$20,000. This is estimated to cost \$1.6 million for FY 2023 and annualize to \$3.2 million for FY 2024.
- Exempting currently registered vehicles from the \$8 fee for the license plate re-issuance that will run from FY 2023 through FY 2025. Exempting the fee reduces general revenues by \$6.1 million over the period.

There were also several notable expenditure changes and initiatives. They include:

- The FY 2022 final enacted and FY 2023 enacted budgets included funding for cost-of-living adjustments and bonuses contained in new contract agreements. The agreements include cost-of-living adjustments of 2.5% annually from FY 2021 through FY 2024, for a total of 10% percent, and two \$1,500 bonuses, with one payable to current union employees as of the ratification of the contract and the second for those employed on July 1, 2022. The budget includes general revenue increases of \$66.0 million in FY 2022 and \$145.6 million in FY 2023 to fund the agreements.
- The FY 2023 enacted budget provided an additional \$28.0 million for the Historic Preservation Tax Credit and an additional \$13.5 million for the Rebuild Rhode Island Tax Credit. The FY 2023

budget also extends the sunset dates on a multitude of key development programs, including, but not limited to, the Rebuild Rhode Island Tax Credit, the Historic Preservation Tax Credit, the Rhode Island Small Business Assistance Program, and the Rhode Island Wavemaker Fellowship.

- The FY 2023 enacted budget provides a transfer of \$75.0 million from general revenue fund balance to the state's Information Technology Investment Fund (ITIF) for new information technology projects, including \$19.4 million to replace the Department of Labor and Training's Temporary Disability Insurance and Employer Tax functions and \$22.4 million for an electronic Medical Records System for Eleanor Slater Hospital.
- The FY 2022 final enacted budget allocated \$61.8 million from general revenues to the state pension system to pay off the liability remaining when the pension contributions were deferred in 1991 and 1992. The annual cost of this component of the unfunded pension liability would have been \$6.0 million annually from general revenues through FY 2033.
- The FY 2023 enacted budget includes several expansionary initiatives in the human services function, including establishing a retail Supplemental Nutrition Assistance Program pilot program, a general revenue increase of \$11.5 million; writing off start-up loans given to private providers to build the community-based residential and day program network for adults with developmental disabilities, a general revenue increase of \$12.6 million; increasing the reimbursement rate for direct support professionals from \$15.75 to \$18.00 an hour in the community-based system for adults with developmental disabilities, a general revenue increase of \$15.1 million; increasing reimbursement rates paid to agencies providing home-based therapeutic services, applied behavioral analyses, personal assistance services and supports, and respite services to \$15 an hour, a general revenue increase of \$9.0 million; increasing managed care payments for pregnancy and birth related expenses by 20%, a general revenue increase of \$5.7 million; increasing the minimum reimbursement rates paid to home health agencies for aides through the Personal Choice Program to \$21 an hour, a general revenue increase of \$5.5 million; increasing the rates paid for adult dental services, a general revenue increase of \$2.7 million; increasing rates paid to pediatric providers to be equal to the rates paid by Medicare for primary care services, a general revenue increase of \$2.5 million; and a 45% increase to rates paid to Early Intervention providers, a general revenue increase of \$1.8 million.
- The FY 2023 enacted budget includes \$6.3 million from general revenues for an enhanced rate of 14% for all Department of Children, Youth, and Families providers.
- The FY 2023 enacted budget fully finances the twelfth year of Rhode Island's Education Funding Formula, now fully phased-in since FY 2021, with total formula aid expenditures of \$1.0 billion, or \$39.3 million above the FY 2022 final enacted level, including supplemental adjustments to mitigate the adverse impacts of demographic losses which apparently emerged during the pandemic.
- The FY 2023 enacted budget accelerates the motor vehicle tax phase-out that was enacted in the 2017 session of the General Assembly, amending the statutory schedule to accelerate the phaseout of the municipal tax by one year. The FY 2023 enacted budget includes \$231.0 million to reimburse lost revenues to cities and towns.

## 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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This is the eleventh 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 ACFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our ACFR for the fiscal year ended June 30, 2022 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 ACFR have received an unmodified opinion from the independent auditors. We are proud of this fact as well as of the GFOA award, as they are not guaranteed from year to year.

In closing I wish to express my great appreciation to the many individuals who, assisted and contributed to the preparation of this report. It all could not have been accomplished without the professionalism, hard work and dedication demonstrated by the entire staff of the Office of Accounts and Control, the Office of the Auditor General, and the staffs of numerous other State agencies. I also would like to thank the Governor and members of the General Assembly for their interest and support in planning and conducting the financial operations of the State in a very responsible and progressive manner.

Respectfully submitted,



Dorothy Z. Pascale, CPA  
State Controller



Government Finance Officers Association

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

Presented to

**State of Rhode Island**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

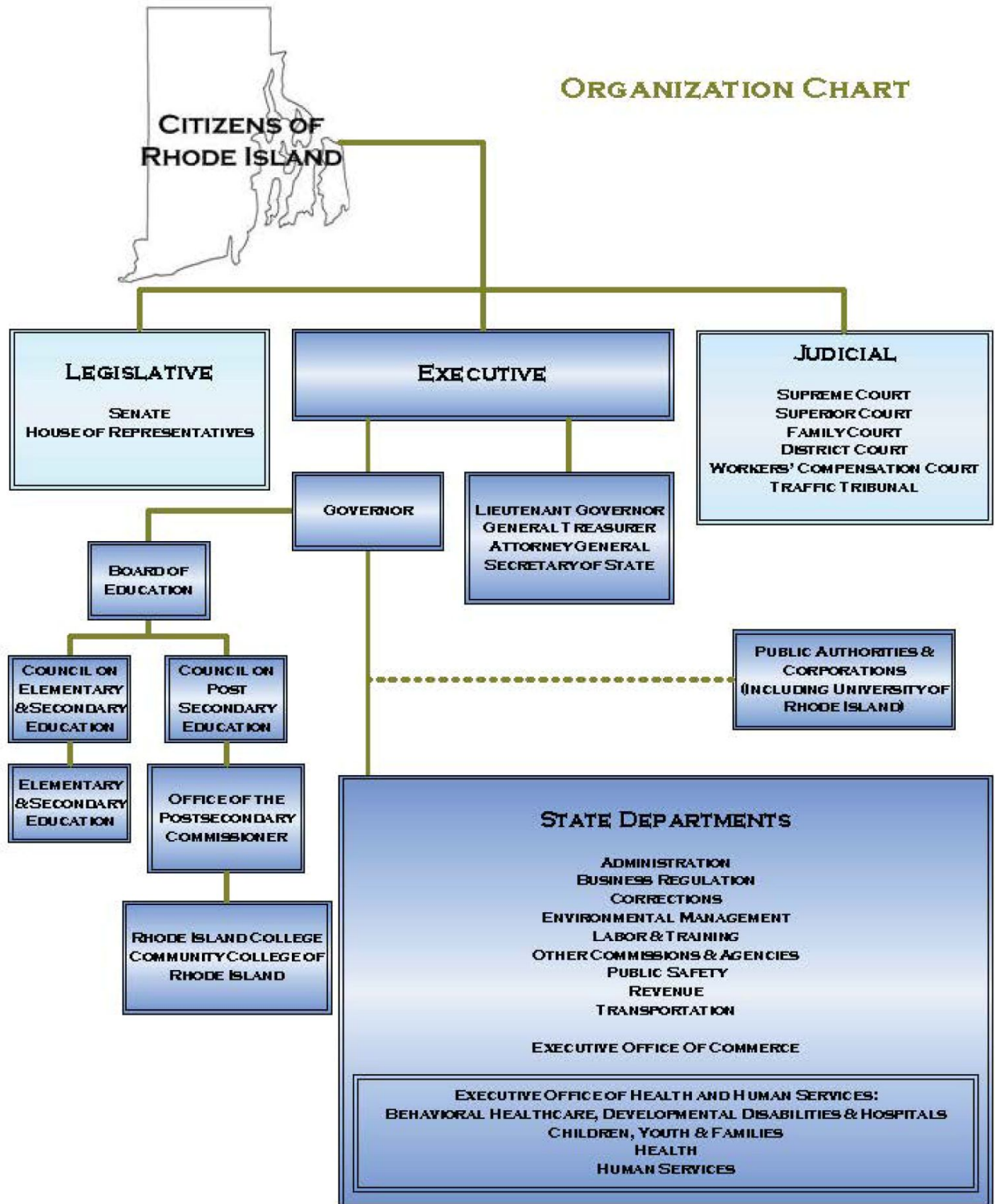
June 30, 2021

*Christopher P. Morrill*

Executive Director/CEO

# STATE OF RHODE ISLAND

## ORGANIZATION CHART



**STATE OF RHODE ISLAND**  
**OFFICIALS OF STATE GOVERNMENT**

*June 30, 2022*

**EXECUTIVE BRANCH**

**Governor**

Daniel J. McKee

**Lieutenant Governor**

Sabina Matos

**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**

K. Joseph Shekarchi

**JUDICIAL BRANCH**

**Chief Justice of the Supreme Court**

Paul A. Suttell

# Financial Section



*State of Rhode Island*  
**Annual Comprehensive Financial Report**  
*Fiscal year ended June 30, 2022*

**2022**



# Office of the Auditor General

State of Rhode Island - General Assembly

David A. Bergantino, CPA, CFE – Interim Auditor General

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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 (State) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

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, 2022, 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.

The following components of the State's basic financial statements 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:

- the Tobacco Settlement Financing Corporation, a blended component unit which represents less than 1% of the assets and deferred outflows and the revenues of the governmental activities and less than 1% of the assets and 5% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which represents 32% of the assets and deferred outflows and less than 2% of the revenues of the business-type activities;
- the Ocean State Investment Pool - an investment trust fund, and the HealthSource RI, Rhode Island Higher Education Savings, and ABLE private-purpose trust funds, which collectively represent 26% of the assets and 1% of the revenues, including additions, of the aggregate remaining fund information; and
- the discretely presented component units of the State. These entities collectively represent 100% of the total assets and revenues of the aggregate discretely presented component units.



### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Emphasis of Matter***

As discussed in Note 1(V) to the financial statements, the State adopted Government Accounting Standards Statement No. 87, *Leases*, with a transition date of July 1, 2021. This statement requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions were not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we;

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 State's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Budgetary Comparison Schedules and Reporting; and information about the State's Pension Plans, and Other Postemployment Benefit Plans, comprising the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary 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 combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the

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

underlying accounting and other records used to prepare the basic financial statements. The 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 and the reports of other auditors, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we will issue our report dated January 31, 2023 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, grant agreements, and other matters. That report will be included in the State's 2022 *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.



David A. Bergantino, CPA, CFE  
Interim Auditor General  
January 31, 2023

# Management's Discussion and Analysis



**State of Rhode Island**

Fiscal Year Ended

June 30, 2022



As managers of the State financial records, we offer readers of the State of Rhode Island Annual Comprehensive Financial Report (ACFR) this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2022. We present this information in conjunction with the information included with our letter of transmittal, which can be found preceding this narrative, and with the State's financial statements which follow. To gain a thorough understanding of the State financial condition, we encourage readers to consider the information presented here in conjunction with the financial statements, notes and required supplemental information which follow this narrative document. All amounts unless otherwise indicated are expressed in thousands.

## Financial Highlights - Primary Government

### Government-wide Financial Statements

- **Net Position:** The total assets plus deferred outflows of resources of the State were greater than total liabilities plus deferred inflows of resources at June 30, 2022 by \$1.6 billion. This amount is presented as "net position" on the Statement of Net Position for the Total Primary Government. Of this amount, \$1.8 billion was reported as restricted net position, \$4.3 billion as net investment in capital assets, and \$4.5 billion was reported as a deficit unrestricted net position.
- **Changes in Net Position:** The net increase to the primary government net position of \$1.2 billion, was attributable to an increase in governmental activities of \$1.1 billion and an increase to net position of \$121.3 million during the fiscal year for business-type activities. The increase to governmental activities was largely due to the positive operating surplus of \$549.4 million within the RI Capital Plan (RICAP). The increase to the business-type activities was primarily due to the Employment Security Fund operating at a \$111.3 million surplus during fiscal 2022.

### Governmental Funds

- As of the close of the current fiscal year, governmental funds reported a combined ending fund balance of \$2.6 billion, an increase of \$693.6 million compared with the previous fiscal year.
- As of June 30, 2022, the General Fund reported an ending fund balance of \$983.7 million, an increase of \$86.5 million (9.64%) as compared to the prior year fund balance.
- Total General Fund expenditures were \$846.1 million greater than fiscal 2021 due to greater spending across a number of categories the most significant of which are discussed below.
  - The year-over-year increase of approximately \$92.5 million to the General Government is primarily attributable to the \$61.9 million advanced payment of pension payment deferrals from 1991 and 1992.
  - The year-over-year increase of \$521.2 million in Health and Human Services function includes an expenditure increase of \$515 million within the Medicaid program. The continuous coverage requirements to maintain eligibility for the Family First Coronavirus Relief Act (FFCRA)-enhanced Federal Medical Assistance Percentage (FMAP) has resulted in the growth of the total number of beneficiaries, resulting in the year over year increase.

### Proprietary Funds

- Rhode Island Lottery transferred \$388.6 million to the General Fund to support general revenue expenditures during the fiscal year, an increase of \$86.8 million in comparison with the previous fiscal year. However, the transferred amount remained reduced from the pre-pandemic fiscal 2019 transfer of \$397.3 million.

- Unemployment benefits processed through the Employment Security Fund totaled \$451.0 million, a decrease of approximately \$1.6 billion over fiscal year 2021. The benefit decrease was attributable to the cessation of enhanced employment benefits authorized under the Coronavirus Aid, Relief, and Economic Security Act. Federal grants funded \$311.3 million of the benefits paid in fiscal 2022, a decrease of \$1.4 billion from fiscal 2021. The Employment Security Fund ended the fiscal year with a net position of \$342.6 million, an increase of \$111.3 million from the prior fiscal year.
- The Rhode Island Convention Center Authority ended the fiscal year with a deficit net position of \$22.5 million. This was an increase of \$8.9 million to the net position when compared with the prior year restated balance. The Authority has historically had a negative net position. The amount of debt related to capital assets has exceeded the net book value of the capital assets and the depreciable life of the assets are shorter than the related debt repayment terms which promotes this negative position.

## Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the State of Rhode Island's basic financial statements. The State's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the State through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the State of Rhode Island.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the State's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the State's financial status as a whole.

The two government-wide statements report the State's net position and how it has changed. Net position is the difference between the total of the State's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the State's financial condition.

- The **Statement of Net Position** presents all 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 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 indicating how the government 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 for some items are reported in this statement that will not result in cash flows until future fiscal periods - for example, uncollected taxes and earned but unused vacation leave. Additionally, this statement presents a comparison between direct expenses and program revenues for each function of the government.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) discretely presented component units.

- The governmental activities include most State basic services such as public safety, parks and recreation, and general administration. Taxes, intergovernmental transfers, and federal grants finance most of these activities.

- The business-type activities are those that the State charges customers to provide. These include the operations of the Rhode Island Lottery, Rhode Island Convention Center Authority, and the Employment Security Trust Fund.
- The discretely presented 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

The fund financial statements provide a more detailed look at the State's most significant activities. 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 of Rhode Island uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, (General Laws). All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These are explained below:

- **Governmental funds:** The majority of basic services are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus is 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 expended in the near future to finance the State's programs.

Governmental funds include the general fund, special revenue, capital projects, debt service, and permanent funds. Generally accepted accounting principles (GAAP) designate the general fund as a major fund, the criteria for determining if any of the other governmental funds are major funds are detailed in Note 1 C. Each major fund is presented in a separate column on 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 non-major governmental funds can be found in the other supplementary information section of this ACFR.

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.

- **Proprietary funds:** Services for which the State charges customers a fee are generally reported as proprietary funds. The State maintains two categories of proprietary funds - enterprise funds and internal service funds (ISFs). 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 (ISFs) are reported as governmental activities on the government-wide statements, since the services they provide predominantly benefit governmental activities. The (ISFs) are reported within the basic proprietary fund financial statements in a single combined column. Individual fund data is

provided in the form of combining statements and can be found within the supplementary information section of this ACFR.

- **Fiduciary funds:** Resources accounted for as fiduciary funds are held for the benefit of parties outside the State government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the State's programs. These funds, which include the pension and other post-employment benefits trusts, an external investment trust, private-purpose trusts and custodial funds, are reported using accrual accounting. Individual fund data for fiduciary funds can be found at the supplementary information section of this ACFR.

## 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 non-major component units. The criteria for distinguishing between major and non-major 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 on 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 pension and other post-employment 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

This section includes the combining financial statements for non-major governmental funds, internal service funds and fiduciary funds. It can be found immediately following the Required Supplementary Information section.

## Government-Wide Financial Analysis

### Net Position

Net position may serve as a useful indicator of a government's financial position. The State's combined net position for governmental and business-type activities totaled \$1,583.8 million at the end of fiscal 2022, compared to a net position of \$342.9 million for the prior fiscal year. Governmental activities reported a unrestricted deficit net position of \$4,493.5 million.

A portion of the State's net position reflects its investment in capital assets less any related outstanding debt that was needed to acquire or construct the assets. The State uses these capital assets such as land, buildings, equipment and infrastructure 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.



Additionally, a portion of the State's net position represents resources that are subject to external use restrictions.

State of Rhode Island Net Position as of June 30, 2022 and 2021  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 5,140,524	\$ 4,639,013	\$ 441,292	\$ 286,594	\$ 5,581,816	\$ 4,925,607
Capital assets	5,183,257	4,957,871	147,272	157,631	5,330,529	5,115,502
Total assets	10,323,781	9,596,884	588,564	444,225	10,912,345	10,041,109
Deferred outflows of resources	571,643	712,407	8,532	11,697	580,175	724,104
Long-term liabilities outstanding	5,940,537	6,944,261	182,635	208,570	6,123,172	7,152,831
Other liabilities	2,742,871	2,927,800	79,998	66,642	2,822,869	2,994,442
Total liabilities	8,683,408	9,872,061	262,633	275,212	8,946,041	10,147,273
Deferred inflows of resources	928,651	273,477	33,985	1,573	962,636	275,050
Net position (deficit):						
Net investment in capital assets	4,315,804	4,049,759	(27,576)	(29,662)	4,288,228	4,020,097
Restricted	1,461,030	709,429	345,148	231,685	1,806,178	941,114
Unrestricted	(4,493,469)	(4,595,435)	(17,094)	(22,886)	(4,510,563)	(4,618,321)
Total net position (deficit)	\$ 1,283,365	\$ 163,753	\$ 300,478	\$ 179,137	\$ 1,583,843	\$ 342,890

As indicated above, the State reported a deficit balance in unrestricted net position of \$4.5 billion as of June 30, 2022. Several factors, which are discussed below, contributed to this deficit.

As required by generally accepted accounting principles (GAAP) the State recognizes the net pension liability for the pension plans for which it has funding responsibility. In addition, the State has recognized the net other post-employment benefit (OPEB) liability or asset for the retiree health care plans for which it has funding responsibility. Recognition of these liabilities has had a significant adverse impact to unrestricted net position. At June 30, 2022 the net pension liability related to governmental activities was \$2.8 billion and the net pension liability related to business-type activities was \$16.6 million. In addition, the net OPEB liability related to governmental activities was \$209.2 million and the net OPEB liability related to business-type activities was \$2.1 million.

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

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

- Certain transportation projects funded with bond proceeds that do not meet the State's criteria for capitalization as infrastructure;
- Construction of facilities at the State's university and colleges, which are reported as capital assets of those discretely presented component units;
- Water resources projects including the acquisition of sites for future water supply resources, various water resources planning initiatives, and funding to upgrade local water treatment facilities;
- Environmental programs to acquire, develop, and rehabilitate local recreational facilities and ensure that open space is preserved;

- Facility projects funded through Rhode Island Health and Educational Building Corporation (RIHEBC); and
- Historical preservation initiatives designed to protect and preserve historical buildings as well as to provide funding for cultural facilities.

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

- Tobacco Settlement Asset-Backed Bonds and Accreted Interest - The Tobacco Settlement Financing Corporation (TSFC), a blended component unit, has issued Tobacco Asset-Backed Bonds that were used to purchase the State's future rights in the Tobacco Settlement Revenues under the Master Settlement Agreement, the Consent Decree and Final Judgment. The bonds are secured solely by and are payable solely from the tobacco receipts sold to the TSFC. Other monies of the TSFC do not constitute a general, legal, or moral obligation to 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, 2022 approximately \$551.0 million of principal and \$151.9 million of accreted interest are included in the State calculation of debt.
- Historic Tax Credit Bonds - The R.I. Commerce Corporation (RICC), on behalf of the State, issued revenue bonds under the Historic Structures Tax Credit Financing Program. The bonds do not constitute a debt, liability, or obligation to 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 appropriations 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, 2022, approximately \$71.7 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 COPS is subject to and dependent upon annual General Assembly appropriations. As of June 30, 2022, approximately \$110.1 million of net obligations are outstanding.

In the above instances, the primary government records a liability for the outstanding debt, but no related capitalized asset is recorded. A cumulative deficit to unrestricted net position results from financing these types of projects.

## Changes in Net Position

### Governmental Activities

The State's overall net position related to governmental activities increased by almost \$1,119.6 million for fiscal 2022.

Total revenues and transfers of \$11.3 billion increased by \$1.07 billion compared to fiscal 2021. This increase to revenue primarily resulted from a significant influx of federal assistance (reported as operating grants) to help the State respond to the pandemic. Tax revenues increased by a total of \$669.6 million during fiscal 2022 with personal income and sales and use taxes increasing \$380.4 million and \$161.7 million respectively, over the prior year.

The State's expenses, which cover a wide range of services, increased by \$0.7 billion. The increase was largely attributed to pandemic related expense in the General Government and Health and Human Services activities.

The increase in Health and Human Services expenses of \$477.3 million is attributable to several health and human services programs. The increase to Medical Assistance program (Medicaid) is due to the

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continuous coverage requirement to maintain eligibility for the Family First Coronavirus Relief Act (FFCRA)-enhanced Federal Medical Assistance Percentage (FMAP). Other social service programs that experienced additional spending are Supplemental Nutrition Assistance Program (SNAP), Low Income Heating Energy Assistance (LIHEAP), childcare stabilization grants and childcare provider support.

General Government expenses increased by approximately \$147.2 million during fiscal 2022 over the prior year. The increase is largely attributable to a number of programs associated with the recovery from the global pandemic, examples of this are: payments to municipalities (\$131 million), and advanced payment of pension payment deferrals from 1991 and 1992 (\$61.9 million).

### **Business-Type Activities**

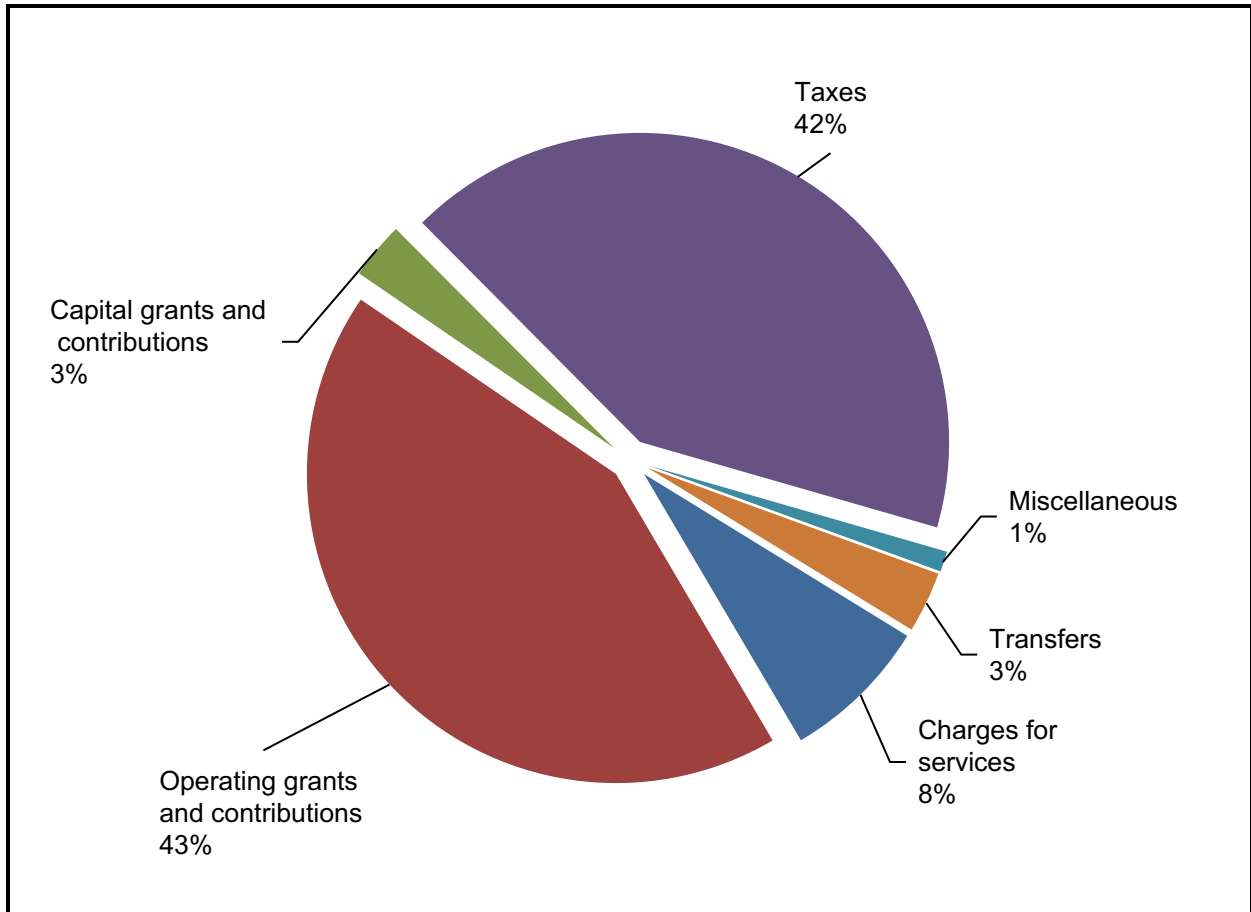
- The Employment Security Fund net position increased as a result of decreased benefits paid as compared to prior year. Benefits paid from the fund totaled \$0.5 billion and total operating revenues were \$0.6 billion which included \$0.3 billion of federal grants to fund these benefits.
- The RI Lottery's transfer to the General Fund was up 28.8% compared to fiscal 2021. There was strong growth in Video Lottery Terminals, sports betting and table game activities due to both casinos being fully operational for the entire fiscal year.

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 Changes in Net Position						
For the Fiscal Years Ended June 30, 2022 and 2021						
(Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 871,130	\$ 735,112	\$ 1,700,596	\$ 1,305,481	\$ 2,571,726	\$ 2,040,593
Operating grants and contributions	4,822,534	4,697,836	311,317	1,693,345	5,133,851	6,391,181
Capital grants and contributions	335,376	282,976	—	—	335,376	282,976
General revenues:						
Taxes	4,813,492	4,143,930	—	—	4,813,492	4,143,930
Interest and investment earnings	6,026	3,110	350	156	6,376	3,266
Miscellaneous	120,875	109,667	8,046	15,271	128,921	124,938
Gain on sale of capital assets	1,439	8,326	—	—	1,439	8,326
Total revenues	<u>10,970,872</u>	<u>9,980,957</u>	<u>2,020,309</u>	<u>3,014,253</u>	<u>12,991,181</u>	<u>12,995,210</u>
Program expenses:						
General government	1,546,983	1,399,797	—	—	1,546,983	1,399,797
Health and human services	5,436,751	4,959,473	—	—	5,436,751	4,959,473
Education	1,977,247	1,929,835	—	—	1,977,247	1,929,835
Public safety	627,380	610,263	—	—	627,380	610,263
Natural resources	125,582	96,158	—	—	125,582	96,158
Transportation	400,677	375,266	—	—	400,677	375,266
Interest and other charges	96,490	98,595	—	—	96,490	98,595
Lottery	—	—	1,040,555	773,867	1,040,555	773,867
Convention Center	—	—	47,523	33,499	47,523	33,499
Employment Security	—	—	451,040	2,058,867	451,040	2,058,867
Total expenses	<u>10,211,110</u>	<u>9,469,387</u>	<u>1,539,118</u>	<u>2,866,233</u>	<u>11,750,228</u>	<u>12,335,620</u>
Excess (deficiency) before transfers	759,762	511,570	481,191	148,020	1,240,953	659,590
Transfers (net)	359,850	275,840	(359,850)	(275,840)	—	—
Change in net position	<u>1,119,612</u>	<u>787,410</u>	<u>121,341</u>	<u>(127,820)</u>	<u>1,240,953</u>	<u>659,590</u>
Net position (deficit) - Beginning	163,753	(609,814)	179,137	306,186	342,890	(303,628)
Cumulative effect of prior period adjustments	—	(13,843)	—	771	—	(13,072)
Net position (deficit) - Beginning, as restated	<u>163,753</u>	<u>(623,657)</u>	<u>179,137</u>	<u>306,957</u>	<u>342,890</u>	<u>(316,700)</u>
Net position (deficit) - Ending	<u>\$ 1,283,365</u>	<u>\$ 163,753</u>	<u>\$ 300,478</u>	<u>\$ 179,137</u>	<u>\$ 1,583,843</u>	<u>\$ 342,890</u>

Chart 1 depicts the State's sources of revenues from Governmental Activities for the fiscal year ended June 30, 2022.

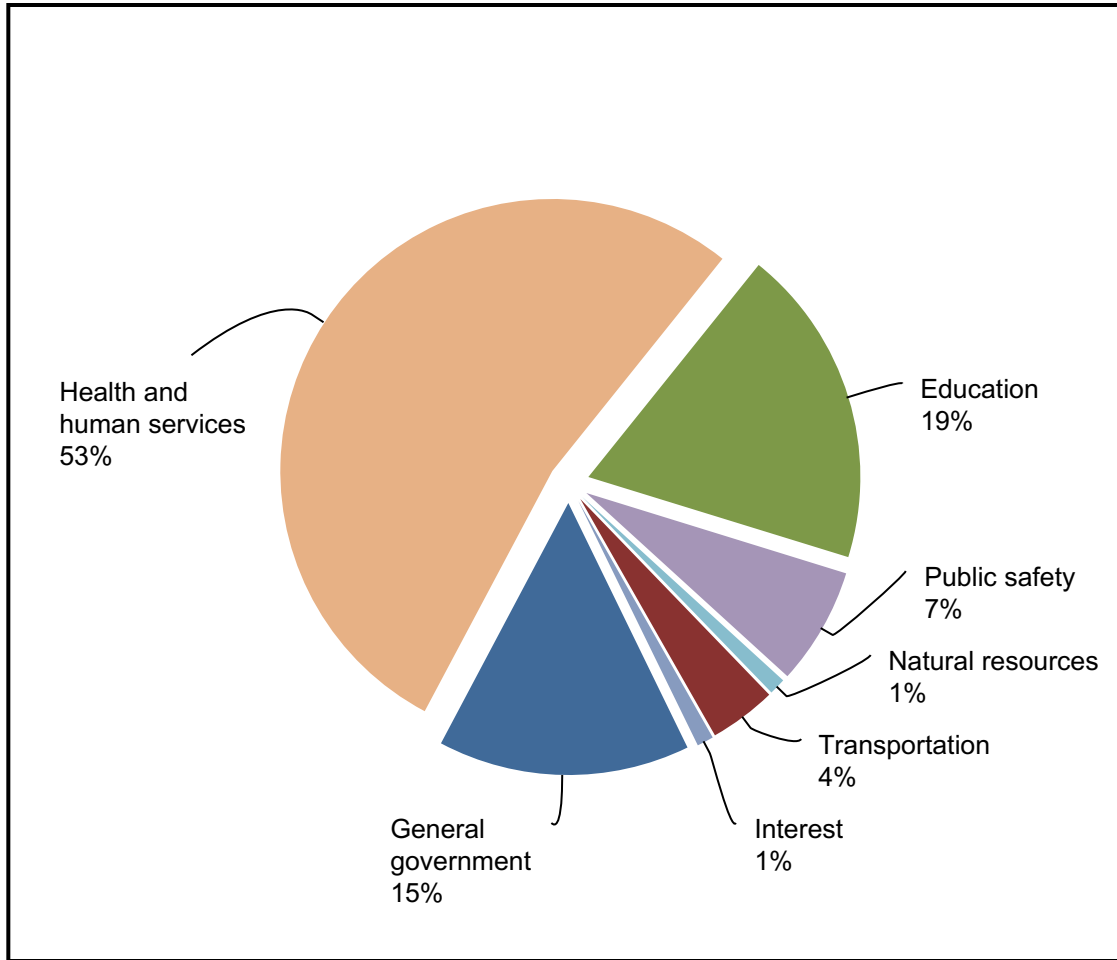
Chart 1 - Revenues and Transfers - Governmental Activities



The relative mix of revenue and transfers by source for governmental activities remained fairly consistent during fiscal 2022 versus the prior fiscal year. Taxes continued to represent one of the largest sources of revenue at 42% of the total followed by Operating grants and contributions at 43%. The proportion of total revenue derived from operating grants and contributions increased in fiscal 2022 due to the influx of federal assistance as a result of the pandemic.

Chart 2 depicts the purposes for which program expenses related to Governmental Activities were expended during the fiscal year ended June 30, 2022.

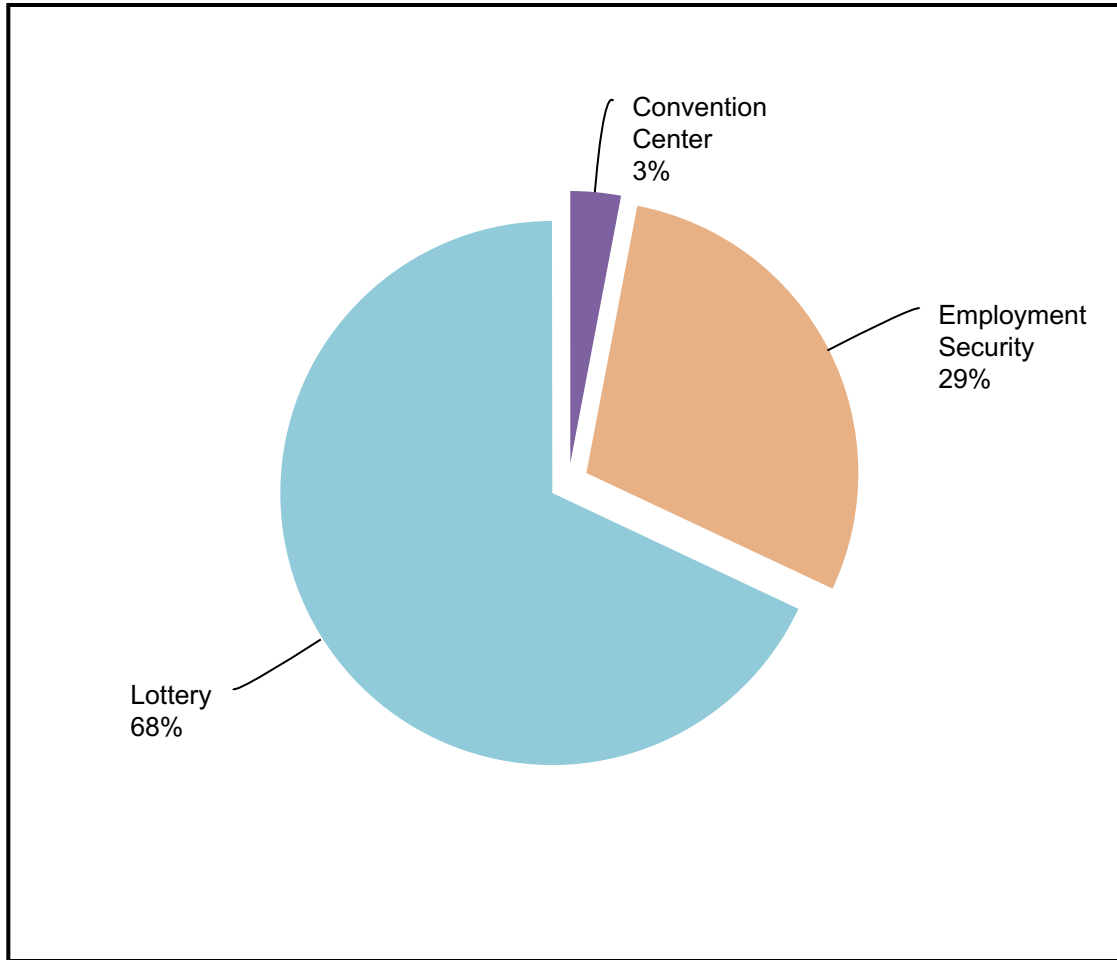
**Chart 2 - Program Expenses - Governmental Activities**



The relative mix of program expenses for governmental activities remained about the same in fiscal 2022 as for the prior fiscal year.

**Chart 3** depicts the program expenses related to Business Type Activities during the fiscal year ended June 30, 2022.

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



There was a decrease in Employment Security over prior fiscal year due to the cessation of pandemic supplemental benefits. The increase to Lottery expenses is consistent with fully functional operations.

## Financial Analysis 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 about near-term inflows, outflows, and balances of spendable resources. Such information is useful when assessing the State financing requirements. At the end of the current fiscal year, the governmental funds reported a combined ending fund balance of approximately \$2.6 billion, an increase of \$693.6 million from June 30, 2021. A breakdown of the components follows (expressed in thousands):

	2022	2021	2022 vs 2021 Change	Percent
Governmental Funds				
Non-spendable	\$ 1,497	\$ 1,712	\$ (215)	(12.6)%
Restricted	1,939,645	1,204,880	734,765	61.0 %
Unrestricted				
Committed	112,119	50,403	61,716	122.4 %
Assigned	32,378	292,564	(260,186)	(88.9)%
Unassigned	476,914	319,425	157,489	49.3 %
Total	<u>\$ 2,562,553</u>	<u>\$ 1,868,984</u>	<u>\$ 693,569</u>	37.1 %

Governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned primarily based on the extent to which the State is bound to honor constraints about how specific funds may be spent. More information about each category is presented below:

- Non-spendable fund balance - amounts that cannot be spent because they are either (a) not in spendable form, for example: fund balance associated with inventories, 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 stated 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 - within the General Fund, the residual classification for amounts not contained in the other classifications. Other than the General Fund, 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:

- Restricted - net increase of \$734.8 million is primarily related to RICAP fund balance legislatively approved for various capital projects.



- Committed - net increase of \$61.7 million is primarily attributable to a 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.
- Assigned - net decrease of \$260.2 million is primarily resulted from a decrease in the amount of assigned fund balance allocated to fund the subsequent year's budget.
- Unassigned - net increase of \$157.5 million is primarily due to more favorable General Revenue operating results during fiscal 2022.

### General Fund

The General Fund is the primary operating fund of the State. The fund balance of the General Fund consisted of the following (expressed in thousands):

	2022	2021	2022 vs 2021 Change	Percent
Non-spendable	\$ 1,323	\$ 1,538	\$ (215)	(14.0)%
Restricted	461,970	276,172	185,798	67.3 %
Unrestricted				
Committed	11,790	8,135	3,655	44.9 %
Assigned	31,720	291,985	(260,265)	(89.1)%
Unassigned	476,914	319,425	157,489	49.3 %
Total	<u>\$ 983,717</u>	<u>\$ 897,255</u>	<u>\$ 86,462</u>	9.6 %

Revenues and other sources of the General Fund totaled \$10.4 billion in fiscal 2022, an increase of \$1.0 billion or 10.1% from the previous year. The revenues from various sources and the change from the previous year are shown in the following table (expressed in thousands):

	2022	2021	Increase (decrease) from 2021	
			Amount	Percent
Revenues				
Taxes:				
Personal income	\$ 1,984,975	\$ 1,606,554	\$ 378,421	23.6 %
Sales and use	1,685,487	1,524,014	161,473	10.6 %
General business	617,121	496,345	120,776	24.3 %
Other	61,929	61,165	764	1.2 %
Subtotal	<u>4,349,512</u>	<u>3,688,078</u>	<u>661,434</u>	17.9 %
Federal grants	4,744,086	4,649,167	94,919	2.0 %
Restricted revenues	398,431	305,523	92,908	30.4 %
Licenses, fines, sales, and services	407,799	378,662	29,137	7.7 %
Other general revenues	68,954	66,626	2,328	3.5 %
Subtotal	<u>5,619,270</u>	<u>5,399,978</u>	<u>219,292</u>	4.1 %
Total revenues	<u>9,968,782</u>	<u>9,088,056</u>	<u>880,726</u>	9.7 %
Other sources				
Transfer from Lottery	388,642	301,803	86,839	28.8 %
Other transfers	56,551	65,941	(9,390)	(14.2)%
Total revenues and other sources	<u>\$ 10,413,975</u>	<u>\$ 9,455,800</u>	<u>\$ 958,175</u>	10.1 %

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## Significant Drivers of Revenue

The State's unemployment rate fell to 4.3% in fiscal 2022, according to S&P Global, down 4.1 percentage points from the 8.4% rate realized in fiscal 2021. The fiscal 2022 unemployment rate is the lowest fiscal year unemployment rate since 2019. Nominal personal income growth eased to 1.9% in fiscal 2022 from 5.6% growth in fiscal 2021. Fiscal 2021 personal income had been boosted by various stimulus and unemployment programs related to the pandemic.

The robust labor market contributed to strong personal income taxes collections in fiscal 2022. Fiscal 2022 personal income taxes increased 23.6% from fiscal 2021 levels. Personal income tax withholding payments rose to \$1.5 billion in fiscal 2022, up 15.4% compared to fiscal 2021. Final personal income tax payments on tax returns increased 13.7% in fiscal 2022 compared to the prior year (a figure which includes the entirety of the State's elective pass-through entity tax). However, fiscal 2021 final payments were artificially boosted by the shift of the tax year 2019 due date from April 2020 to July 2020. Adjusting for this, fiscal 2022 final payments grew 59.8%, likely due to strong economic and market performance

General sales and use tax revenues posted an increase by 10.6% in fiscal 2022 over fiscal 2021. The strong increase in fiscal 2022 sales and use tax was likely attributable to simultaneous inflation in consumer goods and wages, along with some continued spending of savings accumulated during the pandemic through cost savings and stimulus payments. Counter to this trend, fiscal 2022 use tax payments paid at the time of registration of a new motor vehicle decreased by 3.6%, down from a 34.8% rate of growth between fiscal 2020 and fiscal 2021. The relatively weaker performance of sales tax on new vehicles was likely due to supply chain issues.

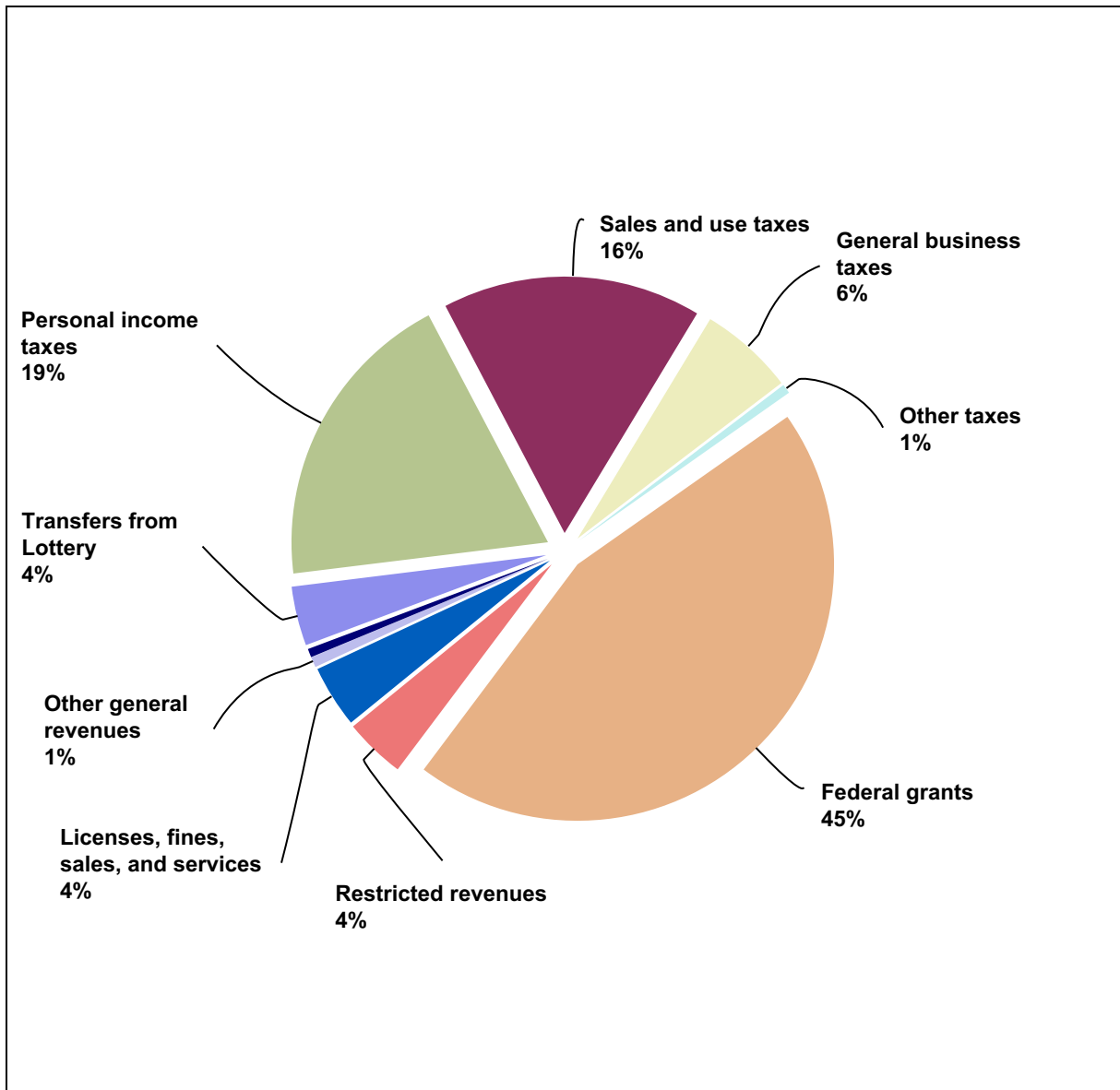
General business tax revenues increased by 24.3% in fiscal 2022, driven by large gains in business corporation taxes, of 42.6%.

Other taxes increased by 1.3% from fiscal 2021. The slow growth is attributable to estate and transfer tax revenues, which declined \$3.7 million, or 8.6%, from fiscal 2021. However, this loss was offset by an increase in realty transfer tax revenues which rose 24.5% over fiscal 2021 levels, indicating ongoing strength in the housing market.

Finally, the R.I. Lottery's transfer to the General Fund was up 28.8% for fiscal 2022 compared to fiscal 2021. This performance is largely driven by strong growth in Video Lottery Terminals (VLT or slot machine) receipts, which increased by 39.4%, and table game activity, which grew by 57.4%, due to both casinos being fully operational for the entire fiscal year for the first time since FY 2019. This also includes strong growth of 46.5% in remote sports betting.

Chart 4 illustrates the fiscal 2022 General Fund Revenue and transfers.

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



Expenditures and transfers out totaled \$10.3 billion in fiscal 2022, an increase of \$1.4 billion, or 15.5%, 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):

	2022	2021	Increase (decrease) from 2021	
			Amount	Percent
General government	\$ 1,233,846	\$ 1,141,313	\$ 92,533	8.11 %
Health and human services	5,446,643	4,925,442	521,201	10.58 %
Education	1,965,268	1,839,019	126,249	6.87 %
Public safety	653,607	587,243	66,364	11.30 %
Natural resources	112,029	85,374	26,655	31.22 %
Debt Service:				
Principal	155,990	139,023	16,967	12.20 %
Interest	60,261	64,095	(3,834)	(5.98)%
Total expenditures	9,627,644	8,781,509	846,135	9.64 %
Transfers out	704,158	164,963	539,195	326.86 %
Total expenditures and transfers out	<u>\$ 10,331,802</u>	<u>\$ 8,946,472</u>	<u>\$ 1,385,330</u>	15.48 %

### Significant Drivers of Expenditures

The year-over-year increase of approximately \$92.5 million to the General Government function is primarily attributable to the advanced payment of pension payment deferrals from 1991 and 1992 totaling \$61.8 million.

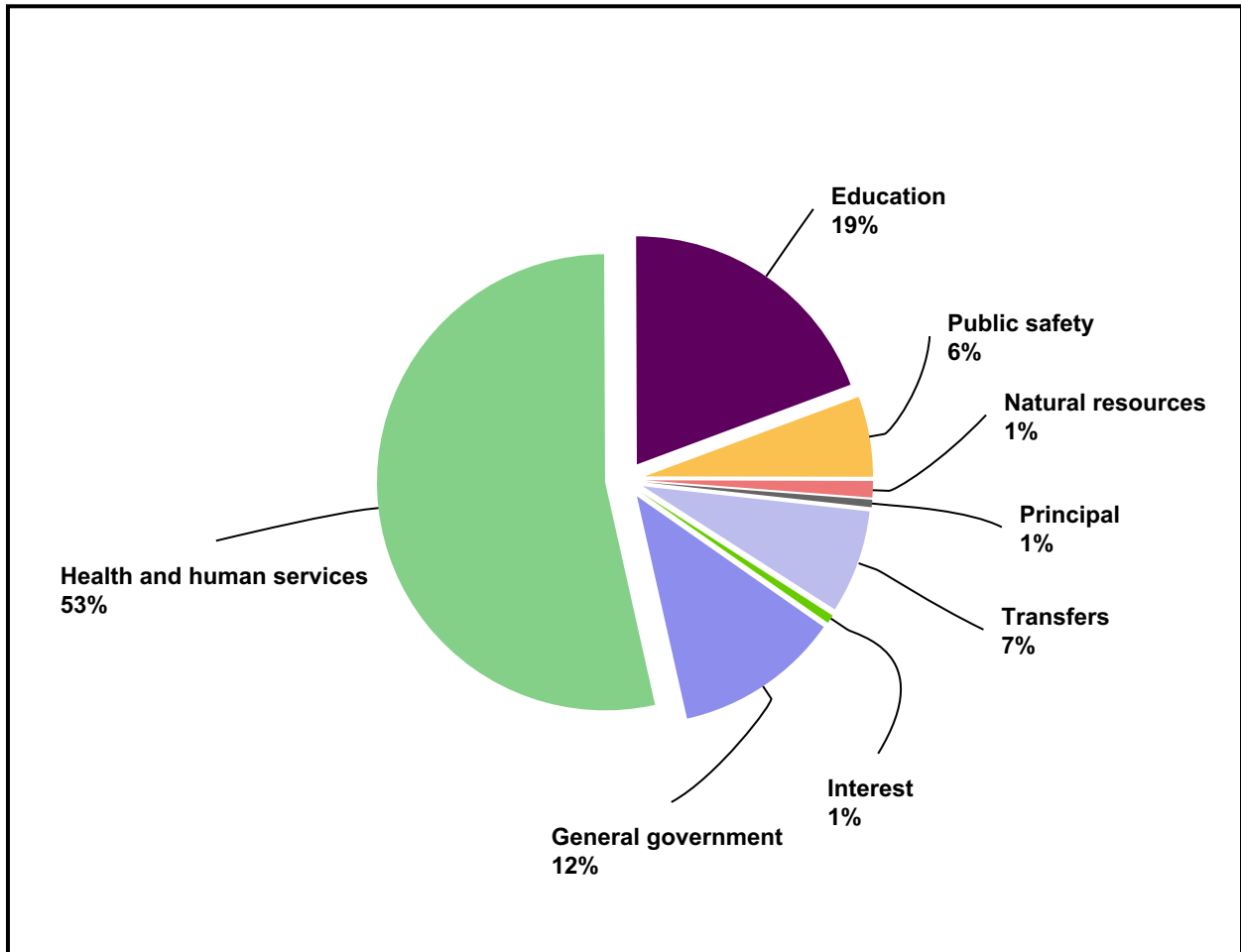
The year-over-year increase of \$521.2 million in health and human services functions spending is attributable to the continued impact of the pandemic and related economic recovery efforts to the State social services programs, predominantly Medicaid. Continuous coverage requirements to maintain eligibility for Medicaid benefits resulted in an increase to enrollment and program costs.

The year-over-year increase to the Education function expenditures of \$126.2 million is primarily the result of \$38 million more in additional funding for education aid to local school districts and state schools via the education aid funding formula; a \$3.9 million increase to the State's contribution to teacher retirement costs, and a net increase of \$21.6 million to state support for Rhode Island's public higher education institutions. Also driving this year-over-year education function increase is a net increase of \$65.4 million in federal grants for the National School Lunch program.

A significant portion of the year-over-year increase to the Natural Resources function expenditures of \$26.7 million is attributable to a \$22.0 million transfer to the Rhode Island Infrastructure Bank to finance the state match for federal clean and drinking water programs.

Chart 5 depicts the General Fund expenditures and other uses for fiscal 2022.

**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):

	2022	2021	Increase (decrease) from 2021	
			Change	Percent
Restricted	\$ 222,694	\$ 223,404	\$ (710)	(0.32)%
Unrestricted				
Committed	99,878	41,835	58,043	138.74 %
Assigned	658	579	79	13.64 %
<b>Total</b>	<b>\$ 323,230</b>	<b>\$ 265,818</b>	<b>\$ 57,412</b>	<b>21.60 %</b>

The net increase of \$58.0 million in the committed portion of the unrestricted fund balance resulted from multiple factors including an increase in the RI Highway Maintenance Account. The increase in the RI Highway and Maintenance Account is a result of carryforward used primarily for State Match to Federal

projects. For FY22, RI Highway Maintenance funds were dedicated for multi-years therefore creating a carryforward into the next fiscal year. All funding is allocated in the 10-year transportation improvement plan for projects.

## General Fund Budgetary Highlights - General Revenue Sources

According to the State's Constitution, general revenue appropriations of 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.

A stronger-than-expected economic and market recovery, most notably evidenced by tax year 2021 personal income tax payments resulted in a significant increase of \$386.7 million between the original budget and the final budget. General revenue appropriations increased from the original budget by \$942.0 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, 2022

	Original Budget	Final Budget	Actual*	Final Budget vs. Actual Variance
Revenues and other sources:				
Taxes:				
Personal income	\$ 1,656,600	\$ 1,940,800	\$ 1,985,923	\$ 45,123
General business	518,400	576,800	617,121	40,321
Sales and use	1,610,000	1,644,800	1,685,487	40,687
Other taxes	60,800	59,000	61,928	2,928
Departmental revenue	419,200	427,000	433,131	6,131
Other sources:				
Lottery transfer	393,300	389,600	388,642	(958)
Unclaimed property	14,700	16,100	21,425	5,325
Miscellaneous	11,300	16,900	10,586	(6,314)
Total revenues and other sources	<u>4,684,300</u>	<u>5,071,000</u>	<u>5,204,243</u>	<u>133,243</u>
Expenditures and other uses:				
General government	669,129	1,398,736	1,272,836	(125,900)
Health and Human services	1,723,808	1,884,019	1,790,358	(93,661)
Education	1,595,332	1,604,254	1,599,254	(5,000)
Public safety	513,549	531,843	503,806	(28,037)
Natural resources	48,993	73,913	73,684	(229)
Total expenditures and other uses	<u>4,550,811</u>	<u>5,492,765</u>	<u>5,239,938</u>	<u>(252,827)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 133,489</u>	<u>\$ (421,765)</u>	<u>\$ (35,695)</u>	<u>\$ 386,070</u>

\*See Notes on the General Fund Budgetary Comparison Schedule

The majority of the revenue variance noted in the table above is accounted for by personal income tax, business corporation tax, and sales and use tax; the variance totaling approximately \$126.1 million. For personal income tax, which was revised between the original and final budget by \$284.2 million, actual collections exceeded this final budget amount by an additional \$46.9 million. Most of this strength came in the form of increased final income tax payments, likely due to increased capital gains during tax year 2021. The strong labor market and wage inflation also lead to increased income tax withholding.

Actual fiscal 2022 general business taxes ended the year \$40.3 million above the final enacted budget and \$98.7 million more than the original budget. Strong corporate profits led to the highest-ever year for business corporation tax, which was revised upward by \$45.2 million between the original and the final budget but still exceeded final budget estimates by \$33.4 million. Sales and use and excise tax revenues received in fiscal 2022 were \$40.7 million more than estimated sales and use tax revenues included in the fiscal 2022 final budget. Consumers, fueled by excess savings accumulated during the pandemic, continued to substitute consumption of services (generally non-taxable) with increased good purchases (general taxable).

The actual fiscal 2022 Lottery transfer to the General Fund was \$4.7 million below fiscal 2022 original budget and \$1.0 million below the fiscal 2022 estimated in the final budget. This surplus to the original budget was across all types of gaming activity, demonstrating the continued recovery of the State's Lottery operations since the beginning of the pandemic.

The positive expenditure variance for the General Government function of approximately \$125.9 million was primarily due to the pre-financing of multi-year projects in the final enacted budget that while appropriated, are not recorded expenditures in the General Fund, including \$50.0 million for a new Enterprise Resource Planning system, \$25.0 million for a housing production fund, \$17.0 million for a new child welfare IT system, and \$8.0 million in various other IT projects, for a total of \$100.0 million. Expenditures for these projects are anticipated to begin in FY 2023.

Additionally, the final enacted budget included general revenue appropriations for certain COVID-19 pandemic-related expenses categorized as general revenue expenses in anticipation of Federal Emergency Management Agency (FEMA) reimbursements in fiscal 2023. Actual expenditures pending FEMA reimbursement were less than what was assumed in the final enacted budget resulting in a positive variance of \$7.2 million, \$5.3 million of which was experienced in the Department of Administration and \$1.9 million in the Executive Office of Commerce.

The remaining positive variance is attributable to operating surplus across multiple agencies in the General Government function, the largest of which was \$9.3 million in the General Assembly. The General Assembly typically ends the fiscal year with a surplus, which under Rhode Island law is re-appropriated to fiscal 2023. The Department of Labor and Training concluded fiscal 2022 with a surplus totaling \$1.2 million, largely attributable to unexpended state appropriations for various workforce development initiatives, most notably within the Real Jobs Rhode Island program.

The positive variance of \$93.7 million in the Health and Human Services function is primarily attributable to a positive variance of \$28.9 million experienced in the Medical Assistance (Medicaid) program at the Executive Office of Health and Human Services. This surplus reflects lower aggregate caseload expenditures than were estimated as part of the final enacted budget; the relative variance represents only 2.9% of appropriated program general revenue financing.

Finally, operating surplus occurred within several major health and human services agencies, including the Department of Children Youth and Families (\$24 million) and the Department of Human Services (\$10.5 million), offset by a negative variance in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (\$6.7 million). The positive variance in the Department of Children Youth and Families is attributable to the estimated caseload for Child Welfare expenditures exceeding actual expenditures by \$18.0 million and \$8.0 million of turnover savings from higher than anticipated vacant positions. The positive variance in the Department of Human Services is attributable to \$5.9 million of turnover savings from higher than anticipated vacant positions, and a \$1.2 million positive variance for grants for co-pay waivers for home care and adult day care for adults diagnosed with Alzheimer's Disease and related Dementia. The negative variance in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals is largely attributable to higher than anticipated costs for the operations of the Eleanor Slater Hospital system.

The positive variance to the Education function of approximately \$5.0 million is driven by a surplus of \$4.8 million in the Department of Elementary and Secondary Education. Approximately \$0.8 million of this surplus stem from savings in both the Early Childhood Demonstration and the Multilingual Learners “categorical” aid programs, due largely to decreased enrollment demand during the ongoing COVID-19 pandemic. Additionally, a favorable variance of \$3.2 million is evidenced in the Teacher Retirement program, which finances 40% of the employer cost of annual retirement contributions for public school teachers enrolled in the Employees’ Retirement System of Rhode Island (ERSRI). While this surplus reflects lower aggregate fiscal 2022 ERSRI billings than were estimated as part of the final enacted budget, the relative variance represents only 2.6% of appropriated program financing.

The positive expenditure variance of \$28.0 million in the Public Safety function is mostly attributable to \$17.5 million of turnover savings from higher than anticipated vacant positions across the function of government, which is primarily comprised of \$8.2 million in the Department of Corrections for vacant Correctional Officer positions, \$7.8 million in the Department of Public Safety for vacancies in the Rhode Island State Police and Security Services programs, and \$1.1 million in the Office of the Attorney General. As with the other functions of government, the final enacted budget included general revenue appropriations for certain COVID-19 pandemic-related expenses categorized as general revenue expenses in anticipation of Federal Emergency Management Agency (FEMA) reimbursements in fiscal 2023. Actual expenditures pending FEMA reimbursement were less than what was assumed in the final enacted budget resulting in a \$1.7 million positive variance, \$1.6 million of which was experienced in the Rhode Island Emergency Management Agency. Finally, the Judiciary ended the year with a surplus of \$4.5 million, which under Rhode Island law is carried forward to fiscal 2023.

## Capital Assets and Debt Administration

### Capital Assets

The State investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounts to \$5.3 billion, net of accumulated depreciation of \$4.2 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, computer systems, and construction in progress. The total increase in the State investment in capital assets for the current fiscal year was approximately 4.2% of net book value. This increase is primarily related to investments for the construction and rehabilitation of highways and bridges as well as other infrastructure, and new buildings.

Actual expenditures to purchase or construct capital assets were \$481.4 million for the year. Of this amount, \$352.5 million was used to construct or reconstruct highways. Depreciation charges for the year totaled \$285.1 million.



State of Rhode Island Capital Assets as of June 30, 2022 and 2021 (Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021 (restated)	2022	2021 (restated)
<b>Capital assets not being depreciated or amortized</b>						
Land	\$ 400,695	\$ 395,488	\$ 46,808	\$ 46,808	\$ 447,503	\$ 442,296
Works of Art	5,358	4,385	—	—	5,358	4,385
Intangibles	186,230	183,456	—	—	186,230	183,456
Construction in progress	849,943	704,362	839	2,799	850,782	707,161
Total capital assets not being depreciated or amortized	1,442,226	1,287,691	47,647	49,607	1,489,873	1,337,298
<b>Capital assets being depreciated or amortized</b>						
Land improvements	8,331	8,331	—	—	8,331	8,331
Buildings	882,128	891,818	281,736	277,708	1,163,864	1,169,526
Building improvements	565,263	529,424	—	—	565,263	529,424
Equipment	377,556	371,266	50,948	51,318	428,504	422,584
Intangibles	344,315	344,315	—	—	344,315	344,315
Intangibles: Right to Use	93,927	—	1,401	—	95,328	—
Infrastructure	5,471,857	5,273,433	—	—	5,471,857	5,273,433
	7,743,377	7,418,587	334,085	329,026	8,077,462	7,747,613
Less: Accumulated depreciation or amortization	4,002,346	3,748,407	234,460	221,002	4,236,806	3,969,409
Total capital assets being depreciated or amortized	3,741,031	3,670,180	99,625	108,024	3,840,656	3,778,204
Total capital assets (net)	\$ 5,183,257	\$ 4,957,871	\$ 147,272	\$ 157,631	\$ 5,330,529	\$ 5,115,502

Additional information about the State's capital assets can be found at Note 5 to the financial statements.

## Debt Administration

According to 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 governmental activities had total bonded debt outstanding of \$2.5 billion, of which \$1.3 billion is general obligation debt, \$586.9 million is special obligation debt and \$551.0 million is debt of the blended component units. Additionally, accreted interest of \$151.9 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 total bonded debt decreased by \$55.3 million during fiscal 2022. This decrease consists of a \$34.9 million increase in general obligation debt, a decrease of \$60.2 million in special obligation debt, and a decrease of \$30.0 million in the blended component unit 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 \$175.0 million and \$1.2 billion are supported by pledged revenue. These obligations are discussed in the financial statement Notes 7 and 13.

In October 2021, the State issued \$135 million of general obligation bonds with interest rates from 1.12% - 5.00%, maturing from 2022 through 2041. The total premium paid on these bonds was \$8.9 million. In accordance with certain bond statutes, net premiums of \$2.8 million were transferred to RI Infrastructure Bank to provided municipalities with low-cost financial assistance for road and bridge projects and \$4.9 million was transferred to the Rhode Island Capital Plan Fund.

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, 2022 amounted to \$441 million; other obligations that are authorized but unissued totaled \$208.8 million and are described at Note 7 of the financial statements. State long-term debt information can also be found in the notes to the financial statements of this report.

## Economic Outlook and Fiscal 2023 Budget

The first quarter report for fiscal 2023 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 2022 Caseload and Revenue Estimating Conferences. The fiscal 2023 balance, based upon these assumptions, is estimated to reflect a \$610.0 million general revenue surplus at year end in the General Fund.

The first quarter report for fiscal 2023 reported expenditures revised downward by \$76.4 million, primarily in the Human Service functional area. There was a decrease of \$88.3 million of expenditures within various programs subject to the November 2022 Caseload Estimating Conference. Additional changes recommended by the Governor to the fiscal 2023 enacted appropriations, including changes to adopted revenues, were incorporated in the supplemental appropriations bill, which was submitted to the General Assembly on January 19, 2023.

The November Revenue Estimating Conference's estimates reflect recent revenue trends and expected collections based upon the current economic forecast. Consensus estimates of general revenue receipts were increased by \$358.9 million, up from \$4.90 billion to \$5.26 billion compared with the enacted fiscal 2023 estimate. The largest factor is an expected increase to taxes of \$284.4 million. The transfer from the Rhode Island Lottery is also expected to increase by \$30.9 million. Departmental receipts are expected to be \$30.0 million higher than the enacted budget, largely due to increased interest payments on the State's General Fund.

## Conditions Expected to Affect Future Operations

### American Rescue Plan - State Fiscal Recovery Funding

Funding to the State from the American Rescue Plan Act's State Fiscal Recovery funds will allow large-scale, sustainable investments in the climate, blue and green economies, workforce, public health care, housing, and more. The 2023 budget proposal includes a wide array of proposals to use these funds to begin investing in the State's recovery from the pandemic and provides important resources to assist the State in managing the continuing challenges of the on-going pandemic. Use of the funding has been appropriated by the General Assembly. The significance of the amount of recovery funding represents an unprecedented opportunity to make significant investments designed to benefit the State's overall economy for several years.

### Lottery Revenue

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

- *Changes in gaming technology* – Lottery continues to utilize new gaming technology to expand product offerings. For example, the fiscal year 2023 enacted budget allowed Lottery to increase the average payouts on instant games to remain competitive with other states.

- *Competition from casinos in nearby states* – Efforts to compete effectively with casino offerings in nearby states will undoubtedly persist and continue to involve enhanced player incentives and ensuring new games and gambling options are offered to patrons. In September 2021 Connecticut began to offer sports betting at the state's casinos and soon followed by online sports betting. Massachusetts' governor signed sports betting legislation into law in August 2022, with operations expected to start sometime in 2023.

In June 2021, the Rhode Island General Assembly enacted legislation authorizing the State Lottery Division to extend contracts for services and products with IGT Global Solutions Corporation (IGT) through June 30, 2043. The State Lottery Division may amend the IGT master contract to June 30, 2043, including agreements related to online gaming, the video lottery central computer system, the video lottery technology provider license, instant tickets and related vending machine agreement, and the website services agreement. Of most significance, the executed contract extensions will require IGT to pay up front payments in fiscal years 2023 and 2024 of \$13.5 million each year to be the exclusive provider to the Division of its products and services under the contract; amend the online lottery agreement rates of compensation (online and instant games); and obligate IGT to capital investment, employment, and compensation pay requirements.

The legislation also authorizes the State Lottery Division to agree to contract extensions through June 30, 2043 with the Bally's Corporation (owner and operator of the Lottery's licensed gaming facilities) or an affiliate (Bally's) in exchange for constructing a 50,000 square foot addition to the Lincoln Gaming Facility and leasing commercial space in the City of Providence. The extension would mandate a \$100 million investment by Bally's relating to the Lincoln expansion and improvements. In addition, the Bally's extension will require Bally's to enter into a Joint Venture with IGT for the right to be the exclusive Technology Provider of video lottery terminals (VLT) from the date of the Joint Venture to June 30, 2043.

These contracts were executed on February 17, 2022.

### **Pension Benefits**

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

Future operations will continue to be affected by the actuarial calculated amounts required to responsibly fund pensions consistent with statutory and actuarial requirements. Similarly, the 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.

### **Transportation Funding Initiative**

In order to address Rhode Island's continuing issues with deteriorating roads and bridges, an initiative, called RhodeWorks, was enacted by the General Assembly in 2016. RhodeWorks calls for investing an additional \$1 billion above current plans in transportation infrastructure to fix more than 150 structurally deficient bridges and make repairs to another 500 bridges to prevent them from becoming structurally deficient. The plan also refocuses efforts to expand transit. The plan is financed by 1) user fees on large commercial trucks, 2) \$300 million of new GARVEE debt that will be repaid with federal funds, and 3) \$129 million of federal funds made available sooner by restructuring existing federally funded debt. The plan is expected to save nearly \$1 billion over 10 years by addressing transportation infrastructure problems on a more proactive basis. Since RhodeWorks was enacted in 2016, DOT has overseen 284 projects including completion of 203 bridges.

The federal Infrastructure Investment and Jobs Act (IIJA), a 5-year infrastructure funding package, is expected to provide \$1.7 billion for transportation infrastructure to the State. This new funding will expedite 100 projects valued at \$2.1 billion in the state Transportation Improvement Program. State matching funds will be combined with the federal funds to accelerate these improvements. In addition, the IIJA provides funding for significant investments in the State's airports, transit systems, electric vehicle charging networks, high-speed internet coverage, and drinking water infrastructure, as many of the infrastructure improvements targeted by the act. This unprecedented infrastructure investment will greatly assist the State in addressing current transportation infrastructure deficiencies while also allowing the State to make new investments modernizing the infrastructure that supports telecommunications, power grids, clean energy initiatives and other vital infrastructure.

### **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 that align with the well-defined cybersecurity and risk management frameworks.

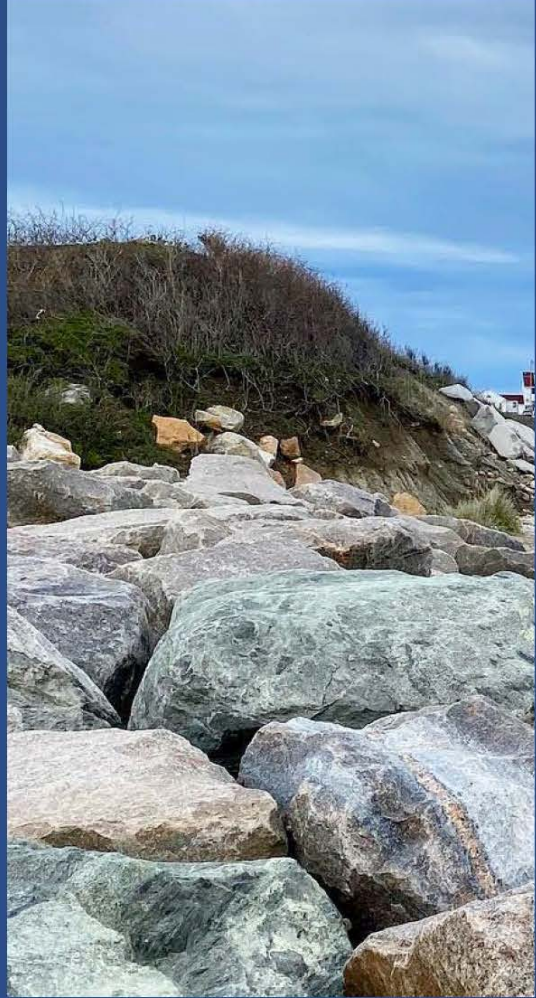
### **Statewide School Construction Funding**

Voters approved a \$250 million Statewide School Construction Bond, a new funding mechanism designed to provide upfront funding for local school construction projects. Pursuant to RIGL 45-38.2-4(e)(2), funding is based on a set percentage of foundational housing aid awarded. Local education agencies with Necessity of School Construction approvals will be offered 15% of the state share of their approval on a pay-as-you-go basis for projects that have not been completed and for projects that have not been issued permanent financing (bonds) through RIHEBC. The State has authorized school project awards approximating the approved \$250 million to date in conjunction with this program. This commitment will help our state to create learning environments that support the attainment of the academic, social, emotional, career readiness, and citizenship knowledge, skills, and competencies necessary to be successful in the 21st century. Additionally, another \$250 million bond has been authorized by the voters during the November 2022 election.

## **Requests for Information**

This report is designed to provide a general overview of the State's finances and accountability for 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 Tara Mello, Associate Controller at [tara.m.mello@doa.ri.gov](mailto:tara.m.mello@doa.ri.gov). The State's Annual Comprehensive 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, 2022



**State of Rhode Island**  
**Statement of Net Position**  
**June 30, 2022**  
**(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	\$ 3,297,786	\$ 54,299	\$ 3,352,085	\$ 478,630
Funds on deposit with fiscal agent	247,896	264,357	512,253	—
Investments	7	—	7	725
Receivables (net)	926,113	86,326	1,012,439	129,543
Lease Receivable	865	2,638	3,503	10,713
Restricted assets:				
Cash and cash equivalents	50,188	7,426	57,614	972,552
Investments	—	—	—	152,659
Receivables (net)	—	—	—	109,603
Other assets	—	—	—	49,781
Due from primary government	—	—	—	47,191
Due from component units	13,538	—	13,538	1,355
Internal balances	4,267	(4,267)	—	—
Due from other governments and agencies	459,774	2,263	462,037	6,929
Inventories	2,032	960	2,992	8,124
Other assets	7,890	1,183	9,073	27,910
Total current assets	5,010,356	415,185	5,425,541	1,995,715
Noncurrent assets:				
Investments	—	—	—	297,074
Receivables (net)	33,201	—	33,201	99,539
Due from other governments and agencies	17,990	—	17,990	—
Restricted assets:				
Cash and cash equivalents	—	—	—	68,939
Investments	—	—	—	894,829
Receivables (net)	—	—	—	1,111,866
Other assets	—	—	—	1,129,437
Due from component units	32,282	—	32,282	593
Net Pension Asset	7,256	—	7,256	—
Net OPEB Asset	18,381	—	18,381	—
Capital assets - nondepreciable	1,442,226	47,647	1,489,873	428,513
Capital assets - depreciable (net)	3,663,505	98,263	3,761,768	2,020,454
Right to use asset-lease, net	77,526	1,362	78,888	31,672
Long term lease receivable	21,058	25,968	47,026	191,671
Other assets	—	139	139	232,737
Total noncurrent assets	5,313,425	173,379	5,486,804	6,507,324
Total assets	10,323,781	588,564	10,912,345	8,503,039
<b>Deferred outflows of resources</b>	571,643	8,532	580,175	77,954

(Continued)

**State of Rhode Island**  
**Statement of Net Position**  
**June 30, 2022**  
**(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	\$ 1,016,126	\$ 21,975	\$ 1,038,101	\$ 91,385
Notes payable	—	—	—	108,869
Loans Payable	—	—	—	2,098
Due to primary government	—	—	—	13,538
Due to component units	47,191	—	47,191	359
Due to other governments and agencies	—	2,610	2,610	—
Accrued expenses	—	7,896	7,896	3,035
Current portion of long term lease liability	15,977	347	16,324	2,228
Unearned revenue	1,201,637	—	1,201,637	47,131
Other current liabilities	172,282	10,332	182,614	444,807
Current portion of long-term debt	289,658	24,926	314,584	150,121
Obligation for unpaid prize awards	—	11,912	11,912	—
Total current liabilities	2,742,871	79,998	2,822,869	863,571
Noncurrent Liabilities:				
Due to primary government	—	—	—	32,282
Net pension liability	1,818,945	16,558	1,835,503	219,827
Net pension liability-special funding situation	1,002,105	—	1,002,105	—
Net OPEB liability	209,210	2,145	211,355	111,938
Unearned revenue	—	1,862	1,862	4,668
Due to component units	—	—	—	593
Notes payable	—	—	—	182,029
Loans payable	—	—	—	11,844
Obligations under capital leases	92,490	—	92,490	—
Long term lease liability	62,260	1,014	63,274	31,588
Compensated absences	24,800	331	25,131	27,039
Bonds payable	2,646,188	160,725	2,806,913	2,780,531
Other liabilities	84,539	—	84,539	393,021
Total noncurrent liabilities	5,940,537	182,635	6,123,172	3,795,360
Total liabilities	8,683,408	262,633	8,946,041	4,658,931
<b>Deferred inflows of resources</b>	928,651	33,985	962,636	358,298
<b>Net position (deficit)</b>				
Net investment in capital assets	4,315,804	(27,576)	4,288,228	1,727,022
Restricted for:				
Capital Projects	697,765	—	697,765	—
Debt	75,826	2,509	78,335	342,350
Employment security programs	184,309	342,639	526,948	—
Other	502,956	—	502,956	1,157,359
Nonexpendable	174	—	174	181,090
Unrestricted	(4,493,469)	(17,094)	(4,510,563)	155,943
Total net position	\$ 1,283,365	\$ 300,478	\$ 1,583,843	\$ 3,563,764

(Concluded)

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

State of Rhode Island  
Statement of Activities  
For the Fiscal Year Ended June 30, 2022  
(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	\$ 1,546,983	\$ 292,229	\$ 577,448	\$ 831	\$ (676,475)	\$ —	\$ (676,475)	\$ —
Health and human services	5,436,751	378,863	3,647,627	1,406	(1,408,855)	—	(1,408,855)	—
Education	1,977,247	47,930	360,790	1,764	(1,566,763)	—	(1,566,763)	—
Public safety	627,380	39,662	121,602	5,201	(460,915)	—	(460,915)	—
Natural resources	125,582	49,137	24,809	2,728	(48,908)	—	(48,908)	—
Transportation	400,677	63,309	90,258	323,446	76,336	—	76,336	—
Interest and other charges	96,490	—	—	—	(96,490)	—	(96,490)	—
Total governmental activities	10,211,110	871,130	4,822,534	335,376	(4,182,070)	—	(4,182,070)	—
Business-type activities:								
State Lottery	1,040,555	1,429,087	—	—	—	388,532	388,532	—
Convention Center	47,523	23,847	—	—	—	(23,676)	(23,676)	—
Employment Security	451,040	247,662	311,317	—	—	107,939	107,939	—
Total business-type activities	1,539,118	1,700,596	311,317	—	—	472,795	472,795	—
Total primary government	\$ 11,750,228	\$ 2,571,726	\$ 5,133,851	\$ 335,376	\$ (4,182,070)	\$ 472,795	\$ (3,709,275)	\$ —
<b>Component units:</b>	\$ 1,803,169	\$ 818,260	\$ 1,067,647	\$ 196,947				\$ 279,685
<b>General Revenues:</b>								
Taxes:								
Personal income					1,990,206	—	1,990,206	—
General business					615,356	—	615,356	—
Sales and use					1,684,263	—	1,684,263	—
Gasoline					152,375	—	152,375	—
Other					371,292	—	371,292	—
Interest and investment earnings (losses)					6,026	350	6,376	(88,102)
Miscellaneous revenue					120,875	8,046	128,921	9,856
Net gain (loss) on sale of capital assets					1,439	—	1,439	230
<b>Transfers (net)</b>					359,850	(359,850)	—	—
Total general revenues and transfers					5,301,682	(351,454)	4,950,228	(78,016)
Change in net position					1,119,612	121,341	1,240,953	201,669
<b>Net position - beginning as restated</b>					163,753	179,137	342,890	3,362,095
<b>Net position- ending</b>					\$ 1,283,365	\$ 300,478	\$ 1,583,843	\$ 3,563,764

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



**State of Rhode Island**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2022**  
**(Expressed in Thousands)**

	General	Intermodal Surface Transportation	Rhode Island Capital Plan	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 2,546,742	\$ 137,316	\$ 158,385	\$ 425,048	\$ 3,267,491
Funds on deposit with fiscal agent	—	193,893	—	54,003	247,896
Restricted cash equivalents	—	—	—	50,188	50,188
Receivables (net)	841,034	16,369	—	89,129	946,532
Due from other funds	—	—	555,220	—	555,220
Due from component units	—	2,077	—	—	2,077
Due from other governments and agencies	385,889	86,116	—	—	472,005
Loans to other funds	36,365	—	—	—	36,365
Lease Receivable	18,168	3,479	—	276	21,923
Other assets	2,666	—	—	—	2,666
Total assets	<u>\$ 3,830,864</u>	<u>\$ 439,250</u>	<u>\$ 713,605</u>	<u>\$ 618,644</u>	<u>\$ 5,602,363</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	881,281	80,068	8,860	26,664	996,873
Due to other funds	546,009	5,407	—	1,733	553,149
Due to component units	26,830	—	5,470	2,819	35,119
Loans from other funds	—	—	—	30,181	30,181
Unearned revenue	1,201,367	—	—	—	1,201,367
Other liabilities	140,836	14,756	50	590	156,232
Total liabilities	<u>2,796,323</u>	<u>100,231</u>	<u>14,380</u>	<u>61,987</u>	<u>2,972,921</u>
Deferred inflows of resources	<u>50,824</u>	<u>15,789</u>	<u>—</u>	<u>276</u>	<u>66,889</u>
<b>Fund Balances</b>					
Non-spendable	1,323	—	—	174	1,497
Restricted	461,970	222,694	699,225	555,756	1,939,645
Committed	11,790	99,878	—	451	112,119
Assigned	31,720	658	—	—	32,378
Unassigned	476,914	—	—	—	476,914
Total fund balances	<u>983,717</u>	<u>323,230</u>	<u>699,225</u>	<u>556,381</u>	<u>2,562,553</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,830,864</u>	<u>\$ 439,250</u>	<u>\$ 713,605</u>	<u>\$ 618,644</u>	<u>\$ 5,602,363</u>

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

**State of Rhode Island**  
**Reconciliation of the Balance Sheet of the Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2022**  
**(Expressed in Thousands)**

Fund balance - total governmental funds \$ 2,562,553

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	9,088,345	
Accumulated depreciation	<u>(3,985,578)</u>	5,102,767
Right to use lease asset	93,927	
Accumulated depreciation	<u>(16,401)</u>	77,526

Deferred outflows of resources 571,643

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	(96,204)	
Bonds payable	(2,636,265)	
Net premium/discount on Bonds	(188,153)	
Obligations under capital leases	(112,395)	
Premium on Certificates of Participation	(6,828)	
Lease Liability	(78,237)	
Interest payable	(22,468)	
Net pension liabilities	(2,821,051)	
Net OPEB liabilities	(209,210)	
Other liabilities	<u>(84,513)</u>	(6,255,324)

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

Receivables	5,680	
Due from component units	36,796	
Net OPEB asset	18,381	
Net pension asset	7,256	
Unavailable revenue	<u>66,889</u>	135,002

Deferred inflows of resources (928,651)

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.

Net position - total governmental activities \$ 1,283,365

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

**State of Rhode Island**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	<u>General</u>	<u>Intermodal Surface Transportation</u>	<u>Rhode Island Capital Plan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes	\$ 4,349,512	\$ 225,142	\$ —	\$ 236,596	\$ 4,811,250
Licenses, fines, tolls, sales, and services	407,799	62,228	—	1,614	471,641
Departmental restricted revenue	398,431	1,029	—	—	399,460
Federal grants	4,744,086	417,644	—	—	5,161,730
Income from investments	4,625	949	81	332	5,987
Other revenues	64,329	3,717	—	57,392	125,438
Total revenues	<u>9,968,782</u>	<u>710,709</u>	<u>81</u>	<u>295,934</u>	<u>10,975,506</u>
<b>Expenditures:</b>					
Current:					
General government	1,233,846	—	—	226,505	1,460,351
Health and human services	5,446,643	—	—	—	5,446,643
Education	1,965,268	—	—	354	1,965,622
Public safety	653,607	—	—	—	653,607
Natural resources	112,029	—	—	—	112,029
Transportation	—	588,181	—	3,117	591,298
Capital outlays	—	—	73,251	150,223	223,474
Debt service:					
Principal	155,990	44,228	1,494	29,970	231,682
Interest and other charges	60,261	28,089	—	24,351	112,701
Total expenditures	<u>9,627,644</u>	<u>660,498</u>	<u>74,745</u>	<u>434,520</u>	<u>10,797,407</u>
Excess (deficiency) of revenues over (under) expenditures	341,138	50,211	(74,664)	(138,586)	178,099
<b>Other financing sources (uses):</b>					
Issuance of bonds and notes	—	—	—	135,000	135,000
Proceeds from capital leases	2,500	—	7,472	—	9,972
Lease Financing	1,789	—	—	—	1,789
Debt issuance premiums	—	—	—	8,859	8,859
Transfers in	445,193	63,453	684,353	3,392	1,196,391
Transfers out	(704,158)	(56,252)	(67,761)	(8,370)	(836,541)
Total other financing sources (uses)	<u>(254,676)</u>	<u>7,201</u>	<u>624,064</u>	<u>138,881</u>	<u>515,470</u>
Net change in fund balances	86,462	57,412	549,400	295	693,569
Fund balances - beginning (as restated)	897,255	265,818	149,825	556,086	1,868,984
Fund balances - ending	<u>\$ 983,717</u>	<u>\$ 323,230</u>	<u>\$ 699,225</u>	<u>\$ 556,381</u>	<u>\$ 2,562,553</u>

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

**State of Rhode Island**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of the Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

Net change in fund balances - total governmental funds \$ 693,569

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	465,257	
Depreciation expense	(270,393)	
	194,864	194,864

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	231,712	
Accrued interest and other charges	(683)	
Proceeds from sale of debt	(135,000)	
Deferral of premium/discount	(8,859)	
Amortization of premium/discount	35,671	
Accreted interest	(14,665)	
Amortization of refunding gains/losses	(4,051)	
Recognition of capital lease	(9,972)	
	94,153	94,153

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

Compensated absences	(9,998)	
Pension expenses, net of related deferred outflows	172,252	
OPEB expenses, net of related deferred outflows	54,166	
Program expenses	(64,942)	
Program and miscellaneous revenue	(3,924)	
Operating and capital grant revenue	(3,939)	
General revenue - taxes	2,241	
	145,856	145,856

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

Change in net position - total governmental activities (8,830)

\$ 1,119,612

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

**State of Rhode Island**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2022**  
(Expressed in Thousands)

	Business-type Activities- Enterprise Funds				Governmental Activities
	R.I. Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
<b>Assets and deferred outflows of resources</b>					
Current assets:					
Cash and cash equivalents	\$ 39,096	\$ 9,207	\$ 5,996	\$ 54,299	\$ 30,346
Restricted cash and cash equivalents	—	7,426	—	7,426	—
Funds on deposit with fiscal agent	—	—	264,357	264,357	—
Receivables (net)	5,366	1,655	79,305	86,326	12,797
Due from other funds	4	30	—	34	4,649
Due from other governments and agencies	—	—	2,263	2,263	—
Loans to other funds	—	—	—	—	195
Lease Receivable	89	2,549	—	2,638	—
Inventories	960	—	—	960	2,032
Other assets	568	615	—	1,183	5,250
Total current assets	<u>46,083</u>	<u>21,482</u>	<u>351,921</u>	<u>419,486</u>	<u>55,269</u>
Noncurrent assets:					
Capital assets - nondepreciable	—	47,647	—	47,647	—
Capital assets - depreciable (net)	228	98,035	—	98,263	2,964
Right to use asset-lease, net	1,268	94	—	1,362	—
Long term lease receivable	2,764	23,204	—	25,968	—
Other assets	—	139	—	139	—
Total noncurrent assets	<u>4,260</u>	<u>169,119</u>	<u>—</u>	<u>173,379</u>	<u>2,964</u>
Total assets	<u>50,343</u>	<u>190,601</u>	<u>351,921</u>	<u>592,865</u>	<u>58,233</u>
<b>Deferred outflows of resources</b>					
<b>Liabilities and deferred inflows of resources</b>					
Current liabilities:					
Accounts payable	12,367	5,358	4,250	21,975	21,853
Due to other funds	3,308	258	735	4,301	2,453
Due to component units	—	—	—	—	5,177
Due to other governments and agencies	—	—	2,610	2,610	—
Loans from other funds	—	—	—	—	6,379
Lease liability	300	47	—	347	—
Accrued expenses	7,896	—	—	7,896	—
Unearned revenue	625	3,757	—	4,382	—
Other current liabilities	10,159	169	4	10,332	4,522
Bonds payable	—	20,250	—	20,250	—
Compensated absences	294	—	—	294	—
Obligation for unpaid prize awards	11,912	—	—	11,912	—
Total current liabilities	<u>46,861</u>	<u>29,839</u>	<u>7,599</u>	<u>84,299</u>	<u>40,384</u>
Noncurrent liabilities:					
Net pension liability	16,558	—	—	16,558	—
Net OPEB liability	2,145	—	—	2,145	—
Unearned revenue	—	179	1,683	1,862	—
Bonds payable	—	160,725	—	160,725	—
Compensated absences	331	—	—	331	—
Long term lease liability	968	46	—	1,014	—
Total noncurrent liabilities	<u>20,002</u>	<u>160,950</u>	<u>1,683</u>	<u>182,635</u>	<u>—</u>
Total liabilities	<u>66,863</u>	<u>190,789</u>	<u>9,282</u>	<u>266,934</u>	<u>40,384</u>
<b>Deferred inflows of resources</b>	<u>8,361</u>	<u>25,624</u>	<u>—</u>	<u>33,985</u>	<u>—</u>
<b>Net Position (Deficit)</b>					
Net investment in capital assets	228	(27,804)	—	(27,576)	2,964
Restricted for:					
Debt	—	2,509	—	2,509	—
Employment insurance programs	—	—	342,639	342,639	—
Unrestricted	(19,867)	2,773	—	(17,094)	14,885
Total net position (deficit)	<u>\$ (19,639)</u>	<u>\$ (22,522)</u>	<u>\$ 342,639</u>	<u>\$ 300,478</u>	<u>\$ 17,849</u>

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

**State of Rhode Island**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	Business-type Activities- Enterprise Funds				Governmental Activities
	R.I.				Internal Service Funds
	R.I. Lottery	Convention Center	Employment Security	Totals	
<b>Operating revenues:</b>					
Charges for services	\$ —	\$ 21,231	\$ —	\$ 21,231	\$ 447,306
Employer premiums	—	—	243,071	243,071	—
Lottery sales	305,087	—	—	305,087	—
Video lottery, net	481,151	—	—	481,151	—
Lease Revenue	—	2,363	—	2,363	—
Table games	125,048	—	—	125,048	—
Sports book	517,230	—	—	517,230	—
Federal grants	—	—	311,317	311,317	—
Miscellaneous	571	253	4,591	5,415	—
Total operating revenues	1,429,087	23,847	558,979	2,011,913	447,306
<b>Operating expenses:</b>					
Personnel services	11,335	13,411	—	24,746	61,515
Supplies, materials, and services	359,242	11,042	—	370,284	396,013
Prize awards, net of prize recoveries	669,860	—	—	669,860	—
Depreciation and amortization	118	13,869	—	13,987	599
Benefits paid	—	—	451,040	451,040	—
Total operating expenses	1,040,555	38,322	451,040	1,529,917	458,127
<b>Operating income (loss)</b>	388,532	(14,475)	107,939	481,996	(10,821)
<b>Non-operating revenues (expenses):</b>					
Interest revenue	154	196	—	350	40
Other non-operating revenues (expenses)	1,183	3,549	3,314	8,046	1,951
Interest expense	—	(9,201)	—	(9,201)	—
Total non-operating revenue (expenses)	1,337	(5,456)	3,314	(805)	1,991
Income (loss) before transfers	389,869	(19,931)	111,253	481,191	(8,830)
<b>Transfers in</b>	—	28,792	—	28,792	—
<b>Transfers out</b>	(388,642)	—	—	(388,642)	—
Change in net position	1,227	8,861	111,253	121,341	(8,830)
<b>Net position (deficit) - beginning as restated</b>	(20,866)	(31,383)	231,386	179,137	26,679
<b>Net position (deficit) - ending</b>	\$ (19,639)	\$ (22,522)	\$ 342,639	\$ 300,478	\$ 17,849

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

**State of Rhode Island**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	Business-type Activities- Enterprise Funds			Totals	Governmental Activities
	R.I. Lottery	R.I. Convention Center	Employment Security		Internal Service Funds
<b>Cash flows from operating activities:</b>					
Cash received from gaming activities	\$ 1,434,214	\$ —	\$ —	\$ 1,434,214	\$ —
Cash received from customers	—	21,429	—	21,429	445,037
Cash received from employer premiums	—	—	234,643	234,643	—
Cash received from grants	—	—	311,886	311,886	—
Cash received for other program benefits	—	—	304	304	—
Cash payments for gaming activities	(1,030,407)	—	—	(1,030,407)	—
Cash payments to suppliers	(7,015)	(10,520)	—	(17,535)	(394,109)
Cash payments to employees	(11,844)	(13,210)	—	(25,054)	(62,067)
Cash payments for benefits - Employment Security Fund	—	—	(454,061)	(454,061)	—
Cash payments for benefits – other	—	—	(304)	(304)	—
Other operating revenue (expense)	—	4,398	6,915	11,313	—
Net cash provided by (used for) operating activities	<u>384,948</u>	<u>2,097</u>	<u>99,383</u>	<u>486,428</u>	<u>(11,139)</u>
<b>Cash flows from noncapital financing activities:</b>					
Loans from other funds	—	—	—	—	(3,511)
Loans to other funds	—	—	—	—	5,616
Repayment of loans to other funds	—	—	—	—	2,210
Repayment of loans from other funds	—	—	—	—	(1,517)
Loan Forgiveness	—	—	—	—	1,940
Transfers in	—	29,274	1,826	31,100	—
Transfers out	(388,692)	—	—	(388,692)	—
Cash overdraft	9,102	—	—	9,102	—
Net transfers from (to) fiscal agent	—	—	(97,685)	(97,685)	—
Net cash provided by (used for) noncapital financing activities	<u>(379,590)</u>	<u>29,274</u>	<u>(95,859)</u>	<u>(446,175)</u>	<u>4,738</u>
<b>Cash flows from capital and related financing activities:</b>					
Principal paid on capital obligations	—	(13,995)	—	(13,995)	—
Principal and interest under leases	—	2,385	—	2,385	—
Interest paid on capital obligations	—	(7,869)	—	(7,869)	—
Acquisition of capital assets	—	(1,767)	—	(1,767)	(298)
Net cash provided by (used for) capital and related financing activities	<u>—</u>	<u>(21,246)</u>	<u>—</u>	<u>(21,246)</u>	<u>(298)</u>
<b>Cash flows from investing activities:</b>					
Interest on investments	154	6	—	160	40
Net cash provided by investing activities	<u>154</u>	<u>6</u>	<u>—</u>	<u>160</u>	<u>40</u>
Net increase (decrease) in cash and cash equivalents	5,512	10,131	3,524	19,167	(6,659)
Cash and cash equivalents, July 1	33,584	6,502	2,472	42,558	37,005
Cash and cash equivalents, June 30	<u>\$ 39,096</u>	<u>\$ 16,633</u>	<u>\$ 5,996</u>	<u>\$ 61,725</u>	<u>\$ 30,346</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>					
Operating income (loss)	388,532	(14,475)	107,939	481,996	(10,821)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>					
Depreciation and amortization	118	13,868	—	13,986	600
Other revenue (expense) and transfers in (out)	557	2,066	(5,269)	(2,646)	9
Net changes in assets and liabilities:					
Receivables, net	(551)	(1,442)	(8,428)	(10,421)	(1,640)
Lease Receivable	(2,853)	—	—	(2,853)	—
Inventory	(47)	—	—	(47)	(495)
Deferred outflows of resources	1,787	—	—	1,787	—
Prepaid items	(20)	(160)	—	(180)	—
Due to / due from transactions	—	—	9,117	9,117	—
Accounts and other payables	(2,356)	884	(4,509)	(5,981)	2,371
Accrued expenses	1,869	—	(37)	1,832	(1,163)
Net pension liability	(5,094)	—	—	(5,094)	—
Net OPEB liability	(1,274)	—	—	(1,274)	—
Deferred inflows of resources	6,788	—	—	6,788	—
Unearned revenue	(1,594)	1,356	570	332	—
Prize awards payable	(914)	—	—	(914)	—
Total adjustments	<u>(3,584)</u>	<u>16,572</u>	<u>(8,556)</u>	<u>4,432</u>	<u>(318)</u>
Net cash provided by (used for) operating activities	<u>\$ 384,948</u>	<u>\$ 2,097</u>	<u>\$ 99,383</u>	<u>\$ 486,428</u>	<u>\$ (11,139)</u>

(Continued)

**State of Rhode Island  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2022  
(Expressed in Thousands)**

**Supplemental disclosure of non-cash financing Activities:**

***RI Lottery***

Acquisition of right-to-use-asset through lease	<u><u>\$ 1,268</u></u>
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***RI Convention Center***

Recognition of lease receivable and related deferred lease revenues and interest	<u><u>\$ 27,980</u></u>
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Recognition of right-to-use asset and related lease liabilities	<u><u>\$ 94</u></u>
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Disposal of capital assets	<u><u>\$ 103</u></u>
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(Concluded)

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



**State of Rhode Island**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2022**  
**(Expressed in Thousands)**

	Pension and Other Employee Benefit Trusts	Investment Trust Ocean State Investment Pool	Private Purpose Trusts	Custodial Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 13,172	\$ —	\$ 6,958	\$ —
Deposits held as security for entities doing business in the State	—	—	—	52,903
Receivables				
Contributions	83,242	—	—	—
Due from State for teachers	24,498	—	—	—
Due from other plans	2,293	—	—	—
Other	1,284	—	—	20,388
Miscellaneous	—	—	441	—
Total receivables	111,317	—	441	20,388
Prepaid expenses	2,245	—	—	—
Investments, at fair value				
Equity in short-term investment fund	—	80,740	—	—
Equity in pooled trusts	10,470,757	—	—	—
Other investments	1,473,981	—	4,458,986	—
Total investments	11,944,738	80,740	4,458,986	—
Total assets	12,071,472	80,740	4,466,385	73,291
<b>Liabilities</b>				
Accounts payable	5,803	473	14,952	—
Due to other plans	2,293	—	—	—
Incurred but not reported claims	908	—	—	—
Other	7,231	—	—	7
Unclaimed Property Claims	—	—	—	1,341
Deposits held for others	—	—	—	639
Total liabilities	16,235	473	14,952	1,987
<b>Net position</b>				
Restricted for:				
Pension benefits	11,554,267	—	—	—
Other postemployment benefits	500,970	—	—	—
External investment pool participants	—	80,267	—	—
Tuition savings program	—	—	4,444,945	—
Individuals, organizations and other governments	—	—	—	71,304
Other	—	—	6,488	—
Total fiduciary net position	<u>\$ 12,055,237</u>	<u>\$ 80,267</u>	<u>\$ 4,451,433</u>	<u>\$ 71,304</u>

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

**State of Rhode Island**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	Pension and Other Employee Benefit Trusts	Investment Trust Ocean State Investment Pool	Private Purpose Trusts	Custodial Funds
<b>Additions</b>				
Contributions				
Member contributions	\$ 223,006	\$ —	\$ —	\$ —
Employer contributions	562,720	—	—	—
New employer contributions	51,731	—	—	—
Additional employer contributions	230	—	—	—
Supplemental employer contributions	62,012	—	—	—
State contributions for teachers	116,291	—	—	—
Interest on service credits purchased	205	—	—	—
Service credit transfers	15,963	—	—	—
From program participants	—	94,742	353,080	—
Total contributions	<u>1,032,158</u>	<u>94,742</u>	<u>353,080</u>	<u>—</u>
Other income	<u>2,070</u>	<u>—</u>	<u>—</u>	<u>—</u>
Investment income				
Increase (Decrease) in fair value of investments	(536,493)	—	(650,392)	(4,346)
Interest	65,051	124	—	—
Dividends	64,173	—	214,270	—
Other investment income	(601)	—	—	—
	<u>(407,870)</u>	<u>124</u>	<u>(436,122)</u>	<u>(4,346)</u>
Less: investment expense	<u>(166,789)</u>	<u>37</u>	<u>—</u>	<u>—</u>
Net investment income (loss)	<u>(574,659)</u>	<u>87</u>	<u>(436,122)</u>	<u>(4,346)</u>
Unclaimed Property	—	—	—	34,794
Deposits for patients, clients and inmates	—	—	—	9,196
Miscellaneous	—	—	—	14,179
Total additions	<u>459,569</u>	<u>94,829</u>	<u>(83,042)</u>	<u>53,823</u>
<b>Deductions</b>				
Retirement benefits	997,929	—	—	—
Death benefits	3,711	—	—	—
Distributions	46,499	69,970	—	—
Program participant redemptions	—	—	857,074	—
Refund of contributions	6,831	—	—	—
Administrative expense	12,118	—	18,911	—
Service credit transfers	15,963	—	—	—
OPEB benefits	29,122	—	—	—
Payments and transfers of Unclaimed Property	—	—	—	35,475
Payments made on behalf of individuals in State care	—	—	—	9,528
Miscellaneous	—	—	—	13,842
Total deductions	<u>1,112,173</u>	<u>69,970</u>	<u>875,985</u>	<u>58,845</u>
Change in net position restricted for:				
Pension benefits	(620,898)	—	—	—
Other postemployment benefits	(31,706)	—	—	—
External investment pool participants	—	24,859	—	—
Tuition Savings Program	—	—	(958,943)	—
Other	—	—	(84)	(5,022)
<b>Fiduciary net position - beginning (as restated)</b>	<u>12,707,841</u>	<u>55,408</u>	<u>5,410,460</u>	<u>76,326</u>
<b>Fiduciary net position - ending</b>	<u>\$ 12,055,237</u>	<u>\$ 80,267</u>	<u>\$ 4,451,433</u>	<u>\$ 71,304</u>

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

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2022**  
**(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	\$ 85,543	\$ 12,927	\$ 459	\$ 15,851	\$ 1,209
Investments	—	—	—	725	—
Receivables (net)	9,624	1,544	124	5,355	93
Lease Receivable Current	2,854	—	—	30	49
Restricted assets:					
Cash and cash equivalents	23,038	162,052	8,180	—	21,592
Investments	—	2,283	—	—	7,668
Receivables (net)	—	282	—	—	4,392
Due from primary government	135	1,826	113	6,214	2,069
Due from other component units	—	1	—	—	—
Inventories	—	—	—	1,721	127
Other assets	380	331	85	325	229
Total current assets	<u>121,574</u>	<u>181,246</u>	<u>8,961</u>	<u>30,221</u>	<u>37,428</u>
Noncurrent Assets:					
Investments	—	1,269	—	4,253	—
Receivables (net)	—	9,154	—	—	—
Lease Receivable Non Current	18,025	—	—	111	105
Restricted assets:					
Cash and cash equivalents	44,947	7,119	—	—	12,470
Investments	9,581	8,780	—	—	91,167
Receivables (net)	1,476	161	—	—	—
Capital assets - nondepreciable	63,475	7,905	—	33,725	1,101
Capital assets - depreciable (net)	453,037	128	—	95,096	225,781
Lease Assets, net	—	1,979	—	—	—
Other assets, net of amortization	94	3,274	561	1,836	—
Total noncurrent assets	<u>590,635</u>	<u>39,769</u>	<u>561</u>	<u>135,021</u>	<u>330,624</u>
Total assets	<u>712,209</u>	<u>221,015</u>	<u>9,522</u>	<u>165,242</u>	<u>368,052</u>
<b>Deferred outflows of resources</b>	<u>547</u>	<u>250</u>	<u>—</u>	<u>18,791</u>	<u>—</u>

(Continued)

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2022**  
**(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	4,524	12,653	339	6,017	804
Due to primary government	—	—	—	2,640	7,118
Due to other component units	235	—	—	—	—
Unearned revenue	1,226	12,188	266	460	6,471
Lease Liability - Current	428	363	—	—	—
Other liabilities	12,559	2,559	336	9,626	4,491
Current portion of compensated absences	—	—	—	110	—
Current portion of long-term debt	17,983	1,341	1,935	—	6,460
Total current liabilities	<u>36,955</u>	<u>29,104</u>	<u>2,876</u>	<u>18,853</u>	<u>25,344</u>
Noncurrent liabilities:					
Due to primary government	25	—	—	7,191	—
Due to other component units	593	—	—	—	—
Unearned revenue	—	3,399	—	—	—
Notes payable	—	—	—	—	—
Loans payable	—	—	—	—	—
Lease Liability - Non Current	435	1,617	—	—	—
Net pension liability	1,230	245	—	52,054	—
Net OPEB liability	197	34	—	64,666	—
Other liabilities	—	1,022	—	9,010	—
Compensated absences	—	—	—	260	—
Bonds payable	234,792	6,468	30,055	—	199,242
Total noncurrent liabilities	<u>237,272</u>	<u>12,785</u>	<u>30,055</u>	<u>133,181</u>	<u>199,242</u>
Total liabilities	<u>274,227</u>	<u>41,889</u>	<u>32,931</u>	<u>152,034</u>	<u>224,586</u>
<b>Deferred inflows of resources</b>	<u>20,717</u>	<u>2,015</u>	<u>—</u>	<u>37,569</u>	<u>151</u>
<b>Net position (deficit)</b>					
Net investment in capital assets	282,275	8,033	561	120,796	50,311
Restricted for:					
Debt	28,157	—	8,025	—	92,134
Other	7,962	149,683	—	3,233	—
Other nonexpendable	18,902	—	—	—	—
Unrestricted	80,516	19,645	(31,995)	(129,599)	870
Total net position (deficit)	<u>\$ 417,812</u>	<u>\$ 177,361</u>	<u>\$ (23,409)</u>	<u>\$ (5,570)</u>	<u>\$ 143,315</u>

(Continued)

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2022**  
**(Expressed in Thousands)**

	URI	RIC	CCRI	Other Component Units	Totals
<b>Assets and deferred outflows of resources</b>					
Current Assets:					
Cash and cash equivalents	\$ 201,429	\$ 30,221	\$ 34,597	\$ 96,394	\$ 478,630
Investments	—	—	—	—	725
Receivables (net)	53,833	19,809	7,656	31,505	129,543
Lease Receivable Current	—	126	—	7,654	10,713
Restricted assets:					
Cash and cash equivalents	—	—	501	757,189	972,552
Investments	—	—	—	142,708	152,659
Receivables (net)	—	—	—	104,929	109,603
Other assets	—	—	472	49,309	49,781
Due from primary government	8,518	968	915	26,433	47,191
Due from other governments	—	—	—	6,929	6,929
Due from other component units	997	—	—	357	1,355
Inventories	2,884	—	558	2,834	8,124
Other assets	7,550	3,969	4,161	10,880	27,910
Total current assets	<u>275,211</u>	<u>55,093</u>	<u>48,860</u>	<u>1,237,121</u>	<u>1,995,715</u>
Noncurrent Assets:					
Investments	250,845	35,601	5,106	—	297,074
Receivables (net)	16,765	882	279	72,459	99,539
Lease Receivable Non Current	—	937	—	172,493	191,671
Restricted assets:					
Cash and cash equivalents	3,274	683	—	446	68,939
Investments	—	—	—	785,301	894,829
Receivables (net)	113	—	—	1,110,116	1,111,866
Other assets	19,362	1,175	74	1,108,826	1,129,437
Capital assets - nondepreciable	29,878	24,400	6,260	261,769	428,513
Capital assets - depreciable (net)	821,668	167,472	70,920	186,352	2,020,454
Lease Assets, net	3,848	30	—	25,815	31,672
Due from other component units	—	—	—	593	593
Other assets, net of amortization	3,305	—	—	223,667	232,737
Total noncurrent assets	<u>1,149,058</u>	<u>231,180</u>	<u>82,639</u>	<u>3,947,837</u>	<u>6,507,324</u>
Total assets	<u>1,424,269</u>	<u>286,273</u>	<u>131,499</u>	<u>5,184,958</u>	<u>8,503,039</u>
<b>Deferred outflows of resources</b>	<u>24,686</u>	<u>7,789</u>	<u>6,544</u>	<u>19,347</u>	<u>77,954</u>

(Continued)

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2022**  
**(Expressed in Thousands)**

	URI	RIC	CCRI	Other Component Units	Totals
<b>Liabilities and deferred inflows of resources</b>					
Current liabilities:					
Accounts payable	33,981	5,714	9,360	17,993	91,385
Notes payable	—	159	—	108,710	108,869
Loans payable	99	—	—	1,999	2,098
Due to primary government	1,804	1,876	—	100	13,538
Due to other component units	—	—	—	124	359
Lease Liability - Current	491	11	—	935	2,228
Accrued Expenses	—	3,020	15	—	3,035
Unearned revenue	14,301	5,061	3,530	3,628	47,131
Other liabilities	21,357	131	—	383,613	434,672
Current portion of compensated absences	2,055	4,128	3,241	601	10,135
Current portion of long-term debt	13,582	1,203	314	107,303	150,121
<b>Total current liabilities</b>	<b>87,670</b>	<b>21,303</b>	<b>16,460</b>	<b>625,006</b>	<b>863,571</b>
Noncurrent liabilities:					
Due to primary government	15,785	9,281	—	—	32,282
Due to other component units	—	—	—	—	593
Unearned revenue	—	—	—	1,269	4,668
Notes payable - Non Current	—	168	—	181,861	182,029
Loans payable	123	—	—	11,721	11,844
Lease Liability - Non Current	3,472	20	—	26,044	31,588
Net pension liability	88,414	28,391	24,279	25,214	219,827
Net OPEB liability	14,140	5,608	4,633	22,660	111,938
Other liabilities	6,256	1,096	—	375,637	393,021
Compensated absences	21,143	1,252	1,082	3,302	27,039
Bonds payable	248,720	10,702	323	2,050,229	2,780,531
<b>Total noncurrent liabilities</b>	<b>398,053</b>	<b>56,518</b>	<b>30,317</b>	<b>2,697,937</b>	<b>3,795,360</b>
<b>Total liabilities</b>	<b>485,723</b>	<b>77,821</b>	<b>46,777</b>	<b>3,322,943</b>	<b>4,658,931</b>
<b>Deferred inflows of resources</b>	<b>52,057</b>	<b>26,678</b>	<b>17,826</b>	<b>201,285</b>	<b>358,298</b>
<b>Net position (deficit)</b>					
Net investment in capital assets	595,768	168,482	76,544	424,252	1,727,022
Restricted for:					
Debt	—	—	—	214,034	342,350
Other	137,654	7,878	3,970	846,979	1,157,359
Other nonexpendable	130,265	28,883	3,040	—	181,090
Unrestricted	47,488	(15,680)	(10,114)	194,812	155,943
<b>Total net position (deficit)</b>	<b>\$ 911,175</b>	<b>\$ 189,563</b>	<b>\$ 73,440</b>	<b>\$ 1,680,077</b>	<b>\$ 3,563,764</b>

(Concluded)

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

**State of Rhode Island**  
**Combining Statement of Activities**  
**Component Units**  
**For the Fiscal Year Ended June 30, 2022**  
**(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>	\$ 76,937	\$ 58,391	\$ 2,800	\$ 128,238	\$ 32,504	\$ 639,753	\$ 157,224	\$ 160,981	\$ 546,341	\$ 1,803,169
<b>Program revenues:</b>										
Charges for services	64,917	8,538	496	15,416	24,230	377,455	61,770	31,270	234,168	818,260
Operating grants and contributions	12,217	104,650	3,764	94,748	—	275,549	108,976	138,472	329,271	1,067,647
Capital grants and contributions	24,438	—	—	6,103	15,032	22,049	11,382	2,957	114,986	196,947
Total program revenues	101,572	113,188	4,260	116,267	39,262	675,053	182,128	172,699	678,425	2,082,854
Net (expenses) revenues	24,635	54,797	1,460	(11,971)	6,758	35,300	24,904	11,718	132,084	279,685
<b>General revenues:</b>										
Interest and investment earnings (losses)	811	1,977	5	(511)	(1,062)	(28,328)	(6,283)	(766)	(53,945)	(88,102)
Miscellaneous revenue	(245)	—	—	2,458	188	5,177	653	—	1,625	9,856
Gain (Loss) on sale of capital assets	—	—	—	—	—	—	—	—	230	230
Total general revenue	566	1,977	5	1,947	(874)	(23,151)	(5,630)	(766)	(52,090)	(78,016)
Change in net position	25,201	56,774	1,465	(10,024)	5,884	12,149	19,274	10,952	79,994	201,669
<b>Net position (deficit) - beginning as restated</b>	<u>392,611</u>	<u>120,587</u>	<u>(24,874)</u>	<u>4,454</u>	<u>137,431</u>	<u>899,026</u>	<u>170,289</u>	<u>62,488</u>	<u>1,600,083</u>	<u>3,362,095</u>
<b>Net position (deficit) - ending</b>	<u>\$ 417,812</u>	<u>\$ 177,361</u>	<u>\$ (23,409)</u>	<u>\$ (5,570)</u>	<u>\$ 143,315</u>	<u>\$ 911,175</u>	<u>\$ 189,563</u>	<u>\$ 73,440</u>	<u>\$ 1,680,077</u>	<u>\$ 3,563,764</u>

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

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## Note 1. Summary of Significant Accounting Policies

### A. Basis of Presentation

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

### B. Reporting Entity

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

GASB has set forth criteria to be considered to determine 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 incorporation 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 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 Annual Comprehensive Financial Report (ACFR), the State, generally acting through the Governor, appoints a voting majority of the component units' governing boards.

The following component units are reported as part of the primary government in both the fund and government-wide financial statements.

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*Rhode Island Convention Center Authority (RICCA)*

The RICCA was established by State law as a single purpose building authority to finance the development of convention and other event facilities in Providence, RI. RICCA is responsible for the management and operations of the R.I. Convention Center, Amica Mutual Pavilion, and the Veterans Memorial Auditorium Arts and Cultural Center. RICCA is dependent upon annual State appropriations of lease revenue by the General Assembly to fund debt service for its outstanding bonds. Therefore, RICCA's total debt outstanding, including leases, is expected to be repaid entirely with the resources from the State. For more detailed information, a copy of the RICCA 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 for the period January 1 to June 30 each year. 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 Rhode Island General Laws (RIGLs), 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 within 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 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 ACFR, 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 non-major 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 non-major 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. RIAC revenues include airline and concession contract revenues, federal grants, licenses, and permits. RIAC leases the land from the State, on which the State's largest airport is located, 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 to promote economic development, 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. 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 02908, 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 Executive Director, I-195 Redevelopment District, 315 Iron Horse Way, Suite 101, Providence, RI 02908, or at [www.195district.com](http://www.195district.com).

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

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

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*Rhode Island Turnpike and Bridge Authority (RITBA)*

This authority was created by the General Assembly, 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 provided back office functions for the State's truck tolling initiative that began on June 11, 2018 and ceased on September 24, 2022. Title relating to the Jamestown and Sakonnet River bridges has remained with the State, thus those capital assets are reported within the primary government on the State's government-wide financial statements. The Claiborne Pell and Mount Hope bridges are reported as capital assets of RITBA. For more detailed information, a copy of the financial statements can be obtained by writing to the Executive Director, R.I. Turnpike and Bridge Authority, P.O. Box 437, Jamestown, RI 02835-0437, or at [www.ritba.org](http://www.ritba.org).

*University and Colleges*

The State's University and Colleges include the University of Rhode Island (URI), Rhode Island College (RIC) and the Community College of Rhode Island (CCRI). The Council on Postsecondary Education is vested with the responsibility of providing oversight for Rhode Island College (RIC) and the Community College of Rhode Island (CCRI), along with the Office of the Postsecondary Commissioner (OPC). URI is governed by the URI Board of Trustees. The university and colleges are funded through State appropriations, tuition, federal grants, and private donations and grants. For more detailed information, a copy of the financial statements can be obtained by writing to Office of the Controller, University of Rhode Island, 75 Lower College Road, Kingston, RI 02881; Office of the Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, RI 02908; and Office of the Controller, Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886-1805. The financial statements can also be viewed at [www.riopc.edu](http://www.riopc.edu).

**Non-major Component Units***Central Falls School District*

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

*Division of Higher Education Assistance (DHEA)*

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

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*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 of RIIFC projects by RIIFC. 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 02908, 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)*

RIRRC 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 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)*

QDC 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).



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*The Metropolitan Regional Career and Technical Center (The Met)*

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

For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, Rhode Island Health and Educational Building Corporation, 33 Broad Street, Suite 200, Providence, RI 02903 or at [www.rihebc.com](http://www.rihebc.com).

***Fiduciary Component Units***

The following entities qualify as fiduciary component units of the State of Rhode Island and are reported in the State's fiduciary funds in accordance with GAAP prescribed by GASB:

*The Rhode Island Employees' Retirement System (ERS)* (pension trust and defined contribution plans) – ERS administers pension plans covering various public employees of the State and its political subdivisions. A copy of the annual report for ERS can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

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*The Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System) (OPEB Trust)* is administered by the State of Rhode Island OPEB Board. The OPEB System administers the State's six defined benefit OPEB plans. A copy of the financial statements can be obtained by writing to the State Controller's Office, One Capitol Hill, Providence, RI 02908.

*The Ocean State Investment Pool (Investment Trust Fund)* is administered by the Office of the General Treasurer and because of the State's trustee responsibilities for the portion of the investment pool owned by participants external to the reporting entity, generally accepted accounting principles (GAAP) requires that activity to be reported as an investment trust fund. 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.

*The Rhode Island Higher Education Savings Trust (RIHEST) and ABLE Consortium Trust (ABLE)* are also administered by the Office of the General Treasurer. RIHEST allows families to save money for qualified higher education expenses on a tax-advantaged basis. ABLE allows for families a tax-advantaged means to save money for disability related expenses. Under GAAP, these trust funds are required to be reported as private purpose trust funds. A copy of the annual report for RIHEST or ABLE can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

*The HealthSource RI Trust (HSRI)* is administered by the Rhode Island Health Benefits Exchange (HBE), a department within the State of Rhode Island. HSRI collects health insurance premium payments for qualifying plans purchased through the HBE and remits those payments to the respective insurers providing the coverage to qualifying employers and individuals. Under GAAP, these trust funds are required to be reported as private purpose trust funds. A copy of the annual report for HSRI can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

Because of the State's trustee responsibilities for these systems, plans, and trusts, GAAP requires them to be reported as fiduciary activities of the reporting entity rather than discretely presented component units.

In accordance with GAAP, fiduciary funds and discretely presented component units that are fiduciary in nature are excluded from the government-wide financial statements.

### ***Related Organizations***

The Rhode Island Student Loan Authority and Narragansett Bay Commission are "related organizations" of the State under GAAP as defined by GASB. The State is responsible for appointing a voting majority of the members of each entity's board, however, the State's accountability does not extend beyond 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 non-fiduciary 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 non-fiduciary 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 creditor, grantor, or contributor, 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 non-major funds being combined into a single column.

The State reports the following fund types:

### **Governmental Fund Types**

*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.

*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.

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*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 post employment health care benefits to eligible retirees.

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

#### *Private Purpose Trust Funds*

The Rhode Island Higher Education Savings Trust (RIHEST) administers the CollegeBound 529 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.

HealthSource RI Trust was established for the purpose of collecting health and dental insurance premium payments from qualified employers and individuals and remitting such payments to issuers of Qualified Health Plans and Qualified Dental Plans offered through the Rhode Health Benefits Exchange (HSRI).

The ABLE Consortium Trust was established to facilitate, in an efficient and cost effective manner, the investment of contributions from account owners in ABLE savings accounts which qualify under section 529A of the Internal Revenue Code. ABLE accounts allow individuals with disabilities and their families a tax-advantaged way to save money for disability related expenses.

*Custodial Funds* - These funds account for assets held by the State pending distribution to others including confiscated property, assets pledged to the State as required by statute, funds held for

the use of hospital patients and individuals with developmental disabilities, workers' compensation insurance bond deposits, funds held for the use of inmates, and unclaimed property.

In accordance with GAAP for government as prescribed by the GASB, the focus in the fund financial statements is on major and non-major 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 special revenue 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.

#### *R.I. Capital Plan Fund*

This fund accounts for the portion of the payment into the budget reserve account that causes the balance in the budget reserve account to exceed the constitutional limit. Excess funding is transferred to this capital projects fund solely for funding capital projects appropriated by the General Assembly.

### 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, Amica Mutual Pavilion, and the Veterans Memorial Auditorium Arts and Cultural Center located in Providence.

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### *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 non-exchange 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. Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when entitlement occurs. All federal reimbursement-type grants are recorded as revenues when the related allowable expenditures are incurred and all applicable eligibility requirements are met and federal grant authority is received. Federal grants also include non-monetary transactions for food commodities and vaccines. Non-monetary commodity and vaccine revenues and expenditures are valued at their federally reported value. When federal funds are received in advance of meeting eligibility requirements or incurrence of allowable expenditures, amounts are reflected as unearned revenue.

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., expenditures) 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 non-operating items. Operating revenues and expenditures 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 expenditures for enterprise and internal service funds include the cost of sales and services, administrative expenditures and depreciation on capital assets. All revenues and expenditures not meeting these definitions are reported as non-operating revenues and expenses.

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Custodial funds are a type of fiduciary fund used to account for the assets held for distribution by the State as a custodian for another entity for which the government has custodial responsibility and accounts for the flow of assets. Custodial funds are accounted for using the economic resources measurement focus.

The State enacted budget designates the source of funds for expenditures. When a type of expenditure is allocatable 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.

During fiscal year 2022, the State implemented GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of a right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The State's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

### **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.

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## J. Interfund Activity

In general, eliminations have been made to minimize the double counting of internal activity, including internal service fund type activity, for 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 within the fund financial statements. Transfers between governmental and business-type activities are reported at the net amount within the government-wide financial statements.

For 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 (using the first-in, first-out methodology). 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 College inventory consists of supplies and are stated at cost (using the first in, first out methodology). 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. As of fiscal year 2022 however, GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, requires that interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This pronouncement is applied prospectively and there was no restatement required for fiscal year 2022. See Note 1, Part V and Note 5 for further detail.

#### Accounting for Interest Cost Incurred before the End of a Construction Period

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 from 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 from 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 from refundings are presented as either deferred inflows of resources or deferred outflows of resources.

#### N. Right to Use Assets

During fiscal year 2022, the State implemented GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The State has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. Leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

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

As more fully explained in Note 18, a special funding situation exists with respect to local teachers for which the State funds 40% of actuarial 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, 2020 measurement date, the State administered one non-contributory (pay-as-you-go) plan covering certain retired judges. For the plan, the provisions of GASB Statement No. 73 have been implemented which are largely consistent with the provisions of GASB Statement No. 68 regarding recognition of the pension liability, pension expense and deferred inflows/outflows except there is no fiduciary net position accumulated to offset the total pension liability, and no employer contributions are made other than the amount needed to provide benefits on a pay-as you-go basis. See Note 18 for complete details of the State's reporting of this plan.

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

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## P. Post employment 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 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. Deferred Outflows of Resources

Deferred outflow of resources represents a consumption of net assets by the government that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are reported in the applicable governmental or business-type activities columns, or in the component units column on the government-wide Statement of Net Position. See Note 8 for a disaggregation of deferred outflows. Deferred outflows of resources of governmental funds, proprietary funds, and discrete component units are reported in detail in their respective fund statements.

## T. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets that applies to a future period, and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the applicable governmental or business-type activities columns or in the discrete component units column on the government-wide Statement of Net Position. See Note 8 for a disaggregation of deferred inflows. Deferred inflows of resources of governmental funds, proprietary funds, and discrete component units are reported in detail in their respective fund statements.

## U. Fund Balances

In the fund financial statements, governmental funds report fund balance as non-spendable, 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:

- Non-spendable – 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 upon 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.

#### V. Recently Issued Accounting Standards

During the fiscal year ended June 30, 2022, the State adopted the following new accounting standards issued by GASB:

- GASB *Statement No. 87, Leases*
- GASB *Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*
- GASB *Statement No. 91, Conduit Debt Obligations*
- GASB *Statement No. 92, Omnibus*
- GASB *Statement No. 93, Replacement of Interbank Offered Rates*
- GASB *Statement No. 97, Certain Component Unit Criteria*

During fiscal year 2022, the State implemented GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement required 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. See Note 15 for complete details from the implementation of the GASB 87.

In fiscal year 2022, the State implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The implementation of GASB Statement No. 89 had no material impact on the State's financial statements.

In fiscal year 2022, the State implemented GASB Statement No. 91, *Conduit Debt Obligations*. The implementation of GASB Statement No. 91 had no material impact on the State's financial statements.

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In fiscal year 2022, the State implemented GASB Statement No. 92, *Omnibus*. The implementation of GASB Statement No. 92 had no material impact on the State's financial statements.

In fiscal year 2022, the State implemented GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is the removal of LIBOR as an appropriate benchmark interest rate that is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement were previously implemented for reporting periods ending after June 15, 2020.

In fiscal year 2022, the State implement GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The implementation of GASB Statement No. 97 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. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements*, will be effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for arrangements in which the governmental entity (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, will be effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for transactions in which a government entity contracts with another party for the right to use their software. A right-of-use and a corresponding liability would be recognized for SBITA's.

GASB Statement No. 99, *Omnibus 2022*, will be effective for requirements related to leases, PPP, and SBITAs for fiscal years beginning after June 15, 2022. The statement will be effective for requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 for fiscal years beginning after June 15, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, will be effective for reporting periods beginning after June 15, 2023. This Statement is an amendment of GASB Statement No. 62 and it aims to improve the clarity of accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice.

GASB Statement No. 101, *Compensated Absences*, will be effective for fiscal years beginning after December 15, 2023. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This is achieved by aligning recognition and measurement guidance under a unified model which will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation.

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

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## 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 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, 2022 pursuant to this statutory provision. However, the State Investment Commission has instituted a collateralization requirement for institutions holding State 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 (SIC) 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 collateral classification. 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 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 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, 2022, of the \$1.3 billion invested, \$460.3 million were collateralized purchase agreements.

All of the bank balances of the primary government and its blended component units, except for \$65M, were either covered by federal depository insurance; collateralized by securities held by an independent third party in the State or the blended component unit's name; or collateralized by a Federal Home Loan Bank Letter of Credit in the State or the blended component unit's name. The non-collateralized amount was resolved during July 2022.

#### 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. This trust is pursuant to 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

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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.

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.

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.

### **Fair Value of Financial Instruments**

GASB Statement No. 72—*Fair Value Measurement and Application*—establishes a fair value hierarchy for inputs used to measure fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. The fair value hierarchy is categorized into three levels based upon 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 the substantial 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 assumption about the market participants asset or liability pricing (including assumptions about risk).

Debt and equity securities classified as Level 1 noted above, are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 noted above, 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 or liability fair value measurement, classified as Level 3 above, is based on the lowest level of any input that is significant to the fair value measurement.

On the following page is a description of the State cash equivalents and investments (expressed in thousands) at June 30, 2022:

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

Financial Company Commercial Paper	\$ 374,496
Asset Backed Commercial Paper	90,994
U.S. Government Agency Repurchase Agreement	459,329
Certificates of Deposit	17,000
Non-Negotiable Time Deposit	258,700
Non-Financial Company Commercial Paper	58,000
US Treasury Repurchase Agreement	1,000
Total Investments	<u>1,259,519</u>
Less: payable for investments purchased	(7,000)
Less: other liabilities in excess of assets	<u>(7,215)</u>
Total investment pool	1,252,304

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

Amounts held by fiduciary trust funds:

Pension trust	2,049
OPEB trust	1,636

Amounts held by discretely presented component units:

URI	93,281
RIC	6,562
RIIRBA	370
RIHEBC	7,929
RIPTA	6,449

Amounts held for external parties

80,267

**Primary government pooled cash equivalents**

\$ 1,053,761

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

US Treasury Bills	\$ 293,641
Money Market Mutual Funds	457,531

**Total primary government cash equivalents and investments**\$ 1,804,933

Cash equivalents and investments	\$ 1,804,933
Cash deposits and interest bearing deposits	1,604,766
Total cash, cash equivalents and investments	<u>\$ 3,409,699</u>

Statement of Net Position

Cash and cash equivalents	\$ 3,352,085
Restricted cash and cash equivalents	57,614
Total cash, cash equivalents and investments	<u>\$ 3,409,699</u>

State restricted cash and cash equivalents total \$57.6 million at June 30, 2022. Of this total, \$50.2 million is held by the Tobacco Settlement Financing Corporation and \$7.4 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 at net asset value per unit (NAV) and is calculated daily. The OSIP pooled trust categorizes the inputs to valuation techniques 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 name. Pursuant to guidelines established by the State Investment Committee (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 to interest rates will adversely affect the fair value of an investment. Based on SIC policy, the state 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 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, 2022, information about the State 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	\$ 374,452	\$ 374,496	\$104,913	\$149,583	\$ 82,000	\$ 38,000
Asset Backed Commercial Paper	90,969	90,994	2,452	48,862	39,680	—
U.S. Government Agency Repurchase Agreements	459,329	459,329	459,329	—	—	—
U.S. Treasury Repurchase Agreement	1,000	1,000	1,000	—	—	—
Certificates of Deposit	17,000	17,000	17,000	—	—	—
Non-Negotiable Time Deposit	258,700	258,700	258,700	—	—	—
Non-Financial Company Commercial Paper	57,997	58,000	58,000	—	—	—
	<u>\$ 1,259,447</u>	<u>\$1,259,519</u>	<u>\$901,394</u>	<u>\$198,445</u>	<u>\$121,680</u>	<u>\$ 38,000</u>

At June 30, 2022 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	\$ 374,452	\$ 374,496	\$ 109,000	\$ 256,512	\$ 8,984
Asset Backed Commercial Paper	90,969	90,994	—	90,994	—
U.S. Government Agency Repurchase Agreements	459,329	459,329	455,329	4,000	—
U.S. Treasury Repurchase Agreement	1,000	1,000	—	1,000	—
Certificates of Deposit	17,000	17,000	—	17,000	—
Non-Negotiable Time Deposit	258,700	258,700	38,000	220,700	—
Non-Financial Company Commercial Paper	57,997	58,000	—	58,000	\$ —
	<u>\$ 1,259,447</u>	<u>\$ 1,259,519</u>	<u>\$ 602,329</u>	<u>\$ 648,206</u>	<u>\$ 8,984</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, 2022, information about the State 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
US Treasury Bills	\$ 293,641	Treasury Bill		Less than 1 year
Money Market Mutual Funds				
Goldman Sachs Financial Square Government Fund - Instit CL	100,085	Money Market	Aaa-mf	13
Goldman Sachs Financial Square Government Fund - Preferred	100,077	Money Market	Aaa-mf	13
Goldman Sachs Financial Square Government Fund - Select	100,083	Money Market	Aaa-mf	13
Goldman Sachs Financial Square Government Fund - Cap	100,073	Money Market	Aaa-mf	13
Fidelity Institutional Money Market Government				
Portfolio Class I and III	6,243	Money Market	AAA-mf	17
BlackRock Federal Fund Institutional Shares	521	Money Market	AAA-mf	21
Goldman Sachs Financial Square Treasury Instruments Fund	50,449	Money Market	Aaa-mf	50
	<u>\$ 751,172</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 specifically permitted investments, including any limitations on credit quality and concentrations of credit risk.

The State funds on deposit with fiscal agent reported in the governmental funds (expressed in thousands) at June 30, 2022 with the breakdown by maturity are as follows:

Investment Type	Fair Value	Less Than 1 year	1-5 years	Quality Rating
U.S. Treasuries	\$ 4,365	\$ 1,342	\$ 3,023	—
U.S. Government Agencies	5,951	3,467	2,484	Aaa
Money Market Funds	205,059	205,059	—	Aaa-mf
Commercial Paper	848	345	503	A2
Corporate Note	462	—	462	Aa3
Fixed Income	14,402	6,650	7,752	See Table
Investment Contracts	2,682	2,682	—	N/A
	233,769	\$ 219,545	\$ 14,224	
Cash/Cash Reserve	14,127			
Funds on Deposit with fiscal agent	\$ 247,896			

Cash includes \$14.1 million in uninsured and non-collateralized cash reserve funds on deposit with the fiscal agent.

Quality Rating	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	BBB+	Total
Fixed Income	\$ 1,522	\$ 1,009	\$ 1,353	\$ 3,101	\$ 4,675	\$ 1,743	\$ 725	\$ 274	\$14,402

The following (expressed in thousands) represents the fair value of investments by type held by the fiscal agent at June 30, 2022:

	Fair Value June 30, 2022	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
		(Level 1)	(Level 2)
Investments at Fair Value			
U.S. Treasuries	\$ 4,365	\$ 4,365	\$ —
U.S. Government Agencies	5,951	—	5,951
Commercial Paper	848	—	848
Corporate Note	462	—	462
Fixed Income	14,402	—	14,402
Total investments by fair value level	<u>\$ 26,028</u>	<u>\$ 4,365</u>	<u>\$ 21,663</u>
Investments Measured at Net Asset Value (NAV)			
Money Market Mutual Funds	205,059		
Investments not Subject to Leveling Requirements			
Guaranteed Investment Contracts	2,682		
Cash/Cash Reserve	<u>14,127</u>		
Total Funds on Deposit with Fiscal Agent	<u>\$ 247,896</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 also include approximately \$264 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 for the maximum percentages of the State total short-term investment portfolio that may be invested in a specific investment type or with any one issuer of securities. There is no single issuer exposure that comprises more than 5% of the overall portfolio.

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## C. Pension Trusts

### Summary of Significant Accounting Policies

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

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

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

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

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

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

The Pension System Investments (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 to the estimated fair value of these contracts, which reflects current foreign exchange rates, is included in the determination of the fair value of the System's investments.

Other investments that are not traded on a national security exchange (primarily private equity, real estate, hedge funds, infrastructure investments, Crisis Protection Class - Trend Following, and emerging markets debt) are valued based on the reported NAV by the fund manager or general partner. Publicly traded investments held by the partnerships are valued based on quoted market prices. If not publicly traded, the fair value is determined by the general partner following U.S. generally accepted accounting principles. Financial Accounting Standards Board ASC Topic 820, Fair Value Measurements and Disclosures, requires the limited partnership general partners for these investment types to value nonpublicly traded assets at current fair value, taking into consideration the financial performance of the issuer, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information.

Hedge funds, private equity, real estate, infrastructure, crisis protection class - trend following investments, and emerging markets debt represented 7.2%, 19.7%, 6.3%, 3.2%, 1.9% and 4.6% respectively of the total reported fair value of all pooled pension trust investments at June 30, 2022.

**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 expenses of the Office of the General Treasurer associated with oversight of the pooled investment trust are also allocated and included as investment expenses. When indirect investment expenses for certain types of investments (e.g., hedge funds, private equity, real estate, infrastructure, and crisis protection class), are not reported separately to System management and the investment custodian, additional information is obtained to allow reporting of the System's share of such indirect investment expenses on a gross fee basis.

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

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## Cash and Cash Equivalents

At June 30, 2022, the carrying amount of pension trust cash deposits was approximately \$7.7 million and the bank balance was approximately \$7.9 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 deposits were required to be collateralized at June 30, 2022 (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 Federal Home Loan Bank (FHLB) letters of credit are used as collateral, in which case those are required at 100%.

The General Treasurer makes certain short-term investments on a daily basis. Rhode Island General Law Section 35-10-11 (b)(2)(iii) 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.

## Investments - Pooled Investment Trust

### (a). General

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

**Investment Policy** - The SIC oversees all investments made by the State of Rhode Island, including those made for the System 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 August 25, 2021 and may be amended by a majority vote of SIC members. The SIC's asset allocation policy seeks to achieve the assumed rate of return adopted by the System over the long-term while reducing risk through the prudent diversification of the portfolio across various asset classes.

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

The following was the SIC's adopted asset allocation policy targets as of June 30, 2022:

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

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. The prudent person standard 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 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, 2022:

<u>Investment Type</u>	<u>Fair Value (in thousands)</u>
Cash and Cash Equivalents:	
US Cash	\$ 2,139
Non-US Cash	5,714
Commercial Paper	32,714
Repurchase Agreements	21,200
Short-Term Collective Investment Funds	177,124
US Government Securities	649,188
US Government Agency Securities	193,650
Collateralized Mortgage Obligations	41,748
Corporate Bonds	791,917
Term Loans	43,135
Emerging Markets Debt - Collective Unit Trust	190,365
Commingled Funds - International Equity	972,485
Domestic Equity Securities	2,215,862
International Equity Securities	392,466
Equity Options - Private LLC Investment	243,775
Private Equity	1,966,003
Real Estate	626,734
Hedge Funds	719,031
Crisis Protection Class - Trend Following - Limited partnerships	473,089
Infrastructure	321,465
Derivatives:	
Futures	(557)
Total Return Swap	(237)
Credit Default Swaps	(174)
<b>Investments at Fair Value</b>	<b>\$ 10,078,836</b>
Investment receivable	268,166
Investment payable	(377,805)
<b>Total Pooled Investment Trust</b>	<b>\$ 9,969,197</b>

### (b). Fair Value Hierarchy

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

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

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

Level 3 includes unobservable inputs for an asset or liability.

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



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

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

Investments at Fair Value	Fair Value June 30, 2022	Quoted Prices in Active Market for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
<b>Equity Investments</b>				
Global Equity	\$ 2,608,327	\$ 2,605,448	\$ 2,782	\$ 97
	\$ 2,608,327	\$ 2,605,448	\$ 2,782	\$ 97
<b>Fixed Income</b>				
US Government Securities	\$ 649,188	\$ 649,188	\$ —	\$ —
US Government Agency Securities	193,650	7,592	186,058	—
Corporate Bonds	791,917	—	791,917	—
Collateralized Mortgage Obligations	41,748	—	41,748	—
Term loans	43,135	—	—	43,135
	\$ 1,719,638	\$ 656,780	\$ 1,019,723	\$ 43,135
<b>Derivative Investments</b>				
Equity and Fixed Income Index Futures	\$ (557)	\$ (557)	\$ —	\$ —
Other Derivatives	(411)	—	(411)	—
	\$ (968)	\$ (557)	\$ (411)	\$ —
<b>Commercial Paper</b>	\$ 32,714	\$ —	\$ 32,714	\$ —
<b>Total Investment at Fair Value Level</b>	\$ 4,359,711	\$ 3,261,671	\$ 1,054,808	\$ 43,232
<b>Investments Measured at Net Asset Value (NAV)</b>				
Money Market Mutual Funds	\$ 177,124			
Commingled Funds - International Equity	972,485			
Hedge Funds	719,031			
Private Equity	1,966,004			
Real Estate	626,734			
Infrastructure	321,465			
Emerging Markets Debt Collective Unit Trust	190,365			
Equity Options - Private LLC Investment'	243,775			
Crisis Protection Class - Trend Following	473,089			
	\$ 5,690,072			
<b>Cash and Cash Equivalents</b>				
US Cash	\$ 2,139			
Non US Cash	5,714			
Repurchase Agreements	21,200			
	\$ 29,053			
<b>Net Investment Receivable</b>	(109,639)			
<b>Total Pooled Investment Trust</b>	\$ 9,969,197			

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

relationship to benchmark quoted prices. Term loans classified in Level 3 are valued using consensus pricing.

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

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

	Fair Value	Unfunded Commitments	Redemption (if currently eligible)	Redemption Notice Period
Money Market Mutual Funds (1)	\$ 177,124	\$ —	daily	none
Commingled Funds - International Equity (2)	972,485	—	daily	see note below
Hedge Funds (3)	719,031	—	see note below	see note below
Private Equity (4)	1,966,004	1,095,268	see note below	see note below
Real Estate (5)	626,734	162,483	see note below	see note below
Private Infrastructure Investments (6)	321,465	199,654	see note below	see note below
Crisis Protection Class - Trend Following (7)	473,089	—	see note below	see note below
Emerging Markets Debt - Collective Unit Trust (8)	190,365	—	see note below	see note below
Equity Options - Private LLC investment (9)	243,775	—	see note below	see note below
	<u>\$ 5,690,072</u>	<u>\$ 1,457,405</u>		

**(1) Short-Term Collective Investment 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 investments reflect 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 Short-Term Collective Investment 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 be redeemed daily.

**(3) Hedge Funds** – this portfolio is comprised of 9 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, 2022. Of the underlying holdings within the hedge funds approximately 63% 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 investments in hedge fund assets are available for redemption on a monthly, quarterly, semi-annual or annual basis, and are subject to notice periods which vary by fund and range from 30 days to 75 days. Some funds limit redemptions to 25% of invested capital on any one redemption date.

**(4) Private equity** – these 126 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, 2022.

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

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

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2022.

With the exception of four core open-end funds which allow for quarterly redemptions (with a notice period of between 15 to 90 days), 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 12 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, 2022.

With the exception of two open-end core fund which allows for quarterly liquidity (with a notice period of between 45 to 60 days), 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, 2022. 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.

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

The fair value of the collective unit trust has been determined using the NAV per share of the investments as reported by the manager of the collective trust at June 30, 2022.

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

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

The fair value of the equity options – private LLC investment has been determined using the NAV per share of the investments as reported by the general partner at June 30, 2022. The underlying investments at June 30, 2022, which consist of equity options and fixed income investments were publicly traded.

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

### (c). Rate of Return

For the year ended June 30, 2022, 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, 2022	(2.72)%	(2.66)%	(0.186)%	(2.93)%	(2.95)%	8.96%	(0.86)%

### (d). Interest Rate Risk

Interest rate risk is the possibility that the value of a fixed income security will decline due to changes in market interest rates. Due to its significant holdings of fixed income securities, the System manages its investment exposure to interest rate risk by comparing its fixed income and cash managers portfolio-level and security-level interest rate sensitivities against a predetermined benchmark index based on that manager mandate. In general, the System uses duration (in years) to measure interest rate sensitivity. However, for its Liquid Credit managers, the System uses effective duration, which takes into effect the embedded optionality, to measure the sensitivity of its investments to changes in interest rates. In some cases, the System also sets absolute restrictions with respect to effective duration or maturity for individual securities or portfolios for manager portfolios. The interest rate risk policies currently utilized by

the System vary by asset class which include Investment Grade Fixed Income, Liquid Credit, Long Duration Treasuries, Inflation-Linked Bonds, CPC Enhanced Cash Portfolio, and Strategic Cash.

The fixed income indices currently used by the System are:

- ICE BofA ML US HY Index
- JP Morgan CLOIE BB Index
- Barclays Long Duration US Treasury Index
- ICE BofA ML US Treasury Notes 0-1 Year
- Emerging Market Debt Custom BM: 50% JPM EMBI Global Diversified Index + 50% JPM GBI-EM Global Diversified Index
- Bloomberg Barclays US Corporate Bond Index
- Bloomberg Barclays Securitized MBS/ABS/CMBS Index

At June 30, 2022, no fixed income manager was outside of their policy guidelines.

The following table shows the System's fixed income investments (in thousands) by type, fair value and the effective duration at June 30, 2022:

<u>Investment Type</u>	<u>Fair Value (in thousands)</u>	<u>Effective Duration</u>
US Government Agency Securities	\$ 193,650	8.26
US Government Securities	649,188	14.28
Collateralized Mortgage Obligations	41,748	3.22
Corporate Bonds	791,917	4.71
Term Loans	43,135	1.23
Emerging Market Debt	190,365	5.87
Total Fixed Income	<u>\$ 1,910,003</u>	8.33

The System had investments at June 30, 2022 totaling \$177 million in short-term collective investment funds. The cash-equivalent type investments held in those funds had a weighted average maturity of 10 days at June 30, 2022. The fund, by policy, holds only high-grade, highly liquid cash equivalent-type investments.

Repurchase agreements are secured with collateral held at a custodian bank. The System enters into repurchase agreements to earn interest on short-term funds. The System repurchase agreements outstanding at June 30, 2022 had maturities of one to two days.

The System investment in commercial paper totaling \$32,713,561 at June 30, 2022 had maturities ranging from 5 to 70 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 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 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 from underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments.

**(e). Credit Risk**

Credit risk is the possibility of a loss due to the failure of a counterparty to repay a loan or meet another contractual obligation. The System may be exposed to credit risk with respect to its fixed income investments. The System manages its credit risk by setting credit rating criteria to govern the investment activities of its fixed income managers at the portfolio and security level. Ratings criteria may be expressed on a relative basis against predetermined benchmark index or on an absolute basis based on that managers mandate. If a security is not rated by any Rating Agency, the internal rating assigned by the investment manager or an affiliate (Internal Rating) will be used. The credit risk policies currently utilized by the System vary by asset class and reflect the manager's strategy and the System 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, 2022 is as follows (in thousands):

Moody's Quality Rating	Agency	CMO	Corporate	Term Loans	Grand Total
A1	\$ —	\$ —	\$ 25,015	\$ —	\$ 25,015
A2	—	236	40,900	—	41,136
A3	—	393	29,814	—	30,207
Aa1	—	1,060	5,850	—	6,910
Aa2	—	4,432	9,420	—	13,852
Aa3	—	876	7,679	—	8,555
Aaa	170,658	15,048	33,778	—	219,484
B1	—	—	26,112	12,403	38,515
B2	—	—	26,593	5,299	31,892
B3	—	—	22,346	8,744	31,090
Ba1	—	247	40,454	8,994	49,695
Ba2	—	—	25,875	223	26,098
Ba3	—	—	49,452	5,924	55,376
Baa1	—	—	48,636	—	48,636
Baa2	—	—	70,027	—	70,027
Baa3	—	—	90,624	—	90,624
C	—	—	8	—	8
Caa1	—	—	12,931	—	12,931
Caa2	—	—	6,039	—	6,039
Caa3	—	—	838	—	838
Not Rated	22,992	19,456	219,526	1,488	263,462
WR	—	—	—	60	60
<b>Grand Total</b>	<b>\$ 193,650</b>	<b>\$ 41,748</b>	<b>\$ 791,917</b>	<b>\$ 43,135</b>	<b>\$1,070,450</b>

*Ratings provided by Moody's Investors Service*

An emerging market debt portfolio totaling \$190.4 Million at June 30, 2022 and held within a collective unit trust had an overall average credit quality rating of Baa1 (Moody's).

Investments in commercial paper totaling \$32.7 Million at June 30, 2022 were rated P1 (Moody's).

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**(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, 2022, 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, 2022, is detailed in the following table. In addition to the foreign currency exposure highlighted in the following table, certain hedge fund investments may have foreign currency exposure.

**Foreign Currency Risk (in thousands)**

Currency	Commingled Funds	Equities	Emerging Market Debt	Private Equity	Cash/ Equivalents and Derivatives	Futures	Corporate Bonds	Total
Australian Dollar	\$ 39,004	\$ 14,978	\$ (1,019)	\$ —	\$ 97	\$ (3)	\$ —	\$ 53,057
Brazilian Real	19,899	—	9,639	—	—	—	—	29,538
Canadian Dollar	66,003	44,655	(960)	538	601	(24)	—	110,813
Chilean Peso	1,970	—	1,832	—	—	—	—	3,802
Chinese Yuan	13,652	—	9,467	—	—	—	—	23,119
Colombian Peso	665	—	4,508	—	—	—	—	5,173
Czech Republic Koruna	741	—	4,955	—	—	—	—	5,696
Danish Krone	13,462	24,146	—	—	106	—	—	37,714
Egyptian Pound	330	—	485	—	—	—	—	815
Euro Currency	153,295	105,094	(151)	131,389	1,350	(24)	7,020	397,973
Hong Kong Dollar	121,080	9,160	—	—	563	(2)	—	130,801
Hungarian Forint	694	—	3,421	—	—	—	—	4,115
Indian Rupee	52,179	—	—	—	—	—	—	52,179
Indonesia Rupiah	7,205	—	9,233	—	—	—	—	16,438
Israeli Shekel	2,443	5,124	—	—	—	—	—	7,567
Japanese Yen	111,210	75,732	—	—	1,316	11	—	188,269
Kuwaiti Dinar	3,265	—	—	—	—	—	—	3,265
Malaysian Ringgit	5,896	—	9,295	—	—	—	—	15,191
Mexican Peso	8,642	—	8,959	—	—	—	—	17,601
New Taiwan Dollar	57,803	—	—	—	—	—	—	57,803
New Zealand Dollar	874	5,125	(977)	—	87	—	—	5,109
Norwegian Krone	3,935	817	—	—	15	—	—	4,767
Peruvian Nouveau Sol	—	—	2,848	—	—	—	—	2,848
Philippine Peso	2,850	—	—	—	—	—	—	2,850
Polish Zloty	2,350	—	7,278	—	—	—	—	9,628
Qatari Real	4,031	—	—	—	—	—	—	4,031
Romanian leu	—	—	2,882	—	—	—	—	2,882
Russian Ruble	91	—	1,091	—	—	—	—	1,182
Saudi Riyal	16,917	—	—	—	—	—	—	16,917
Singapore Dollar	6,303	4,660	—	—	205	—	—	11,168
Swedish Krona	16,917	7,175	—	—	303	(4)	—	24,391
Swiss Franc	50,956	43,743	—	—	265	(1)	—	94,963
South African Rand	14,098	—	8,835	—	—	—	—	22,933
South Korean Won	44,669	—	—	—	—	—	—	44,669
Thailand Baht	7,486	—	9,012	—	—	—	—	16,498
Turkish Lira	1,068	—	—	—	—	—	—	1,068
United Arab Emirates Dirham	4,907	—	—	—	—	—	—	4,907
United Kingdom Pound Sterling	79,002	52,057	—	—	806	(1)	—	131,864
<b>Total</b>	<b>\$ 935,892</b>	<b>\$ 392,466</b>	<b>\$ 90,633</b>	<b>\$ 131,927</b>	<b>\$ 5,714</b>	<b>\$ (48)</b>	<b>\$ 7,020</b>	<b>\$ 1,563,604</b>
United States Dollar	36,593	—	99,732	1,834,076	—	(508)	784,897	2,754,790
<b>Grand Total</b>	<b>\$ 972,485</b>	<b>\$ 392,466</b>	<b>\$ 190,365</b>	<b>\$ 1,966,003</b>	<b>\$ 5,714</b>	<b>\$ (556)</b>	<b>\$ 791,917</b>	<b>\$ 4,318,394</b>



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**(i). Derivatives and Other Similar Investments**

Certain of the System 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.

**Total Return Swaps** – A credit manager may use total return swaps as an efficient means to gain exposure to an index or market sector. A total return swap allows for the exchange of the rate of return on an index, such as the Barclays Aggregate Index, for a variable interest rate. A total return swap may offer opportunity to outperform due to active management of the liquid portfolio backing the exposure.

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

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

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

The System invests in mortgage-backed securities, which are included in the categories described as collateralized mortgage obligations and U.S. Government Agency Securities. These securities are based

on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the value of these securities.

Additional information regarding interest rate risks for these investments is included in *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 (in thousands) at June 30, 2022.

<b>Investment Derivative Instruments</b>	<b>Change in fair value included in investment income</b>	<b>Fair Value at June 30, 2021</b>	<b>Fair Value at June 30, 2022</b>	<b>Notional Amount</b>
Fixed income futures - long	\$ (1,816)	\$ 2,260	\$ 444	\$ 29,780
Fixed income futures - short	(1,014)	—	(1,014)	48,960
Equity index futures - long	(164)	377	213	49,711
Equity index futures - short	(95)	(105)	(200)	(41,755)
Credit default swaps (index)	(4,469)	4295	(174)	—
Total return swaps	(237)	—	(237)	
<b>Total</b>	<b>\$ (7,795)</b>	<b>\$ 6,827</b>	<b>\$ (968)</b>	
Foreign Currency Forward Contracts Payable				
Pending payable (liability)			\$ (33)	
Pending receivable (asset)			198	
Total			\$ 165	

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, 2022 was \$165 thousand. 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 (Moody's) of four counterparties were Aa2 (two counterparties), and Aa1 and Aa3 for the remaining two counterparties.

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

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

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

target retirement date approaches. Equity index funds seek to replicate the price and yield performance of a particular index.

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2022, all non-annuity assets, including mutual funds, that are traded and held in retirement plans by TIAA were held at TIAA, FSB (formerly TIAA-CREF Trust Company, FSB) as custodian/trustee.

The majority of the defined contribution plan investment options are funds that invest in diversified portfolios of securities including equity and fixed-income investments. 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 funds (approximately 2% of total defined contribution plan investments) are subject to interest rate, inflation and credit risks. Target-date retirement funds share the risks associated with the types of securities held by each of the underlying funds in which they invest including equity and fixed income funds. Funds may have exposure to foreign currency risk through investment in non-US denominated securities.

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

The Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System), which accumulates resources for other post employment 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 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, 2022, the carrying amount of the OPEB System cash deposits was approximately \$3.8 million and the bank balance was \$3.8 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 for 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 State 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, 2022, the OPEB System cash deposits were either federally insured or collateralized.

The System also had cash equivalents totaling \$1.6 million invested in the Ocean State Investment Pool at June 30, 2022. See Note 2A for details.

## Investments

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

The assets of each of the plans are pooled for investment purposes only, and units are assigned to the plans based on their respective share of fair 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 SIC, 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 adopted asset allocation policy targets Domestic Equity and Fixed Income of 65% and 35%, respectively, for fiscal 2022.

The following table presents the fair value of investments by type that are held within the pooled trust at June 30, 2022 (expressed in thousands):

	<u>June 30, 2022</u>
<b>Investments measured at the net asset value (NAV)</b>	
Fidelity Government Money Market	\$ 27
Commingled Funds - Domestic Equity Index Fund	320,545
Commingled Funds- Bond Index Fund	180,989
	<u>\$ 501,561</u>
<b>Total Pooled Investment Trust</b>	<u>\$ 501,561</u>

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**Commingled funds** – The fair values of these 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 index funds.

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 overall duration of the OPEB System investment in a commingled bond index fund was 6.4 years.

### **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 average credit quality of the bonds within the commingled bond index fund was Aa2.

### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the OPEB System investments in a single issuer. There is no single issuer exposure within the OPEB System 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, 2022, 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 funds, the OPEB System indirectly holds derivative type instruments.

## **E. Private Purpose Trusts**

The Tuition Savings Program had investments of approximately \$4.5 billion in a number of mutual funds and other investment vehicles as of June 30, 2022. These investments are categorized as Level 1 of the fair value hierarchy, with the exception of investment contracts totaling \$791.9 million which are reported at contract value and therefore not subject to the fair value hierarchy.

The Touro Jewish Synagogue Fund had investments of approximately \$3.5 million in the Fidelity Balanced Fund as of June 30, 2022. These investments are categorized as Level 1 of the fair value hierarchy.

The ABLE Consortium Trust investments consist of mutual funds and other investment vehicles as of June 30, 2022. These investments are categorized as Level 1 of the fair value hierarchy, with the exception of a High Yield Savings Account and FDIC-Insured Checking Account which are not subject to the fair value hierarchy.

## F. Custodial Funds

As of June 30, 2022, all of the bank balances of Custodial 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, 2022 (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	Lease Receivable	Due from Other Governments and Agencies
Governmental activities receivables	\$ 799,445	\$ 454,262	\$ 4,057	\$ 1,257,764	\$ (298,450)	\$ 959,314	\$ 21,923	\$ 477,764
Less current portion	775,091	445,961	2,110	1,223,162	(297,049)	926,113	865	459,774
Noncurrent portion	\$ 24,354	\$ 8,301	\$ 1,947	\$ 34,602	\$ (1,401)	\$ 33,201	\$ 21,058	\$ 17,990
Business-type activities receivables	\$ 76,190	\$ 52,121	\$ —	\$ 128,311	\$ (41,985)	\$ 86,326	\$ 28,606	\$ 2,263
Less current portion	76,190	52,121	—	128,311	(41,985)	86,326	2,638	2,263
Noncurrent portion	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 25,968	\$ —

In addition to the receivables shown above as reflected on the financial statements, the Employment Security Fund has potential receivables related to fraudulent unemployment insurance claims paid in both fiscal years 2020 and 2021. The potential receivables relate to claims that have been categorized by the Rhode Island Department of Labor and Training as known fraud and suspected fraud. Recoveries of overpayments due to fraud are not recognized in the Employment Security Fund until collected, due to the unlikelihood of collection. When benefits are funded with federal appropriations, any amounts ultimately recovered would be due to the federal government.

The State is pursuing a claim against its insurance provider for reimbursement for the unemployment insurance claims paid which have been deemed fraudulent. Insurance policy limits total \$40 million. Management cannot estimate the likelihood of reimbursement from its insurer for the fraudulent claims and consequently no estimated recovery from the insurer is reflected on the financial statements of the Employment Security Fund at June 30, 2022.

In fiscal year 2022, the State implemented GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The State lease receivable is measured at the present value of lease payments expected to be received during the lease term.

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

Intra-entity receivables and payables as of June 30, 2022 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	\$ —	\$ 546,009	Appropriations to other funds
Intermodal Surface Transportation	—	5,407	Transportation funding
RI Capital Plan	<u>555,220</u>	—	Appropriations from other funds
Total Major Funds	555,220	551,416	
Non-Major Funds			
RI Temporary Disability Insurance	—	1,375	Operating expenses
Permanent School	—	293	Operating expenses
Bond Capital	—	65	Project funding
Total Non-Major Funds	—	1,733	
Total Governmental Funds	<u>555,220</u>	<u>553,149</u>	
Proprietary Funds			
Enterprise Funds			
RI Lottery	4	3,308	Statutory transfer due to General Fund
RI Convention Center	30	258	Project funding and operating assistance
Employment Security Trust	—	735	Benefit payments
Total Enterprise Funds	<u>34</u>	<u>4,301</u>	
Internal Service Funds	4,649	2,453	Settlement of services rendered
Total Primary Government	<u>\$ 559,903</u>	<u>\$ 559,903</u>	

## Note 5. Capital Assets

The capital asset activity of the reporting entity for the year ended June 30, 2022 consists of the following (expressed in thousands):

### Primary Government

#### Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 395,488	\$ 10,891	\$ (5,684)	\$ 400,695
Works of Art	4,385	973	—	5,358
Intangibles	183,456	2,774	—	186,230
Construction in progress	704,362	377,117	(231,536)	849,943
Total capital assets not being depreciated or amortized	<u>1,287,691</u>	<u>391,755</u>	<u>(237,220)</u>	<u>1,442,226</u>
Capital assets being depreciated or amortized:				
Land improvements	8,331	—	—	8,331
Buildings	891,818	1,449	(11,139)	882,128
Building Improvements	529,424	35,839	—	565,263
Furniture and equipment	371,266	14,895	(8,605)	377,556
Intangibles*	344,315	—	—	344,315
Intangibles: Right to Use	—	94,046	(119)	93,927
Infrastructure	5,273,433	198,424	—	5,471,857
Total capital assets being depreciated or amortized	<u>7,418,587</u>	<u>344,653</u>	<u>(19,863)</u>	<u>7,743,377</u>
Less accumulated depreciation or amortization for:				
Land improvements	4,556	256	—	4,812
Buildings	379,885	16,837	(4,806)	391,916
Building Improvements	244,188	17,945	(5,311)	256,822
Furniture and equipment	298,032	22,779	(6,912)	313,899
Intangibles*	152,961	33,049	—	186,010
Intangibles: Right to Use	—	16,520	(119)	16,401
Infrastructure	2,668,785	163,701	—	2,832,486
Total accumulated depreciation or amortization	<u>3,748,407</u>	<u>271,087</u>	<u>(17,148)</u>	<u>4,002,346</u>
Total capital assets being depreciated or amortized, net	<u>3,670,180</u>	<u>73,566</u>	<u>(2,715)</u>	<u>3,741,031</u>
Governmental activities capital assets, net **	<u>\$ 4,957,871</u>	<u>\$ 465,321</u>	<u>\$ (239,935)</u>	<u>\$ 5,183,257</u>

\*Including information system development costs.

\*\*Net governmental activities capital assets includes Internal Service Fund net capital assets totaling \$3.0 million at June 30, 2022.

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

General government	\$ 24,964
Health and human services	36,338
Education	8,501
Public safety	23,254
Natural resources	8,683
Transportation	169,347
Total depreciation or amortization expense - governmental activities	<u>\$ 271,087</u>



<b>Business-type Activities</b>	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 46,808	\$ —	\$ —	\$ 46,808
Construction in progress	2,799	2,331	(4,291)	839
Total capital assets not being depreciated	<u>49,607</u>	<u>2,331</u>	<u>(4,291)</u>	<u>47,647</u>
Capital assets being depreciated:				
Buildings	277,708	4,028	—	281,736
Machinery and equipment	51,318	239	(609)	50,948
Intangibles: Right to Use	—	1,401	—	1,401
Total capital assets being depreciated	<u>329,026</u>	<u>5,668</u>	<u>(609)</u>	<u>334,085</u>
Less accumulated depreciation for:				
Buildings	184,507	9,698	—	194,205
Machinery and equipment	36,495	4,250	(529)	40,216
Intangibles: Right to Use	—	39	—	39
Total accumulated depreciation	<u>221,002</u>	<u>13,987</u>	<u>(529)</u>	<u>234,460</u>
Total capital assets being depreciated, net	<u>108,024</u>	<u>(8,319)</u>	<u>(80)</u>	<u>99,625</u>
Business-type activities capital assets, net	<u>\$ 157,631</u>	<u>\$ (5,988)</u>	<u>\$ (4,371)</u>	<u>\$ 147,272</u>

\*Certain beginning balances restated

<b>Discretely Presented Component Units</b>	Beginning Balance*	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 129,572	\$ 9,840	\$ (52)	\$ 139,360
Construction in progress	220,779	130,452	(62,328)	288,903
Other	250	—	—	250
Total capital assets not being depreciated or amortized	<u>350,601</u>	<u>140,292</u>	<u>(62,380)</u>	<u>428,513</u>
Capital assets being depreciated or amortized:				
Buildings	2,814,694	52,912	(2,600)	2,865,006
Land Improvements	324,695	13,732	—	338,427
Leasehold Improvements	415	—	—	415
Machinery and equipment	552,745	16,524	(15,898)	553,371
Intangibles: Right to Use	5,038	27,936	—	32,974
Infrastructure	386,727	4,521	(67)	391,181
Total capital assets being depreciated or amortized	<u>4,084,314</u>	<u>115,625</u>	<u>(18,565)</u>	<u>4,181,374</u>
Less accumulated depreciation or amortization for:				
Buildings	1,245,078	84,948	—	1,330,026
Land Improvements	202,700	14,177	—	216,877
Leasehold Improvements	47	5	—	52
Machinery and equipment	404,769	31,380	(15,233)	420,916
Intangibles : Right to Use	608	694	—	1,302
Infrastructure	146,498	13,577	—	160,075
Total accumulated depreciation or amortization	<u>1,999,700</u>	<u>144,781</u>	<u>(15,233)</u>	<u>2,129,248</u>
Total capital assets being depreciated or amortized, net	<u>2,084,614</u>	<u>(29,156)</u>	<u>(3,332)</u>	<u>2,052,126</u>
Total capital assets, net	<u>\$ 2,435,215</u>	<u>\$ 111,136</u>	<u>\$ (65,712)</u>	<u>\$ 2,480,639</u>

\*Certain beginning balances restated

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

### **Discretely Presented Component Units**

Notes payable (expressed in thousands) at June 30, 2022 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	\$ 328
R.I. Resource Recovery Corporation note payable to the host municipality, payable in equal installments over the next 14 years	1,643
R.I. Housing and Mortgage Finance Corporation bank notes and lines of credit, 0% to 6.25% interest, payable through 2048	<u>130,088</u>
	132,059
Less: current portion	<u>108,869</u>
Non-current portion	<u>\$ 23,190</u>

#### *Other*

R.I. Housing and Mortgage Finance Corporation federal bank note, 2.239% to 4.64% interest, payable from 2056 through 2059.	<u>\$ 158,839</u>
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### ***Direct borrowing – Line of credit arrangements***

*R.I. Housing and Mortgage Finance Corporation (RIHMFC)* - As of June 30, 2022, RIHMFC may borrow up to a maximum of \$135 million under various revolving loan agreements expiring between August 2022 and January 2023. Borrowings under the lines of credit are payable on demand and are unsecured. One of the lines of credit has a variable interest rate. As of June 30, 2022, the borrowings were \$34 million and the rate was 2.55%. The remaining line of credit arrangements have fixed rates which range from 2.4% to 2.45%. Outstanding borrowings under all agreements totaled \$104 million at June 30, 2022.

## Note 7. Long-Term Liabilities

### A. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2022 are presented in the following table (expressed in thousand):

	Beginning Balance, as restated	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)	\$ 1,311,665	\$ 135,000	\$ (100,130)	\$ 1,346,535	\$ 102,795	\$ 1,243,740
RICC Grant Anticipation Revenue bonds	534,955	—	(39,170)	495,785	41,125	454,660
RICC Rhode Island Motor Fuel Tax Revenue bonds	23,645	—	(4,180)	19,465	4,390	15,075
Tobacco Settlement asset-backed bonds	580,933	—	(29,970)	550,963	12,635	538,328
Accreted interest on TSFC bonds	137,020	14,842	—	151,862	—	151,862
RICC Historic Tax Credit bonds	88,485	—	(16,830)	71,655	17,285	54,370
Net unamortized premium/discount	212,395	8,859	(33,101)	188,153	—	188,153
Bonds payable, net	<u>2,889,098</u>	<u>158,701</u>	<u>(223,381)</u>	<u>2,824,418</u>	<u>178,230</u>	<u>2,646,188</u>
Obligation under capital leases (see section D)	128,046	9,971	(25,622)	112,395	26,733	85,662
Net unamortized premium/discount	9,398	—	(2,570)	6,828	—	6,828
Obligation under capital leases, net	<u>137,444</u>	<u>9,971</u>	<u>(28,192)</u>	<u>119,223</u>	<u>26,733</u>	<u>92,490</u>
Lease liability (see note 15)	—	94,046	(15,809)	78,237	15,977	62,260
Net pension liability (see note 18)**	2,310,286	8,026	(499,367)	1,818,945	—	1,818,945
Net pension liability-special funding (see note 18)**	1,361,982	—	(359,877)	1,002,105	—	1,002,105
Net OPEB liability (see note 19 D)**	341,930	—	(132,720)	209,210	—	209,210
Compensated absences (see section H)**	88,552	124,664	(115,211)	98,005	73,205	24,800
Pollution remediation (see section G)	14,974	15,985	(13,212)	17,747	7,993	9,754
Other liabilities (see section K)	74,371	7,796	(3,885)	78,282	3,497	74,785
Total Governmental Long-term Liabilities	<u>\$ 7,218,637</u>	<u>\$ 419,189</u>	<u>\$(1,391,654)</u>	<u>\$ 6,246,172</u>	<u>\$ 305,635</u>	<u>\$ 5,940,537</u>
<b>Business-type Activities</b>						
Revenue bonds (see section B)	\$ 194,970	\$ —	\$ (13,995)	\$ 180,975	\$ 20,250	\$ 160,725
Lease liability (see note 15)	—	1,361	—	1,361	347	1,014
Net pension liability**	21,652	—	(5,094)	16,558	—	16,558
Net OPEB liability **	3,420	—	(1,275)	2,145	—	2,145
Unearned revenue	4,943	1,926	(625)	6,244	4,382	1,862
Compensated absences (see section H)**	605	531	(511)	625	294	331
Other long-term liabilities	184	—	(184)	—	—	—
Total Business-type Long-term Liabilities	<u>\$ 225,774</u>	<u>\$ 3,818</u>	<u>\$(21,684)</u>	<u>\$ 207,908</u>	<u>\$ 25,273</u>	<u>\$ 182,635</u>
<b>Component Units</b>						
Bonds payable (see section B)	\$ 2,581,267	\$ 557,000	\$ (410,730)	\$ 2,727,537	\$ 130,693	\$ 2,596,844
Bonds payable - direct placements	122,231	—	(12,926)	109,305	13,227	96,078
Net unamortized premium/discount	121,169	13,470	(30,034)	104,605	9,277	95,328
Refunding credits	(7,137)	(6,438)	2,780	(10,795)	(3,076)	(7,719)
Bonds payable, net	<u>2,817,530</u>	<u>564,032</u>	<u>(450,910)</u>	<u>2,930,652</u>	<u>150,121</u>	<u>2,780,531</u>
Loans payable (see section C)	14,798	1,092	(1,948)	13,942	2,098	11,844
Lease liability	33,652	2,090	(1,926)	33,816	2,228	31,588
Net pension liability**	305,265	—	(85,438)	219,827	—	219,827
Net OPEB liability**	161,726	1,112	(50,900)	111,938	—	111,938
Compensated absences (see section H)**	36,380	4,159	(3,365)	37,174	10,135	27,039
Due to primary government (see section J)	41,335	—	(4,439)	36,896	4,614	32,282
Unearned revenue	17,475	18,018	(14,250)	21,243	16,575	4,668
Due to component units	1,556	(175)	(429)	952	359	593
Other Long-term liabilities						
Arbitrage rebate (see section I)	1,457	264	(31)	1,690	—	1,690
Pollution remediation (see section G)	14,186	—	(1,765)	12,421	902	11,519
Other liabilities (see section K)	369,633	19,735	(8,443)	380,925	1,113	379,812
Total Component Units Long-term Liabilities	<u>\$ 3,814,993</u>	<u>\$ 610,327</u>	<u>\$(623,844)</u>	<u>\$ 3,801,476</u>	<u>\$ 188,145</u>	<u>\$ 3,613,331</u>

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

## B. Bonds Payable

At June 30, 2022, 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
2023	\$ 178,230	\$ 100,929	\$ 20,250	\$ 7,464	\$ 130,693	\$ 88,953	\$ 13,227	\$ 3,085
2024	189,880	91,843	20,525	7,008	136,537	84,595	16,598	2,750
2025	176,575	83,594	21,225	6,306	137,314	80,034	12,873	2,377
2026	184,620	75,574	21,975	5,560	136,324	75,429	5,603	2,106
2027	174,150	67,580	21,095	4,778	135,348	70,819	7,659	1,869
2028- 2032	692,735	234,641	33,240	16,414	514,037	141,275	32,827	5,384
2033 - 2037	407,885	116,405	29,305	6,545	556,140	109,149	16,166	1,604
2038 - 2042	178,815	58,404	13,360	1,767	508,382	54,387	4,352	78
2043 - 2047	74,495	40,339	—	—	271,337	20,393	—	—
2048 - 2052	227,018	1,429,892 *	—	—	181,355	6,642	—	—
2053 - 2057	—	—	—	—	11,330	710	—	—
2058 - 2062	—	—	—	—	8,740	297	—	—
	<u>\$2,484,403</u>	<u>\$2,299,201</u>	<u>\$180,975</u>	<u>\$ 55,842</u>	<u>\$2,727,537</u>	<u>\$ 732,683</u>	<u>\$ 109,305</u>	<u>\$ 19,253</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 October 2021, the State issued \$135 million of general obligation bonds with interest rates from 1.12% - 5.00%, maturing from 2022 through 2041. The total premium paid on these bonds was \$8.9 million. In accordance with certain bond statutes, net premiums of \$2.8 million were transferred to RI Infrastructure Bank to provide municipalities with low-cost financial assistance for road and bridge projects and \$4.9 million was transferred to the Rhode Island Capital Plan Fund.

At June 30, 2022, general obligation bonds authorized by the voters and unissued amounted to approximately \$441 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. Additionally, the General Assembly, pursuant to General Law Chapter 35-18, authorized \$144 million for school construction in the Central Falls School District (a component unit) and \$10.5 million for the Providence River Dredge Project. 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.

*R.I. Commerce Corporation Grant Anticipation Bonds and Rhode Island Motor Fuel Tax Revenue Bonds* - R.I. Commerce Corporation (RICC), on behalf of the State, issues special obligation debt. Grant Anticipation Revenue Vehicle Bonds are payable solely from future federal aid revenues to be received by the State in reimbursement of federally eligible costs of specific transportation construction projects. Rhode Island Motor Fuel Tax Revenue Bonds are payable solely from certain pledged revenues derived from two cents (\$.02) per gallon of the thirty-four cents (\$.34) per gallon Motor Fuel Tax. The bonds provide the State matching funds for the Grant Anticipation Revenue Vehicle Bonds. The bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof.

Pledged revenues were sufficient to fund fiscal 2022 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 2035 and 2027, respectively.

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

*Tobacco Settlement Asset-Back Bonds and Accreted Interest* - the Tobacco Settlement Finance Corporation (Corporation) has issued various series of Tobacco Settlement Asset-Backed Bonds, the proceeds of which were used to purchase the State's future rights in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement and the Consent Decree and Final Judgment (the MSA).

The Corporation issued \$197 million of Tobacco Settlement Asset-Backed Bonds (2007 Series). The bond proceeds were used to purchase the State's future rights to residual Tobacco Settlement Revenues which were not previously purchased under a 2002 purchase agreement. The bonds are Capital Appreciation Bonds, on which no periodic interest payments are made, but which are issued at a deep discount from par and accreting to full value at maturity in the year 2052. At maturity, the bond redemption values represent accreted yields ranging from 6% to 6.75%. 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 \$620.94 million of Tobacco Settlement Asset-Backed Bonds that bear interest at annual rates ranging from 0.59% to 5% and mature in varying amounts through June 1, 2050. The proceeds of this issuance, along with the release of debt service reserve funds related to the bonds retired and the proceeds received for early termination of investment contracts, were used to fully redeem the 2002 Series bonds and repurchase and retire the principal amount of \$76.22 million of the 2007 Series bonds, as well as pay accreted interest of \$13.6 million on the retired 2007 Series bonds. The remaining 2007 Series A and B bonds (all Series C bonds were repurchased and retired with proceeds from the 2015 issuance) are structurally subordinate to the payment in full of the 2015 Series bonds.

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

The Corporation has debt service requirements totaling \$2.3 billion at June 30, 2022. The related bonds were structured based upon assumptions in 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 MSA, 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 MSA 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.

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**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, 2022, outstanding bond indebtedness totaled \$180.9 million.

During April 2021, RICCA issued its 2021 Series A Bonds in an aggregate amount of \$32.17 million for the purpose of refunding RICCA's outstanding 2015 Series A Bonds and to pay the costs of issuance. The 2021 Series A Bonds mature between 2021 and 2026. The net proceeds of \$32.01 million (after payment of \$156,509 in issuance costs) were deposited in an irrevocable trust fund under an escrow agreement between the escrow agent and RICCA. The proceeds were used to acquire United States Treasury Securities - State and Local Government Series (SLGS). All investment income on and the maturing principal of the SLGS held in the escrow deposit fund are considered defeased. In May of 2021 and May 2022, \$10.25 million and \$10.765 million, respectively, of the defeased debt was redeemed. In May 2023, \$9.065 million of the defeased debt is scheduled to be redeemed. The Authority refunded the 2015 Series A Bonds to reduce debt service payments in 2021 and 2022 and to provide use restrictions of tax-exempt bonds.

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, 2022, RICCA was unable to fund the Operating Reserve requirement of the restrictive covenants for the R.I. Convention Center and the AMP 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 detailed information regarding these agreements refer to RICCA's financial statements for the fiscal year ended June 30, 2022.

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. (AGM), formerly Financial Security Assurance, Inc. 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 2021 Series A and 2017 Series A are no longer outstanding. In June 2022, AGM was rated by Moody's as A1. In June 2022, 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, 2022, AMBAC's credit rating did not meet the aforementioned requirement.

### **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, 2022 revenue bonds outstanding were approximately as follows: URI - \$246.6 million, RIC - \$11.4 million, and CCRI - \$613,428.

#### *R.I. Airport Corporation*

Revenue bonds are issued by R.I. Commerce Corporation (RICC) on behalf of R.I. Airport Corporation (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 \$169.1 million in airport revenue and special facility bonds. Proceeds from the bonds were used for various airport improvement projects. Amounts available to pay debt service per the Master Indenture of Trust, including passenger facility charges, were approximately \$45.3 million for the year ended June 30, 2022. Principal and interest payments for the year ended June 30, 2022 were approximately \$22.3 million.

In June 2006, RIAC, RICC, and the R.I. Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement) which provides for borrowings of up to \$42 million with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The purpose of the Agreement was to reimburse RICC and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the InterLink Facility Project. RIAC was permitted under the Agreement to make requisition of funds for eligible project costs through fiscal 2013. RIAC began making monthly payments of interest in fiscal 2012, with interest at a rate of 5.26%. Payments are made on behalf of RICC (the borrower per the Agreement), and debt service payments commenced in fiscal 2012 with a final maturity in fiscal 2042. Such repayments are payable solely from the net revenues derived from the InterLink. As of June 30, 2022, RIAC had approximately \$39.1 million in borrowings under this agreement.



*I-195 Redevelopment District Commission*

In April 2013, R.I. Commerce Corporation (RICC) issued Economic Development Revenue Bonds 2013 Series A, 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) (1.79757% at June 30, 2022) 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, 2022, the State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively. As such, at June 30, 2022, the 2013 Series A Bonds bore interest at 2.8%.

Proceeds from the 2013 Series A bonds were transferred by the I-195 Redevelopment District Commission (I-195 RDC) to the State. Simultaneously with the issuance of the 2013 Series A Bonds, the I-195 RDC, RICC, and Santander Bank (the "Bank") entered into a bond purchase agreement under the terms of which the 2013 Series A 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 Bonds, the State entered into separate rate cap transaction agreements with the Bank for each bond series (the Cap Agreement). 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%. At June 30, 2022, the fair value of the 2013 Series A Rate Cap Agreements was \$3,093 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 Bonds shall be solely from i) appropriated funds, if any, made available and appropriated by the General Assembly of the State for bond payments, but not for payment of administrative expenses and ii) pledged receipts, which are the net proceeds derived from the sale, lease, transfer, conveyance, or other disposition of any interest in all or any portion of the I-195 land owned by the I-195 RDC.

The I-195 RDC has pledged and granted to RICC a security interest, which has been assigned to the bond trustee, in all pledged receipts and all deposits in the bond, project, expense and credit facility funds established with the bond trustee. To the extent that the I-195 RDC has insufficient funds to meet its payment obligations under the bonds, it shall seek appropriations from the State; however, there are no assurances that the State will appropriate amounts to fund the I-195 RDC's payment obligations.

*Other Component Units*

Nonmajor component units have various bonds outstanding. These revenue bonds were generally issued to fulfill the component unit's corporate purpose. Additional information on each nonmajor component unit's debt obligations is available in their audited financial statements.

## C. Loans Payable

### Discretely Presented Component Units

This balance consists of loans payable by the University of Rhode Island and the Quonset Development Corporation of approximately \$221,895 and \$13.7 million, respectively.

## D. Obligations Under Capital Leases

### Primary Government

The State has entered into capital lease agreements, primarily Certificates of Participation (COPS), with financial institutions. These financing arrangements have been used by the State to acquire, construct or renovate facilities and acquire other capital assets. The State's obligation under capital leases at June 30, 2022, 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 for capital leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2022:

Fiscal Year Ending June 30	Certificates of Participation	Other Capital Leases	Total
2023	\$ 28,453	\$ 2,806	\$ 31,259
2024	24,431	2,308	26,739
2025	19,889	1,994	21,883
2026	8,777	1,995	10,772
2027	8,027	—	8,027
2028 - 2032	25,400	—	25,400
2033 - 2037	5,728	—	5,728
Total future minimum lease payments	120,705	9,103	129,808
Amount representing interest	(17,410)	(3)	(17,413)
Present value of future minimum lease payments	<u>\$ 103,295</u>	<u>\$ 9,100</u>	<u>\$ 112,395</u>

Each COPS transaction generally covers multiple capital projects supporting multiple functions of the primary government. In general, the amount of capital asset additions funded through COPS is equivalent to the amount of the issuance. The State reports the amortization charge on assets acquired through COPS with depreciation expense on the government-wide financial statements and discloses the amounts in Note 5, Capital Assets. When issuances also fund component unit projects, the State records the full lease under the obligation and recognizes the related receivable from the component unit for their portion of debt service in the government-wide financial statements.

Assets purchased with capital leases as of June 30, 2022 (expressed in thousands) are as follows:

Category	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 215,583,168	\$ 75,071,347	\$ 140,511,821
Building Improvement	86,736,562	43,364,827	43,371,735
Computer Systems	70,185,971	41,270,449	28,915,522
Infrastructure	26,753,845	9,898,923	16,854,922
Equipment	1,327,598	597,421	730,177
	<u>\$ 400,587,144</u>	<u>\$ 170,202,967</u>	<u>\$ 230,384,177</u>

## E. Defeased Debt

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

At June 30, 2022, the following bonds outstanding (expressed in thousands) are considered defeased:

	<u>Amount</u>
Primary government:	
General Obligation Bonds	\$ 68,775
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	22,000
R.I. Convention Center Authority	10,765
R.I. Infrastructure Bank	106,405
R.I. Airport Corporation	25
R.I. Turnpike and Bridge Authority	1,925

## F. Conduit Debt

To further economic development in the State, the R.I. Housing and Mortgage Finance Corporation issues bonds that provide financing for the acquisition, construction and rehabilitation for multifamily housing for low-income renters. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the Developers on the underlying mortgage or promissory notes. In addition, no commitments beyond the collateral, the payments from the Developers and maintenance of the tax-exempt status of the conduit debt obligation were extended by the Corporation for any of those bonds. At June 30, 2022, the bonds have an aggregate outstanding principal amount payable of \$129.8 million.

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, 2022 was \$3.3 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, 2022 was \$44 million and \$1.07 billion for these component units. Certain issues of conduit debt are moral obligations of the State, and the current amounts outstanding are disclosed in Note 17.

The Rhode Island Infrastructure Bank (RIIB) has issued conduit bonds for the express purpose of providing capital financing for a specific third party. RIIB has no obligation for the conduit debt beyond

resources provided by a loan with the third party on whose behalf the conduit bonds were issued. As of June 30, 2022, RIIB had seven series of conduit bonds outstanding, with an aggregate principal amount payable of approximately \$47.7 million.

### **G. 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 in various stages of completion 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, 2022, no reasonable estimates of those recoveries can be made. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

### **H. 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.

### **I. 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.

### **J. 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.

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## K. 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 during 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, grants refundable and escrow deposits.

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

Deferred outflows of resources represent a consumption of net assets by the State that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net assets 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, 2022 are as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Units
Deferred outflows of resources:				
Deferred loss on refunding of debt	\$ 14,318	\$ 3,290	\$ 17,608	\$ 12,723
Deferred pension costs - ERS	417,016	4,112	421,128	26,171
Deferred pension costs - single employer plans and other	43,054	—	43,054	16,147
Deferred OPEB costs - multiple employer plans	51,161	1,130	52,291	22,790
Deferred OPEB costs - single employer plans	10,173	—	10,173	—
Asset Retirement Obligations	35,921	—	35,921	—
Derivatives	—	—	—	123
Total deferred outflows of resources	\$ 571,643	\$ 8,532	\$ 580,175	\$ 77,954
Deferred inflows of resources:				
Deferred gain on refunding of debt	\$ 24,894	\$ —	\$ 24,894	\$ 2,199
Deferred pension credit - ERS	633,086	3,731	636,817	56,873
Deferred pension credit - single employer plans and other	45,096	—	45,096	24,992
Deferred OPEB credit - multiple employer plans	169,144	1,823	170,967	76,056
Deferred OPEB credit - single employer plans	34,508	—	34,508	—
Leases	21,923	\$ 28,431	50,354	198,178
Total deferred inflows of resources	\$ 928,651	\$ 33,985	\$ 962,636	\$ 358,298

The components of the deferred inflows of resources related to the governmental funds as of June 30, 2022 are as follows (expressed in thousands):

	General Fund	IST Fund	Other Governmental Funds	Total Governmental Funds
Deferred inflows of resources:				
Taxes	\$ 24,354	\$ —	\$ —	\$ 24,354
Other General Revenue	8,302	—	—	8,302
Federal Revenue	—	12,310	—	12,310
Leases	18,168	3,479	276	21,923
Total deferred inflows of resources	\$ 50,824	\$ 15,789	\$ 276	\$ 66,889

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

### A. Governmental Funds Balances

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

#### Governmental Funds - Fund Balance

	Major Funds				Total
	General Fund	IST Fund	Rhode Island Capital Plan	Other Funds	
Fund Balances:					
Nonspendable:					
General Fund	\$ 1,323	\$ —	\$ —	\$ —	\$ 1,323
Permanent Fund Principal	—	—	—	174	174
Restricted for:					
Purposes specified by enabling legislation	461,970	—	—	—	461,970
RI Capital Plan	—	—	699,225	—	699,225
Debt Service	—	15,600	—	75,826	91,426
Capital Projects	—	—	—	227,108	227,108
Temporary Disability Insurance	—	—	—	184,309	184,309
Historic Tax Credit Redemption	—	—	—	67,857	67,857
Transportation-Infrastructure	—	205,309	—	—	205,309
Mission 360 Loan Program	—	1,785	—	—	1,785
Education	—	—	—	33	33
Other	—	—	—	623	623
Committed to:					
Transportation-Maintenance	—	99,878	—	—	99,878
Other	11,790	—	—	451	12,241
Assigned to:					
Subsequent Years Expenditures	12,278	658	—	—	12,936
Statutory Reappropriations	19,442	—	—	—	19,442
Unassigned:					
Budget Reserve and Cash Stabilization	278,933	—	—	—	278,933
Other	197,981	—	—	—	197,981
Totals	<u>\$ 983,717</u>	<u>\$ 323,230</u>	<u>\$ 699,225</u>	<u>\$ 556,381</u>	<u>\$ 2,562,553</u>

### B. Budget Reserve and Cash Stabilization Account

Article IX of the State Constitution requires the maintenance of a State Budget Reserve and Cash Stabilization Account (the Reserve) within the State's General Fund. Section 35-3 of the General Laws specifically establishes the annual minimum balance requirements for the account. For Fiscal Year 2022, 3.0% of total general revenues and opening surplus are transferred to the Reserve. The Reserve amounts in excess of 5.0% of total general revenues and opening surplus are transferred to the RI Capital Plan Fund to be used for capital projects.

According to the State Constitution and related enabling laws, the Reserve or any portion thereof, may be appropriated by a majority of 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 Budget Reserve and Cash Stabilization Account is included within Unassigned Fund Balance within the General Fund but is not considered available for appropriation until specifically made available by the General Assembly. Amounts appropriated from the Budget Reserve and Cash Stabilization Account are available to support general revenue expenditure appropriations. At the close of fiscal year 2022, the Budget Reserve and Cash Stabilization Account had been fully restored.

The State has not adopted any minimum fund balance requirements for any funds beyond the State Budget Reserve and Cash Stabilization Account within the General Fund.

### C. Net Position Restricted for Enabling Legislation

The State's net position restricted by enabling legislation represents resources which a party external to a government such as citizens, public interest groups, or the judiciary can compel the government to use only for the purpose specified by the legislation. The government-wide Statement of Net Position reports \$1.5 billion of restricted net position, of which \$1.3 billion is restricted by enabling legislation. See Note 1, Section U for more information regarding the five categories of fund balance.

### Note 10. Restatements – Net Position and Fund Balance

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

	Discretely Presented Component Units	Internal Service Funds
Previously reported at June 30, 2021:		
Net Position	\$ 3,359,876	\$ 20,880
<b>Restatement due to:</b>		
1) Correction of Net position for electric buses (RIPTA)	2,027	—
2) Implementation of GASB Statement No. 87 (RIAC, CFSD, RIRRC)	608	—
3) Change in accounting principle pertaining to conduit debt (RIHMFC)	64	—
4) Capital asset restatement (RIDHEA)	(224)	—
5) Correction to improperly stated tuition revenue (The MET)	(256)	—
6) Restated compensated absences liability (ISF)	—	5,799
Restated Beginning balances at July 1, 2021:		
Net Position	<u>\$ 3,362,095</u>	<u>\$ 26,679</u>

The State also restated fund balance between certain governmental funds to conform to the State's current year presentation. These restatements had no net effect on total fund balance reported for governmental funds in the State's financial statements.



**Note 11. Taxes**

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

	Governmental Funds	Statement of Activities
General Fund		
Personal Income	\$ 1,984,975	\$ 1,990,206
General Business Taxes:		
Business Corporations	288,450	286,685
Public Utilities Gross Earnings	90,447	90,447
Financial Institutions	36,263	36,263
Insurance Companies	159,708	159,708
Bank Deposits	4,209	4,209
Health Care Provider Assessment	38,044	38,044
Sub-total - General Business Taxes	<u>617,121</u>	<u>615,356</u>
Sales and Use Taxes:		
Sales and Use	1,511,453	1,510,229
Motor Vehicle	965	965
Cigarettes	149,746	149,746
Alcoholic Beverages	23,323	23,323
Sub-total - Sales and Use Taxes	<u>1,685,487</u>	<u>1,684,263</u>
Other Taxes:		
Inheritance and Gift	39,302	39,302
Racing and Athletics	508	508
Realty Transfer	22,119	22,119
Sub-total - Other Taxes	<u>61,929</u>	<u>61,929</u>
Total - General Fund	<u>4,349,512</u>	<u>4,351,754</u>
Intermodal Surface Transportation Fund		
Gasoline	152,375	152,375
RI Highway Maintenance	72,767	72,767
Other Governmental Funds	236,596	236,596
Total Taxes	<u>\$ 4,811,250</u>	<u>\$ 4,813,492</u>

**Note 12. Tax Abatements**

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

The State of Rhode Island has eleven programs in place to abate taxes. Of the eleven programs, seven are managed by the State and four are managed by the Rhode Island Commerce Corporation (RICC).

For certain economic development programs with tax abatement provisions, the General Assembly appropriated funds which were paid to the 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 \$67.9 million is available in the Historic Tax Credit Fund at June 30, 2022.

The following is a summary of taxes abated during fiscal 2022 by tax type (expressed in thousands):

<b>Tax Abatement Program</b>	<b>Personal Income</b>	<b>Business Corporation</b>	<b>Insurance Companies</b>	<b>Financial Institutions</b>	<b>Hotel Tax</b>	<b>Sales Tax</b>	<b>Total</b>
Jobs Development Act	\$ —	\$ 1,343	\$ —	\$ 38,315	\$ —	\$ —	\$39,658
Motion Picture Production Tax Credits	—	4,962	4,293	—	—	—	9,255
Historic Preservation Tax Credits	948	—	—	—	—	—	948
Tax Credit for Contributions to Qualified Scholarship Organizations	985	—	36	—	—	—	1,021
Qualified Jobs Incentive Tax Credit	293	—	—	—	—	—	293
Tax Increment Financing (PILOT)	—	—	—	—	166	1,035	1,201
Tax Increment Financing (Traditional)	—	—	—	—	76	790	866
Wavemaker Fellowship*	55	—	—	—	—	—	55
Rebuild Rhode Island Tax Credit	2,008	—	6,783	—	—	—	8,791
<b>Total</b>	<b>\$ 4,289</b>	<b>\$ 6,305</b>	<b>\$ 11,112</b>	<b>\$ 38,315</b>	<b>\$ 242</b>	<b>\$ 1,825</b>	<b>\$62,088</b>

\* Wavemaker fellows have the option of directly receiving their payments. During the fiscal year ended June 30, 2022 direct payments made to fellows totaled approximately \$465,038.

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

- The Wavemaker Fellowship programs include a provision that the entity or individual, as applicable, may redeem the tax credit for 100% of its value upon fulfilling its responsibilities under the agreement. During the fiscal year ended June 30, 2022, direct payments made to Wavemaker fellows totaled approximately \$465,038.
- Individual taxpayer information is protected by state and federal laws mandating its confidentiality and cannot be disclosed without specific statutory authority. To the extent GASB Statement No. 77 – *Tax Abatements* requires disclosure of such information, the State is legally prohibited from providing disclosures of individual taxpayer information.

The following pages summarize the key provisions of the tax abatement programs authorized by the State at June 30, 2022.

<b><u>Program Name:</u></b>	<b><u>Jobs Development Act</u></b>	<b><u>Motion Picture Production Tax Credits</u></b>
Program purpose:	To foster job creation for companies that create new employment in RI over a three-year period.	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:	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).	RIGL 44-31.2
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.	Primary production locations are to be within the State of Rhode Island, and the total production budget must be at least \$100,000; or, minimum production costs incurred and paid are at least \$10,000,000 within a 12 month period.
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 0.20% 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.	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:	N/A	N/A

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

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

<b><u>Program Name:</u></b>	<b><u>Tax Credit for Contributions to Qualified Scholarship Organizations</u></b>	<b><u>Historic Preservation Tax Credits</u></b>
Program purpose:	To enhance the educational opportunities available to all students in Rhode Island.	To create economic incentives for the purpose of stimulating the redevelopment and reuse of Rhode Island's historic structures, as well as to generate the positive economic and employment activities that will result from such redevelopment and reuse.
Taxes being abated:	Business Corporation, Public Service Corporation, Bank Tax, Bank Deposits, Insurance Company, Personal Income Tax.	Business Corporation, Personal Income, Insurance Tax, Insurance - HMO.
Authority under which abatements are entered into:	RIGL 44-62	RIGL 44-33.6
Criteria to be eligible to receive abatements and commitment of the taxpayer:	A business entity is approved by the Division of Taxation if the dollar amount of the tax credit is no greater than \$100,000 in any tax year and if the scholarship organization qualified under RIGL 44-62-2. Approvals are available on a first-come-first-served basis, with the total aggregate amount of all tax credits approved not to exceed \$1,500,000 in a fiscal year.	A certified historic structure is to be substantially rehabilitated.
How taxes are reduced:	The Division of Taxation issues a certificate for the amount of credit to be granted.	As a credit to the amount of taxes owed. Non-profit entities without tax liabilities may request payment for the value of the credit awarded.
How abatement is determined:	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.	The Division of Taxation issues a certificate in the amount of the qualifying credit for which the rehabilitation qualifies, up to 20% of qualified rehabilitation expenditures, or 25% if a specified portion of the structure will be made available for a trade or business. The maximum credit allowed for any one project is \$5,000,000.
Recapture provisions:	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.	N/A

### Note 13. Pledged Revenue

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

#### Revenue Bonds-Tobacco Settlement Financing Corporation (TSFC)

Revenue:

TSFC revenue-cash basis (a)	\$ 52,902	
Investment income	63	
Total revenue	<u>52,965</u>	
General and administrative expenses	49	
Net revenue available for debt service	<u>\$ 52,916</u>	
Required debt service payments	\$ 35,217	
Coverage ratio before turbo principal payments (b)		150.26 %
Turbo redemptions - principal (c)	17,930	
Total annual debt service	<u>\$ 53,147</u>	
Coverage ratio after turbo principal payments (d)		99.57 %
Term of commitment - through June 2052		

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

Revenue - FHWA participation	\$ 65,817	
Less: operating expenses	—	
Net available revenue	<u>\$ 65,817</u>	
Debt service		
Principal	\$ 39,170	
Interest	26,648	
Total debt service	<u>\$ 65,818</u>	
Coverage (b)		100.00 %
Term of commitment - through June 2035		

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

Revenue - 2 cents per gallon of the gasoline tax	\$ 8,606	
Less: operating expenses	—	
Net available revenue	<u>\$ 8,606</u>	
Debt service		
Principal	\$ 4,180	
Interest	1,182	
Total debt service	<u>\$ 5,362</u>	
Coverage (b)		160.50 %
Term of commitment - through June 2027		

- (a) Included for fiscal year 2022 are certain one-time revenue items totaling \$2,027,179, which is reflective of the settled 2019 Non Participating Manufacturers (NPM) Adjustment.
- (b) Coverage ratio equals net revenue available for debt service divided by required debt service payments.
- (c) "Turbo" redemptions whereby TSFC is required to apply collections that are in excess of current funding requirements to the early redemption of the bonds are discussed in Note 7 to the financial statements.
- (d) Coverage ratio equals net revenue available for debt service divided by total annual debt service.

**Note 14. Transfers**

Transfers for the fiscal year ended June 30, 2022 are presented below (expressed in thousands):

	Transfers	Description
<b>Governmental Funds</b>		
Major Fund		
General		
Major Funds		
Intermodal Surface Transportation	\$ 53,149	Debt service and operating assistance
RI Capital Plan	10	Capital expenditures
Nonmajor Funds		
Historic Tax Credit Financing	948	Tax credits claimed
Bond Capital	1,186	Interest earnings transfer
COPs	1,258	Debt service interest expenses
Proprietary Funds		
Lottery	388,642	Net income transfer
Total General Fund	<u>445,193</u>	
Intermodal Surface Transportation		
RI Capital Plan	63,451	Infrastructure funding
General	<u>2</u>	Administrative costs
Total Intermodal Surface Transportation	63,453	
RI Capital Plan		
General	679,375	Transfer of FY22 Appropriations
Bond Capital	<u>4,978</u>	Transfer of excess bond premiums
Total RI Capital Plan	684,353	
Nonmajor Funds		
RI Temporary Disability Insurance		
General	291	Transfer from program reallocation
RI Public Rail Corp		
Intermodal Surface Transportation	<u>3,101</u>	Operating assistance
Total Nonmajor Funds	3,392	
<b>Total Governmental Funds</b>	<b><u><u>1,196,391</u></u></b>	
<b>Proprietary Funds</b>		
RI Convention Center		
General	24,492	Debt service and operating assistance
RI Capital Plan	<u>4,300</u>	Capital improvement
<b>Total Proprietary Funds</b>	<b><u><u>28,792</u></u></b>	
<b>Total Transfers Primary Government</b>	<b><u><u>\$ 1,225,183</u></u></b>	



## Note 15. Leases

### Governmental Activities - Lessee

The State leases equipment and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through fiscal year 2032 and provide for renewal options ranging from three months to six years.

Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred.

At June 30, 2022, the State recorded \$93.9 million and \$16.4 million in right to use asset and accumulated amortization, respectively.

### Business-Type Activities - Lessee

The business-type activities includes activities provided by the State at a cost. These include the operations of the Rhode Island Lottery (Lottery), Rhode Island Convention Center Authority (RICCA), and the Employment Security Trust Fund. There was no lease activity for the Employment Security Trust Fund in fiscal year 2022.

The Lottery leases outdoor advertising structures for display of advertising copy at certain locations throughout the state of Rhode Island under a long-term, non-cancelable lease agreement. The lease commenced on June 17, 2022 and expires on June 30, 2026.

At June 30, 2022, the Lottery recorded a right to use asset in the amount of \$1.3 million. There was no amortization expense incurred and no variable lease payments regarding this lease for fiscal year 2022.

The RICCA leases equipment for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through fiscal year 2027 and provide for renewal options ranging from one to two years. Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease liability. The variable payments are recognized as outflows of resources in the periods in which the obligation for the payment is incurred.

At June 30, 2022, the RICCA recorded \$132 thousand and \$39 thousand in right to use asset and accumulated amortization, respectively.

Total future minimum lease payments under lease agreements are as follows (expressed in thousands):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	Principal	Interest	Principal	Interest	
2023	\$ 15,977	\$ 1,002	\$ 347	\$ 39	\$ 17,365
2024	13,872	823	329	28	15,052
2025	12,799	652	339	17	13,807
2026	11,314	486	344	5	12,149
2027	6,781	352	2	—	7,135
2028-2032	17,494	457	—	—	17,951
Total minimum lease payments	<b>\$ 78,237</b>	<b>\$ 3,772</b>	<b>\$ 1,361</b>	<b>\$ 89</b>	<b>\$ 83,459</b>

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class (expressed in thousands):

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Equipment	\$ 317	\$ 1,401	\$ 1,718
Buildings	93,610	—	93,610
Less: accumulated amortization	(16,401)	(39)	(16,440)
	<b>\$ 77,526</b>	<b>\$ 1,362</b>	<b>\$ 78,888</b>

#### Governmental Activities - Lessor

The State, acting as lessor, leases land, cellular tower space, and commercial parcel lots under long-term, non-cancelable lease agreements. The leases expire at various dates through fiscal year 2061 and provide for five years renewal options. Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease receivable. Those variable payments are recognized as inflows of resources in the periods in which the payments are received.

During the year ended June 30, 2022, the State recognized \$ 827 thousand and \$494 thousand in lease revenue and lease interest revenue, respectively, pursuant to these contracts.

#### Business-Type Activities- Lessor

The Lottery, acting as lessor, leases office space under a long-term, non-cancelable lease agreement. During the year ended June 30, 2022, the Lottery recognized \$102 thousand in lease revenue, and \$49 thousand in lease interest revenue, pursuant to this agreement. There are no residual value guarantees, termination penalties, or variable payments in the lease agreement.

The RICCA acting as lessor, leases its arena, suites, and parking facilities under long-term, non-cancelable lease agreements. During the year ended June 30, 2022, the Authority recognized \$1.7 million and \$153 thousand in lease revenue and interest revenue, respectively, pursuant to these contracts. Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease receivable.

Total future minimum lease payments to be received under lease agreements are as follows (expressed in thousands):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	Principal	Interest	Principal	Interest	
2023	\$ 759	\$ 481	\$ 2,750	\$ 345	\$ 4,335
2024	790	465	2,688	314	4,257
2025	825	449	2,565	284	4,123
2026	861	430	1,525	258	3,074
2027	896	412	1,555	240	3,103
2028-2032	12,342	4,206	5,089	683	22,320
2033 and thereafter	5,344	671	12,546	1,196	19,757
Total minimum lease payments	<b>\$ 21,817</b>	<b>\$ 7,114</b>	<b>\$ 28,718</b>	<b>\$ 3,320</b>	<b>\$ 60,969</b>

### Discretely Presented Component Units

Certain component units, most notably the RI Airport Corporation and Quonset Development Corporation, maintain various leasing arrangements as both the lessee and the lessor. Lease activity for component units is presented separately from the primary government in the financial statements of the discretely presented component units. Further details regarding component unit lease activities can be found in the separately issued financial statements of the respective component units.

### Note 16. Commitments

#### Primary Government

The primary government is committed at June 30, 2022 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, 2022, the primary government had transportation infrastructure design, construction and other contract commitments of approximately \$885 million, and contract commitments for the design, construction and renovation of buildings of approximately \$18 million. At June 30, 2022 the primary government had software development and implementation contract commitments of approximately \$83 million. These amounts include only purchase orders and related amendments generally processed through June 30, 2022. The State is also committed under multiple contracts for ongoing services which are not included in these commitment amounts.

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

The RI Public Rail Corporation (RIPRC), a special revenue fund, has obtained a letter of credit in the amount of \$7.5 million in favor of The National Railroad Passenger Corporation, dba AMTRAK to secure RIPRC performance of its obligations arising from 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 Massachusetts Bay Transportation Authority (MBTA), and securing and maintaining liability insurance coverage to provide funds to pay all or a portion of the liabilities of the State, the MBTA, and AMTRAK for property damage, personal injury, bodily injury or death arising out of the South County Commuter Rail Service and Pawtucket/Central Falls Commuter rail station with policy limits of \$295 million, per federal law, subject to a self-insured retention of \$7.5 million.

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

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

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

As the State continues to comply with the terms of the consent decree, recent court orders will require a significant future State investment to the operations and underlying infrastructure that support the service system for individuals with intellectual and developmental disabilities. Specifically, the court order requires

the State develop and adopt a three-year budget strategy to, among other things, fund increases to wages for direct support professionals, increase funding for transportation and technology, and address the costs of transitioning the supports to an individualized community-based model. These supports are largely met through service providers funded by the State. The amount of additional investment, while not currently determined and subject to budgetary appropriation, is expected to be significant and expended during fiscal years 2022 through 2024.

During October 2021, the court approved (and ordered) terms agreed to by the State and USDOJ. The court ordered terms would increase the State's Medicaid reimbursable rate to allow for a significant increase to the starting wage for direct support professionals through fiscal 2024. This increase is estimated at a total cost of \$34.7 million, with the general revenue share approximating \$15.5 million. Additionally, the State will establish a \$12 million programmatic transition fund, which shall not supplant or replace existing funding for intellectual and development disability supports and services and must be used solely for integrated day activities and supported employment services as defined in the consent decree. It is likely that the transition fund will be supported with State general revenues. The terms would also commit the State to a \$2 million fund for technology acquisition for individuals receiving intellectual and development disability supports and services.

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

Rhode Island Department of Transportation (RIDOT) entered into a Consent Decree with the EPA in 2015 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 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. The State has committed to significant annual investments to implement the remedial actions. The Consent Decree also incorporates stipulated penalties for failure to meet specific compliance deadlines. To date, RIDOT has met all the required milestones and expects to meet all future milestones outlined in the Consent Decree.

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

Children's Rights of New York (Children's Rights) brought suit against the State in 2007 alleging constitutional and statutory violations in its foster care programs. Children's Rights sought substantial changes to these programs, prolonged supervision by a private, outside monitor and attorney's fees. A judgment was entered in favor of the State in United States District Court for the District of Rhode Island on April 30, 2014. Children's Rights appealed to the United States Court of Appeals for the First Circuit, which reversed the judgment and remanded the case to the District Court for additional discovery and further litigation. A settlement agreement was approved by the District Court after a fairness hearing during May 2018 and negotiated attorney's fees were paid. The State will need to provide resources to the Department of Children, Youth and Families (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.

#### ***Performance-based Agreements***

Rhode Island Commerce Corporation (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 State has commitments relating to this debt through fiscal 2027. In addition, RICC has committed to funding various economic development initiatives that are further described in Note 12, Tax Abatements.

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**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. Since initial recording, an additional \$6.9 million has been recorded as of June 30, 2022. 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%.

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

The estimated remaining useful life of the nuclear reactor is 36 years as of June 30, 2022. During fiscal 2022 amortization expense of \$998 thousand related to the deferred outflow of assets was charged to general government functions on the Statement of Activities. The total deferred outflows remaining to be amortized at June 30, 2022 was \$36 million.

**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 state education aid. 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. State intervention initially consists of support and technical assistance.

In connection with its oversight role, RIDE identified the Providence Public School District (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 PPSD, attempted to improve the PPSD through operational, policy, and financial support, all of which were unsuccessful.

During 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, teacher, administrators, and community members. After completing its review, the Institute released a report during June 2019 (the Hopkins Report), which identified systematic 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 Education dated October 15, 2019, the State assumed governance and management responsibility for the PPSD effective November 1, 2019. The State appointed a turnaround superintendent to manage PPSD operations and develop and implement a long-term improvement plan for at least the next five years, effective February 2, 2020.

More than one year into the State intervention, the Commission of Education and the new superintendent have implemented changes including unifying Math and English Language arts curriculum options, increasing professional development for teacher and improving support for multilingual learners (the majority of the PPSD students).

In connection with this work, the State continues to be responsible for budget deficits and other costs relative to the district, subject to the State appropriations and budget process. The extent of such costs is difficult to gauge, even absent the effects of the pandemic.

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

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

Effective February 17, 2022, the Lottery extended their master contract agreement with IGT through June 30, 2043. Said contract amends all previous agreements between the parties. In consideration for being the exclusive gaming system provider, exclusive of the online sports betting contract, IGT will pay to the Lottery \$27 million in two annual installments of \$13.5 million by June 30, 2023 and June 30, 2024.

The contract mandates commission percentages ranging between 1% and 5% of lottery ticket sales and 1% and 3% of video lottery net terminal income, depending on the amount of sales in each category.

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

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

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

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

During July 2019, the Lottery executed the first amendment to the Sports Betting Agreement authorizing IGT to supply the equipment, software, and services for online sports wagering using mobile devices. This is in accordance with authorized sports wagering legislation enacted in June 2019. Effective April 30, 2021 the Lottery is responsible for payment of two-thirds (2/3) of all transaction processing fees.

#### *Licensed Gaming Facilities (Bally's Twin River Casino and Bally's Tiverton Casino and Hotel)*

Each licensed facility operates under a Master Contract with the Lottery. Effective February 17, 2022, the Lottery entered into contract amendments with Bally's Affiliate UTGR, Inc. and Bally's Affiliation Twin River-Tiverton, LLC extending the respective terms through June 30, 2043. The contracts entitle the owners to compensation ranging from 26% to 29% of video lottery net terminal income at the respective facility.

Effective July 1, 2021 through December 31, 2022, UTGR, Inc. became a technology provider of video lottery terminals and receives a compensation equal to 7% of the net terminal income in accordance with the provisions of R.I. Gen. Laws 42-61.207, as may be amended from time to time. Effective January 1,

2023, Bally's or Affiliates of Bally's will be part of a VLT Joint Venture with IGT to be the exclusive technology provider of video lottery terminals through June 30, 2043.

The Master Contract reflects the statutory authorization of a promotional points program at the licensed gaming facilities. For fiscal year 2022, allowable promotional points are 20% of prior year net terminal income plus \$1.5 million. In fiscal 2022, the combined promotional points authorized and issued were approximately \$100.1 million to facility patrons.

The Lottery is required to reimburse the Twin River casinos for allowable marketing expenses incurred at the same percentage as the Lottery's share of net terminal income for the fiscal year 2022 (60.67% for Bally's Twin River Lincoln Casino Resort and 60% for Bally's Tiverton Casino & Hotel). For fiscal 2022, the Lottery accrued \$3.6 million and \$503 thousand in reimbursable marketing expenses for Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel, respectively.

Table games are operated at the Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Commissions for both casino facilities and the respective host community were 84% and 1%. In June 2022, legislation enacted required a guaranteed minimum \$3 million payment to be made to the Towns of Lincoln and Tiverton, RI from net table games revenue and video lottery net terminal income, with any shortfall coming from the State's share of table games net revenue and video lottery net terminal income.

The Lottery also entered into a Sports Wagering Hosting Agreement with Twin River to host in-person and on-line sports wagering. The agreement entitles the owners to compensation of 17% of sports wagering revenue generated at the facilities. The agreement can be extended for two five-year periods so long as there is a master video lottery terminal contract between the relevant parties. The first amendment to the sports wagering hosting agreement allowed Twin River to host, manage and enable players to participate in online sports wagering including validation and registration of players. Effective July 1, 2021, the annual flat commissions paid to the Towns of Lincoln and Tiverton increased to \$200,000/per town.

### Discretely Presented Component Units

#### *Rhode Island 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 the RI Resource Recovery Corporation (RIRRC) has been segregated into six distinct phases. Phases I, II, III and IV were closed by RIRRC during prior years. In 2005, the Corporation began operations in Phase V, which is near capacity and has temporarily stopped accepting waste. During December 2015, RIRRC began accepting waste in Phase VI.

A liability for closure and post-closure care of \$118.4 million as of June 30, 2022 has been recorded in the statement of net position, as summarized by Phases below:

	Year ended June 30, 2022
Phase I	\$ 700,263
Phase II and III	17,552,474
Phase IV	20,197,166
Phase V	42,682,920
Phase VI	36,684,318
Other	569,494
	<u>\$ 118,386,635</u>

As of June 30, 2022, the remaining total estimated current cost to be recognized in the future as landfill closure and post-closure care expense, the estimated percent of landfill capacity used and the estimated remaining years for accepting waste are as follows:

	Estimated remaining costs to be recognized	Estimated Capacity Used	Estimated remaining years for accepting waste
Phase V	\$ 3,676,147	92.07 %	11 months
Phase VI	\$ 81,245,021	31.07 %	18 years 11 months

As of June 30, 2022 RIRRC revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a \$6.7 million increase of the corresponding liability from \$124.1 million at June 30, 2021 to \$130.8 million at June 30, 2022.

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 RIRRC's restricted component of net position at June 30, 2022 is \$77.3 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, 2022 is as follows:

Balance, June 30, 2021	Additions	Reductions	Balance, June 30, 2022	Current Portion
\$ 14,186,258	\$ —	\$ 1,764,883	\$ 12,421,375	\$ 901,527

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 this trust fund totaled \$46.3 million as of June 30, 2022.

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 \$12.4 million as of June 30, 2022.

*Rhode Island Public Transit Authority*

The RI Public Transit Authority (RIPTA) is committed under various contracts in the amount of \$52.3 million at June 30, 2022.



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### *Rhode Island Turnpike and Bridge Authority*

The RI Turnpike and Bridge Authority (RITBA) is committed under various construction and repairs contracts in the amount of \$9.4 million at June 30, 2022.

### *Quonset Development Corporation*

Quonset Development Corporation (QDC) has entered into a \$33.6 million contract to rehabilitate a pier at the Port of Davisville funded by general obligation bond debt, RICAP appropriations from the State and QDC resources. As of June 30, 2022, the remaining commitment totaled \$3.1 million.

### *Rhode Island Airport Corporation*

The RI Airport Corporation (RIAC) has active construction projects expected to be funded from available resources and future operations that relate to certain airport improvements. As of June 30, 2022, RIAC's commitments with contractors were approximately \$13.7 million.

### *Other Component Units*

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

## **Note 17. Contingencies**

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

The COVID-19 pandemic and subsequent recovery continues to have an impact on state operations. Additional costs have been incurred to maintain public health and respond to the recovery efforts. In addition, the pandemic has had a negative impact on state employment levels. While the state has seen steady job growth since the end of the pandemic recession, Rhode Island-based jobs (as measured by the survey of business establishments conducted by the Department of Labor and Training) have not recovered to their pre-pandemic peak.

The State continues to utilize federal pandemic funding to manage costs associated with the pandemic and to address a variety of economic and social problems exasperated by the long duration of the public health emergency. Under the federal government's expanded Stafford Act authority, qualified pandemic related expenses incurred by the State during fiscal 2022 have continued to be submitted to the Federal Emergency Management Agency (FEMA) for reimbursement.

The State is also leveraging its \$1.1 billion allocation of Coronavirus State and Local Fiscal Recovery Funds (SFRF) through the American Rescue Plan Act of 2021 (ARPA) allocation to support short-term recovery and make long term investments in State programs. The General Assembly appropriated \$119 million in SFRF in January 2022 to address the most pressing needs from the pandemic. These included support for small businesses and impacted industries, retention incentives for workers in sectors directly impacted by the pandemic, additional affordable housing units, and better access to medical services for children and families.

The FY 2023 Enacted Budget appropriated the remainder of the State's SFRF allocation to support expanding affordable and workforce housing, bolster growing sectors of the economy, invest in workforce development and strengthen the health care system in the event of surges in COVID-19 cases or the emergence of new variants. The State allocated approximately \$186.9 million in SFRF to support any additional capacity necessary to respond to the pandemic. In addition to identifying projects that address pressing needs, Rhode Island prioritized projects that minimize ongoing financial obligations, generate out-year savings and efficiencies, result in lasting benefits, and leverage existing administrative infrastructure, with simple and effective program design. These funds will be expended over a four year period ending in fiscal 2027.

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Emergency Rental Assistance (ERA) funding totaling \$352 million was also awarded to the State. The FY 2023 Enacted Budget included \$84 million in Emergency Rental Assistance (ERA) funding to provide rental and utility relief to eligible Rhode Islanders. The FY 2023 Enacted Budget also included a \$25 million allocation of the Homeowner Assistance Fund (HAF) to assist eligible homeowners with avoiding pandemic related foreclosures and utility shutoffs. The Rhode Island Department of Administration has a subaward agreement with RI Housing for the administration of the ERA programs where HAF applications can be submitted through September 30, 2026.

We expect pandemic related costs to continue through the second quarter of fiscal year 2023. Both the extent of expenditures required to continue to address the costs of the pandemic and related recovery or assistance from the federal government to assist with these costs continues to evolve.

### **Primary Government - Litigation Contingencies**

The State, individually or through its departments, agencies and employees, is a named party in various suits presently pending in Rhode Island state and federal courts. The State is vigorously defending any liability in all pending litigation; however, the cases are subject to a trial by jury or judge, who serves as the final trier of facts and awards. It would not appear that any litigation pending or threaten is likely to result, either individually or in the aggregate, in final judgments against the State that would materially affect its financial condition. Notwithstanding such as assessment, the following significant cases should be noted:

#### ***Challenge to Tolls***

The RhodeWorks tolling program to fund bridge maintenance and repair was challenged by the trucking industry, initially filed on July 10, 2018 in the federal district court in Rhode Island. Plaintiffs, a national trade association for the interstate trucking industry and several trucking companies, named as defendant the director of RIDOT, acting for the State in his official capacity. RITBA was later permitted by the court to intervene as a defendant due to its role as the agency responsible for collecting the challenged tolls on the State's behalf.

On September 21, 2022, following a bench trial, the district court issued a decision holding that RhodeWorks truck tolling violates the dormant Commerce Clause of the United States Constitution because it unfairly apportions the State's tolling burden to large commercial trucks and has a discriminatory purpose and effect with regard to interstate commerce. Accordingly, the court permanently enjoined the State from collecting RhodeWorks tolls, which RIDOT estimated would have annually generated approximately \$40-50 million in revenue dedicated to bridge maintenance and repair. RIDOT suspended toll collections at all twelve active locations on September 21, 2022, following the ruling. Plaintiffs did not seek damages or restitution for tolls previously paid, but are seeking attorney's fees, which are likely to exceed several million dollars, and which will be considered by the court at a date subsequent to its decision. It is possible that the decision in this case could encourage future litigation against the State, which potential litigation may include claims seeking the payment of damages or restitution for prior tolls charged. Pursuant to court rules an appeal must be filed within 30 days of the decision.

The State has appealed this decision to the First Circuit Court of Appeals.

#### ***Litigation***

The Chariho Regional School Committee ("Chariho") filed a verified complaint in Washington County Superior Court for declaratory judgment and injunctive relief against the State by and through RIDE, DOA, the Council on Elementary and Secondary Education (the "Council"), and the Commissioner of Education to declare the rights and obligations under the State's alleged breach of a Career and Technical Center Transfer Agreement ("CTC Agreement") that transferred a state-owned property to Chariho to be used as a career and technical center. In the operative complaint, Chariho alleges that that RIDE and the Council

(not DOA) breached the CTC Agreement by authorizing career and technical programs at Westerly High School and Narragansett High School. The Superior Court dismissed Chariho's claims in March 2017. Chariho appealed and the Rhode Island Supreme Court reversed the dismissal and remanded the case for further consideration in 2019. The case is currently in the discovery phase. While Chariho seeks to vacate the transfer of the title to the property and return the property to the State, there is a question as to whether title would vest back to DOA or the Council, should Chariho succeed on its claims. In the event title vests back to DOA, the State would incur significant expense to repair and maintain the property.

A personal injury case was served on April 3, 2018 alleging that a youth in temporary custody of DCYF visited a trampoline park where the youth sustained injuries, including permanent paralysis. The complaint includes three counts brought against the DCYF, a DCYF social worker, the group home where the youth was staying, two of the employees of the group home and John Doe alleging negligence, negligent supervision and loss of parental companionship. Co-Defendant Whitmarsh Corp. brought a third-party action against the trampoline park, and then Plaintiff amended the Complaint to add trampoline park as a Defendant. Discovery is ongoing. Drafted motion to file cross claim against Whitmarsh Corp. for contractual indemnification to be filed soon. The extent of the alleged injuries, alleged permanent paralysis and cost of lifetime care is unknown at this time, but are anticipated to be extensive; damages could be in the multi-million dollar range. The State had a contract with the Co-Defendant Whitmarsh Corp. in effect at the time of the alleged incident and will seek indemnification pursuant to this agreement, although Whitmarsh has represented that it does not believe that the indemnification provision applies.

A wrongful death action arising from an automobile accident was filed against the State. A wrong way driver, operating under the influence of alcohol, struck a vehicle and killed a young married couple, leaving behind a young child. Plaintiffs have alleged that the State was negligent due to insufficient signage on the roadway where the accident occurred. The State believes that the public duty doctrine applies. Potential damages could be valued in the millions of dollars.

On May 2, 2011, Cashman Equipment filed suit against Cardi Corporation and RIDOT in Superior Court in connection with construction work performed in the course of building the Sakonnet River Bridge. Cashman has set forth several allegations against Cardi including breach of contract, unjust enrichment, and negligence due to the fact that Cardi allegedly supplied a defective design for the cofferdams and defective materials. Cashman has contended that Cardi's actions required Cashman to perform additional work on the bridge for which it was entitled to compensation. Cardi has filed counterclaims against Cashman and third-party claims against RIDOT. In relation to the State, Cashman has specified approximately \$1.5 million as pass through claims. Cardi has filed a first amended third party complaint against the State for those amounts plus any damages related to Type F concrete. The potential liability could exceed \$4.0 million. The parties have participated in three court-ordered mediation sessions for this case. The court bifurcated this matter for trial.

A student, through her parents and on behalf of a class of similarly situated individuals, filed suit against the RIDE in federal court arguing that LEAs 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 the plaintiffs and remanded the case to the district court to determine remedies. The parties are currently working to determine the size of plaintiffs' class size (which is believed to be less than 30 individuals) in preparation for a potential settlement conference. Based on similar settlements in other states, the State estimates potential liability of approximately \$7.0 million for compensatory education costs and fees.

Plaintiff, estate of a decedent, has brought a wrongful death action against the State (including the Department of Public Safety and E-911) and the Town of Lincoln arising out of address confusion in the response of first responders to an emergency. The parties are presently engaged in discovery. Plaintiff's Counsel has recently withdrawn, and new counsel has not been retained. Damages have not been quantified and no demand has been served. The wrongful death minimum in Rhode Island is \$250,000. The State has legal arguments to this action including the application of the statutory cap of \$100,000 and the public duty doctrine.

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A lawsuit was filed against the State in 2020 relating to a serious bodily injury arising out of a police shooting by the Rhode Island State Police and Providence Police on a Route 95N merging ramp. Collectively, the police discharged their weapons at a vehicle that refused to follow verbal commands and was using the vehicle as a weapon against police and civilians. Plaintiff was a vehicle passenger and was seriously injured. Answer is filed and matter is still undergoing discovery. Estimated amount in controversy: Approximately \$3 million. Availability of qualified immunity defense is in question because case was filed in State Court where the doctrine has not been sufficiently developed.

Disability Rights Rhode Island and the ACLU National Prison Project brought suit against the Rhode Island Department of Corrections (RIDOC) on behalf of six current and former inmates at RIDOC, as well as seeking class certification. The complaint alleges that RIDOC violated the constitutional rights of inmates with severe and persistent mental illness, as well as the ADA and the Rehabilitation Act when inmates are placed in administrative or disciplinary confinement. Among the relief sought is a change in RIDOC policies and practices, increased staffing, possible facility alteration and/or creation and appointment of an expert to assess RIDOC's confinement and make recommendations that the State must comply with. Plaintiffs will also seek significant attorneys' fees. This case is progressing on a dual track: litigation and mediation. The State will contest any claim for class certification and defend the lawsuit on its merits.

Plaintiff filed a wrongful death action against RIDOT for the death of her daughter that occurred in the early morning hours on June 13, 2017. Decedent was allegedly in her car with two other individuals that was being operated at a high rate on Rt. 146 North in the Town of Lincoln when it left the lane of travel, flipped over and ultimately hit the guard rail. None of the passengers were wearing seat belts and all three were thrown from the vehicle. The allegation is that the guard rail was defective. The case is presently in fact discovery.

On April 14, 2021, an estate and five members of decedent's family filed suit against a number of State contractors involved in a design-and-build construction project on Rt. 146 North, seeking relief for the wrongful death of decedent. As it pertains to the State, the lawsuit names RIDOT and individual employees alleging failure to maintain construction notices and warnings in a bridge construction zone, resulting in the driver driving through the construction zone and off the bridge, death resulting. The suit names all contractors, the State and three individuals sued in their individual and personal capacity. Service was just accepted and after a thorough review a responsive pleading will be filed.

The Narragansett Indian Tribe filed a complaint challenging the constitutionality of a statute authorizing table games at Twin River Casino. The tribe also disputes whether the State "operates" either Twin River or Newport Grand casinos within the meaning of the statute. The Supreme Court has since determined that the statute is constitutional and remanded the case to the Superior Court to determine whether the State "operates" the facilities. There has been no action on this case since the Supreme Court decision in 2015. If the tribe were to prevail, there could be a significant impact to the State gaming revenue.

The Narragansett Indian Tribe is suing the State of Rhode Island and the Governor's legal counsel related to the Viaduct Project and the termination of the programmatic agreement in light of the dispute over whether the lands to be transferred to the Tribe would be subject to Rhode Island state law. Defendants filed a Motion to Dismiss on multiple grounds, including lack of jurisdiction, res judicata based on prior First Circuit decision, and failure to state a claim.

In a tax matter, Glencore paid Motor Fuel Tax on a transaction and passed the tax cost to Apex by contract. Apex sought a refund of the tax paid by Glencore and the refund claim was denied by the Division of Taxation. Apex filed two successive litigation actions: a complaint directly with the District Court and a request for administrative hearing. The District Court case was stayed pending the outcome of the administrative process and, on November 12, 2020, the administrative action was resolved with the Tax Administrator adopting the hearing officer's recommendation to dismiss the administrative appeal for Apex's failure to state a claim. On November 27, 2020, Apex filed a second complaint in District Court as an appeal of the administrative decision and alleged the same claims as the first case. Ultimately, the two

cases were consolidated and dismissed upon motion by the Tax Division via an Order entered by the District Court on May 11, 2021. Apex appealed by filing petitions for writs of certiorari in the Rhode Island Supreme Court in regard to both cases and both petitions were granted and consolidated for consideration by the Court. On November 2, 2022, the Supreme Court entered an Order submitting the consolidated case for full briefing and argument; Apex's initial brief was filed December 12, 2022 and the Division's response brief filed January 23, 2023. Apex has the opportunity to file a response brief on or before February 13, 2023.

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

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

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

As of September 2020 NPM adjustments have been settled through 2022. Future NPM adjustment claims remain possible for calendar year 2023 and all future years. This could result in the TSFC receiving less revenue than assumed in out-year projections, potentially impacting its ability to service its debt obligations. Should the PMs be determined with finality to be entitled to a full NPM adjustment in a future year, this could have a material adverse effect on the amounts of tobacco settlement revenues available to the TSFC. Additionally, any failure on the part of the PMs to perform their obligations under the MSA and/or related agreements could have a material adverse effect on receipt of future tobacco settlement revenues. A reduction in the amount of tobacco settlement revenues received could affect the TSFC's ability to make turbo redemptions and other debt service payments on its debt obligations.

Future payments may be impacted by a number of factors including, but not limited to, future or potential litigation against the tobacco industry, changes in the financial condition of the tobacco companies and sales of tobacco products. For additional information about these matters, please refer to the separately issued TSFC financial statements for the year ended June 30, 2022.

### **Rhode Island 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 facilities face increasing competition from surrounding casinos including planned gaming expansion in Connecticut and Massachusetts. In May 2021, Connecticut legalized sports wagering and online gambling, greatly expanding gambling to tablets, phones and laptops. The law also authorizes the Connecticut Lottery Corporation to operate 15 sports betting locations across the state. Connecticut sports betting opened its first retail sportsbook in September 2021, followed by online sports betting sites and betting apps in October 2021. Sports betting in Connecticut is tied closely with the traditional tribal gaming casinos. In August 2022, the Massachusetts Sports Wagering Act was signed into law. As of early September 2022, there is no definite launch date. Additionally, Massachusetts lawmakers have considered additional slot machines and adding table games at Plainridge Park Casino, in Plainville, MA,

to date this has not occurred. The Division and the State continually monitor the risk to gaming operations and assess and expand important revenue generating marketing and promotional programs to best enable competitive positions.

The Narragansett Indian Tribe filed a complaint against the State of Rhode Island in 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 gaming facilities remains pending in the Superior Court.

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

While the Lottery's operations experienced a significant rebound in fiscal 2022 over the prior year, effects of the Coronavirus Public Health Emergency and the possibility of future impacts to operations from the Public Health Emergency, while deemed less likely, remains.

### **Federal Assistance**

The State receives significant amounts of federal financial assistance under grant agreements or joint state/federally financed programs which specify the purpose of the grant and conditions under which the funds may be used. Generally, these grants are subject to audit. The Single Audit for the State of Rhode Island is submitted to the Federal Single Audit Clearinghouse annually by the State. The Single Audit reports instances of federal non-compliance, questioned costs, and other matters to federal grantor agencies regarding the State's administration of federal programs. These matters could result in federal disallowance and/or sanction upon review by the respective federal agencies. The fiscal 2022 Single Audit is in progress. It is anticipated that there will be additional questioned costs identified in that audit.

Adjustments have been made to the financial statements when costs have been specifically disallowed by the federal government or sanctions have been imposed upon the State and the issue is not being appealed or the right of appeal has been exhausted.

*Eleanor Slater Hospital (ESH) Medicaid Claiming* – ESH's continued compliance with the federal IMD regulations is not assured as it is subject to continued measurement and contingent upon the mix of patients (medical and psychiatric) at the prescribed measurement intervals. ESH was not in compliance in October 2022 for the months of December 2021 through October 2022. The opening of a stand-alone psychiatric facility on October 25, 2022 addressed the IMD status issues. ESH will request approval from the Center for Medicare and Medicaid Services (CMS) to retroactively bill for fiscal year 2022. Management is currently unable to estimate the fiscal impact of the outcome of this request.

ESH is currently negotiating with CMS to resolve billing questions regarding claims for dual eligible individuals (Medicare and Medicaid).

*Medicaid Managed Care Contracts* – The State contracts with three Managed Care Organizations (MCOs) to provide capitated healthcare coverage for individuals eligible for Medical Assistance. Premiums paid for this health coverage approximate \$2 billion annually. Contracts with the MCOs include a variety of settlement provisions that often do not finalize until 16 months after year-end once all claims for the coverage period have processed. Expected final settlements are reflected in the State's financial

statements, however, a variety of factors could result in additional amounts being owed to or from the Medicaid Program upon settlement completion.

Unemployment Insurance Benefit Fraud – Rhode Island, as well as a number of other states, experienced a significant increase in fraudulent claims for pandemic relief unemployment benefits beginning in March 2020 through the end of those relief programs in September 2021. The State implemented multiple objectives to attempt to prevent and detect fraudulent claims; however, the State Department of Labor and Training has estimated more than \$500 million of fraudulent claims were paid during fiscal years 2020, 2021 and 2022. Recoveries or collections of these fraudulent benefits, if any, will be refunded to the federal government or the Unemployment Insurance Trust Fund. The State Department of Labor and Training continues to more accurately quantify the total number of benefits considered fraudulent

### **Challenges to Pension Reforms**

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

In September 2014, a case challenging the RI Retirement Security Act (RIRSA) was commenced by the Rhode Island State Troopers Association and three of its members against the Employees Retirement System of Rhode Island, the Governor, the Treasurer and the Director of the Department of Administration. The Defendants filed a motion to dismiss, which was decided on January 10, 2022 with six claims remaining. The defendants have moved for summary judgement on the remaining six counts and briefing of that motion is underway.

In 2020, a case was brought by numerous plaintiffs who had brought a prior pension lawsuit case, which resulted in the passage of RIRSA and settlement. The case was brought in the United States District Court for the District of Rhode Island. The State and ERSRI filed a motion to dismiss on the grounds that the 2020 lawsuit sought to relitigate issues that had already been decided in the prior lawsuit. The District Court agreed and granted the Motion to Dismiss. The Plaintiffs have appealed this decision and in August 2022. The court heard the petition on January 6, 2023 and denied the petition.

### **Component Units - Other**

#### *Rhode Island Industrial-Recreational Building Authority*

The RI 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, 2022, 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, 2022 are \$10.5 million.

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*Rhode Island Housing and Mortgage Finance Corporation*

The Rhode Island Housing and Mortgage Finance Corporation (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, 2022 is \$159.5 million.

*University of Rhode Island*

Environmental Remediation - Hazardous waste found at a former drum storage site on property owned by the University of Rhode Island (URI) polluted the ground and water in the area. The University entered into a "Consent Decree" agreement with the United States District Court on behalf of the U.S. Environmental Protection Agency, the U.S. Justice Department, and the Rhode Island Department of Environmental Management on July 2, 2008 with regards to the West Kingston Town Dump/URI Disposal Area Superfund Site (the "Site"). A cap was placed to cover the Site and parties are now monitoring the ground water over an extended period of time through a system of monitoring wells. The University shares fiscal responsibility with the towns of South Kingstown and Narragansett. The University has accrued a liability of \$803,319 relating to the remediation project, operation and maintenance costs, and site reviews. The related cost for the year ended June 30, 2022 were \$287,402.

Two purported class action lawsuits were filed against the University in 2020 alleging that the University breached its contracts with its students after the 2020 spring semester transitioned to distance learning. Management vigorously disputes the plaintiffs' claims, but cannot provide a reasonable estimate of the total costs to the University associated with the two now-consolidated suits at this time.

*Other Component Units*

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



## Note 18. Employer Pension Plans

### A. Summary of Employer Plans

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

	Plan	Plan Type	Covered employees	FY 2022 pension expense (credit)	Net pension liability (asset) at June 30, 2021 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	\$113,097	\$1,604,576
			Business-type activities	\$1,786	\$16,558
			Special funding – teachers - state share (see Note Section 18-E)	\$44,116	\$1,002,105
B	State Police Retirement Benefits Trust (SPRBT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired after July 1, 1987	\$840	\$3,250
C	Judicial Retirement Benefits Trust (JRBT)	Single-employer defined benefit plan – advance funded through a trust	Judges appointed after December 31, 1989	(\$655)	(7,256)
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	\$1,278	\$22,105
E	State Police Retirement Fund Trust (SPRFT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired before July 1, 1987	\$10,403	\$144,933
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	\$1,729	\$44,081
	<b>Totals</b>			\$172,594	\$2,830,352
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	\$5,900	Not applicable
I	FICA Alternative Retirement Income Security Program	Single-employer defined contribution plan	State employees not eligible to participate in the State's other defined benefit plans	Not applicable	Not applicable

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

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

The LIUNA sponsored, cost-sharing, multiple-employer pension plan (plan G) is not a state or local government pension plan. As there is no required employer contribution for covered employees, no

employer pension expense is reflected in these financial statements. Consistent with the requirements of GASB Statement No. 78, there is no recognition of an employer proportionate net pension liability, if any.

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

Plan membership, based on the June 30, 2020 actuarial valuations (with the exception of JNCRP which has a June 30, 2021 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	11,215	3,875	8,011	3,187	26,288
JRBT	27	1	15	39	82
RIJRFT	2	—	5	—	7
SPRBT	79	53	53	198	383
SPRFT	257	—	—	—	257
JNCRP	42	—	—	—	42

## 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, age 64 with 31 years of service, age 63 with 32 years of service or age 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 Consumer Price Index for all Urban Consumers (CPI-U) from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$27,901 (indexed as of January 1, 2022) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015, the current indexed amount of \$27,901 is replaced with \$33,481 (indexed as of January 1, 2022) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$27,901).

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

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

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

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

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

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

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

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

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

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$27,901 (indexed as of January 1, 2022) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015, the current indexed amount of \$27,901 is replaced with \$33,481 (indexed as of January 1, 2022) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$27,901).

**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 have reached the age of 65 years, or have 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 have served for 10 years and reached age 65 years may retire from regular service and receive a benefit equal to the 75% of the annual salary at the time of retirement. However, any Traffic Tribunal judge who has served 20 years and has reached age 65 years, or has served for 15 years and has reached age 70 years may retire from active service and receive a benefit equal to the annual salary the justice was receiving at the time of their retirement.

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

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return - 5.0%, with a max of 4%) and 50%

calculated using the increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$27,901 (indexed as of January 1, 2022) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$27,901 is replaced with \$33,481 (indexed as of January 1, 2022) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$27,901).

**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%

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calculated using the increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$27,901 (indexed as of January 1, 2022) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$27,901 is replaced with \$33,481 (indexed as of January 1, 2022) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$27,901).

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

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

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

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

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

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

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$27,901 (indexed as of January 1, 2022) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.



For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$27,901 is replaced with \$33,481 (indexed as of January 1, 2022) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$27,901).

### **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 pay as you go 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. This 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 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 for survivor benefits; the surviving spouse 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, 2021 is approximately \$2.4 billion and the State's share of the net pension liability is approximately \$1.0 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, 2022 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 42.58%, a decrease of 0.05% since the prior reporting period. Benefit provisions, contribution requirements, and other information related to the measurement and proportionate share of the net pension liability under a special funding situation for teachers are described in other sections of this Note relating to the ERS plan.

## F. Contributions and Funding Policy

Contribution requirements for plan members and participating employers are established pursuant to the Rhode Island General Laws. With the exception of the RIJRFT employers are required by statute to make annual actuarial determined contributions to the respective defined benefit plans.

Actuarial 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 actuarial determined contribution rates (or amounts if not expressed as a rate) for fiscal 2022 were determined based on valuations performed as of June 30, 2020 for all plans, with the exception of RIJRFT which was determined based on a valuation performed as of June 30, 2021.

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 actuarial 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 20 years from June 30, 2020. The actuarial accrued liability will be fully amortized by year 2040.

The Judicial Non-Contributory Retirement Plan (JNCRP) is financed on a pay-as-you-go basis. Upon Statutory creation of the RISPRFT in fiscal 2017, an annual contribution amount totaling \$16.4 million was actuarial determined. This amount has been contributed annually since 2017.

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, 2022 is provided in the table below:

	ERS	JRBT	RIJRFT*	SPRBT	SPRFT*	JNCRP**
Contribution rate:						
State	28.01%	21.82%	\$1,190	19.24%	\$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	10.94%	—	—	—	—	—
Contributions made for state employees	\$199,237	\$2,611	\$405	\$5,211	\$16,387	\$3,873
Contribution made for teachers	\$116,291	—	—	—	—	—

\*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 actuarial 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 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 2022, no supplemental contribution was required in accordance with this provision of the General Laws.

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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 \$108 thousand was paid to the System pursuant to Section 42-149-3.1 of the General Laws.

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

ERS Plan Special funding situation for local teachers - The actual proportionate share of employer contributions required by the State varies slightly from 40% due to differences in the amortization period for the unfunded liability between the State and teacher units which is reflected in the actuarial determined contribution for the State share and the local teacher share. This results in the actual dollar amount of State contributions to be proportionately larger than the stated statutory amount of 40%.

#### **G. Net Pension Liability**

The net pension liability of the State and other participating employers in the Employees' Retirement System, a multiple-employer cost-sharing plan, has been apportioned based on the percentage share of total contributions made by each employer in fiscal 2021. The State's proportion for the ERS Plan for State employees was 90.22%, an increase of 0.30% since the prior reporting period. At June 30, 2021 measurement date, the Lottery's proportion was 0.93%, a decrease of 0.02% 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, 2021 (expressed in thousands and excluding amounts related to teachers under the special funding arrangement discussed above):

**Total Net Pension Liability - Employees' Retirement System (ERS) - State Employees** \$ 1,778,546

*Less portion attributable to other entities:*

Enterprise Fund - Rhode Island Lottery (Business-Type Activities)		\$	(16,558)
Discretely Presented Component Units			
University of Rhode Island	\$	88,414	
Rhode Island College		28,391	
Community College of RI		24,279	
RI Division of Higher Education Assistance		222	
RI Commerce Corporation		245	
RI Airport Corporation		1,230	
			(142,781)
Related organization - Narragansett Bay Commission			(14,631)
<b>ERS - Net Pension Liability</b>		\$	<b>1,604,576</b>

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

RIJRFT		22,105
SPRBT		3,250
SPRFT		144,933
JNCRP		44,081
<b>Total Net Pension Liability - All Plans (Governmental Activities)</b>		<b>\$ 1,818,945</b>

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

JRBT		\$ (7,256)
<b>Total Net Pension Asset - Single Employer Defined Benefit Pension Plans</b>		<b>\$ (7,256)</b>

Further details regarding the State's total pension liability (asset) and net pension liability for the single employer trustee defined benefit pension plans (expressed in thousands) which was measured as of June 30, 2021 is presented below:

	JRBT	RIJRFT	SPRBT	SPRFT
Total pension liability	\$ 94,115	\$ 23,526	\$ 199,555	\$ 168,432
Plan fiduciary net position	101,371	1,421	196,305	23,499
Net pension liability (asset)	\$ (7,256)	\$ 22,105	\$ 3,250	\$ 144,933
Plan fiduciary net position as a percentage of total pension liability	107.7 %	6.0 %	98.4 %	14.0 %

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

The total pension liability was determined by actuarial valuations performed as of June 30, 2020 and rolled forward to the June 30, 2021 measurement date, with the exception of the Judicial Non-Contributory Retirement Plan (JNCRP). The total pension liability for JNCRP is based on a valuation

performed as of June 30, 2021. 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	6/30/2020 rolled forward to 6/30/2021	6/30/2020 rolled forward to 6/30/2021	6/30/2020 rolled forward to 6/30/2021	6/30/2020 rolled forward to 6/30/2021	6/30/2020 rolled forward to 6/30/2021	6/30/2020 rolled forward to 6/30/2021	06/30/21
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%	1.92%	7.00%	7.00%	1.92%
Projected Salary increases	3.25% to 6.25%	3.00% to 13.00%	2.75%	2.75%	3.75% to 11.75%	N/A	N/A
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Mortality	Variants of the Pub-10 Median mortality tables-for the improvement scale, update to the ultimate rates of the MP16 projection scale.						
COLA	Post-retirement Benefit Increase: Post-retirement benefit increases are assumed to be 2.1%, per annum, while the plan has a funding level that exceeds 80%; however, an interim COLA will be granted in four-year intervals while the COLA is suspended. The second such COLA was provided in fiscal 2021. As of June 30, 2019, it is assumed that the COLAs will be suspended for 8 years due to the current funding level of the plans. The actual amount of the COLA is determined based on 50% of the plan's five-year average investment rate of return minus 5.00% which will range from zero to 4.0%, and 50% of the lesser of 3% or last year's CPI-U increase for a total maximum increase of 3.5%.						

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

The actuarial assumptions used in the calculation of the total pension liability at the June 30, 2020 measurement date were consistent with the 2020 Actuarial Experience Investigation Study for the six year period ended June 30, 2019.

As part of the 2020 Actuarial Experience Study, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. Significant changes in assumptions included:

- Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based PUB (10) tables.
- Increased slightly the probabilities of turnover.
- Decreased slightly the probabilities of retirement.
- Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not.

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

The June 30, 2021 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	23.20 %	5.83 %
International Developed Equity	11.80 %	6.35 %
Emerging Markets Equity	5.00 %	8.04 %
<b>Private Growth</b>		
Private Equity	11.25 %	9.47 %
Non-Core Real Estate	2.25 %	5.32 %
Opportunistic Private Credit	1.50 %	9.47 %
<b><i>INCOME</i></b>		
High Yield Infrastructure	1.00 %	3.19 %
REITS	1.00 %	5.32 %
Equity Options	2.00 %	5.59 %
EMD (50/50 Blend)	2.00 %	1.96 %
Liquid Credit	2.80 %	3.19 %
Private Credit	3.20 %	3.19 %
<b><i>STABILITY</i></b>		
<b>Crisis Protection Class</b>		
Treasury Duration	5.00 %	(0.32)%
Systematic Trend	5.00 %	3.39 %
<b>Inflation Protection</b>		
Core Real Estate	3.60 %	5.32 %
Private Infrastructure	2.40 %	5.81 %
TIPs	2.00 %	0.30 %
<b>Volatility Protection</b>		
IG Crop Credit	3.25 %	1.14 %
Securitized Credit	3.25 %	1.14 %
Absolute Return	6.50 %	3.39 %
Cash	2.00 %	(0.32)%
	100.00 %	

#### **b. Discount rate**

The discount rate used to measure the total pension liability of the plans was 7.0% for all plans but the RIJFT 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 all but one system.

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", 1.92% at June 30, 2021) 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 (asset) 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 (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. The RIJRFT 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 1.92% at June 30, 2021 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 (7.00%)	1.00% Increase (8.00%)
ERS - State employees	\$ 1,989,527	\$ 1,604,576	\$ 1,113,285
ERS - Teachers (State share)	\$ 1,265,582	\$ 1,002,105	\$ 665,833
JRBT	\$ 816	(7,256)	\$ (17,557)
SPRBT	\$ 20,219	\$ 3,250	\$ (18,406)
SPRFT	\$ 160,168	\$ 144,933	\$ 125,489

	1.00% Decrease (0.92%)	Municipal Bond Index Rate (1.92%)	1.00% Increase (2.92%)
RIJRFT	\$ 24,125	\$ 22,105	\$ 19,662
JNCRP	\$ 47,832	\$ 44,081	\$ 40,836

#### 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	\$ 20,530	\$ 16,558	\$ 11,488

## H. Changes in the Net Pension Liability (Asset)

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

	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP*
<b>Total Pension Liability</b>					
Service cost	\$ 3,387	\$ 400	\$ 5,827	\$ —	\$ —
Interest	6,213	550	13,110	11,469	1,089
Differences between expected and actual experience	(564)	(656)	(322)	1,256	(1,215)
Changes of assumptions	—	1,176	—	—	1,855
Benefit payments	(3,983)	(396)	(6,872)	(16,269)	(4,184)
<b>Net change in Total Pension Liability</b>	<b>5,053</b>	<b>1,074</b>	<b>11,743</b>	<b>(3,544)</b>	<b>(2,455)</b>
<b>Total Pension Liability - beginning</b>	<b>89,062</b>	<b>22,452</b>	<b>187,812</b>	<b>171,976</b>	<b>46,536</b>
<b>Total Pension Liability - ending</b>	<b>\$ 94,115</b>	<b>\$ 23,526</b>	<b>\$ 199,555</b>	<b>\$ 168,432</b>	<b>\$ 44,081</b>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 2,246	\$ 399	\$ 5,241	\$ 16,387	\$ 4,184
Employee contributions	1,215	126	2,324	—	—
Net investment income	21,815	178	41,840	6,144	—
Benefit payments	(3,983)	(396)	(6,872)	(16,269)	(4,184)
Administrative expenses	(80)	(1)	(153)	(18)	—
Other	—	—	16	—	—
<b>Net change in Fiduciary Net Position</b>	<b>\$ 21,213</b>	<b>\$ 306</b>	<b>\$ 42,396</b>	<b>\$ 6,244</b>	<b>\$ —</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>80,158</b>	<b>1,115</b>	<b>153,909</b>	<b>17,255</b>	<b>—</b>
<b>Plan Fiduciary Net Position - ending</b>	<b>\$ 101,371</b>	<b>\$ 1,421</b>	<b>\$ 196,305</b>	<b>\$ 23,499</b>	<b>\$ —</b>
<b>Net Pension Liability (Asset)</b>	<b>\$ (7,256)</b>	<b>\$ 22,105</b>	<b>\$ 3,250</b>	<b>\$ 144,933</b>	<b>\$ 44,081</b>

\*This is a non-trusteed 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, 2022 the State recognized net pension expense of \$128.5 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 \$44.1 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, 2022 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	\$ 197,171	\$ 116,291	\$ 313,462
Differences between expected and actual experience	11,109	10,058	21,167
Changes of assumptions	7,395	41,964	49,359
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,028	21,000	33,028
Totals	<u>\$ 227,703</u>	<u>\$ 189,313</u>	<u>\$ 417,016</u>
<u>Deferred Inflows of Resources</u>			
Net difference between projected and actual earnings on pension plan investments	291,915	234,555	526,470
Differences between expected and actual experience	1,205	32,369	33,574
Changes of assumptions	30,680	22,037	52,717
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	20,325	20,325
Totals	<u>\$ 323,800</u>	<u>\$ 309,286</u>	<u>\$ 633,086</u>

The \$197.2 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, 2023. In addition, the \$116.3 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, 2023. 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:		
2023	\$ (62,955)	\$ (45,743)
2024	(69,941)	(39,316)
2025	(76,053)	(60,780)
2026	(84,475)	(77,932)
2027	157	(9,943)
Thereafter	—	(2,550)
	<u>\$ (293,267)</u>	<u>\$ (236,264)</u>

## Business-type Activities:

For the year ended June 30, 2022, the Lottery, a proprietary fund of the State, recognized pension expense of \$1.8 million. At June 30, 2022, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$	2,066
Differences between expected and actual experience		115
Changes of assumptions		76
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,855
Totals	<u>\$</u>	<u>4,112</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments		3,012
Differences between expected and actual experience		12
Changes of assumptions		317
Changes in proportion and differences between employer contributions and proportionate share of contributions		390
Totals	<u>\$</u>	<u>3,731</u>

The \$2.1 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, 2023. 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:		
2023	\$	36
2024		(58)
2025		(694)
2026		(955)
2027		(14)
	<u>\$</u>	<u>(1,685)</u>

**Other Single Employer Pension Plans**

For the fiscal year ended June 30, 2022 the table below provides information about pension expense (credit) recognized for each of the State's five single employer plans (expressed in thousands):

Plan	Annual Pension Expense (Credit)
JRBT	\$ (655)
RIJRFT	1,278
SPRBT	840
SPRFT	10,403
JNCRP	1,729
Total	<u>\$ 13,595</u>

At June 30, 2022 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the single employer plans from the following sources (expressed in thousands):

	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP	Totals
<u>Deferred Outflows of Resources</u>						
Employer contributions subsequent to the measurement date	\$ 2,611	\$ 405	\$ 5,211	\$ 16,387	\$ 3,873	\$ 28,487
Differences between expected and actual experience	112	—	6,876	—	—	6,988
Change of Assumptions	1,703	—	5,876	—	—	7,579
Totals	<u>\$ 4,426</u>	<u>\$ 405</u>	<u>\$ 17,963</u>	<u>\$ 16,387</u>	<u>\$ 3,873</u>	<u>\$ 43,054</u>
<u>Deferred Inflows of Resources</u>						
Net difference between projected and actual earnings on pension plan investments	\$ 11,506	\$ 120	\$ 22,052	\$ 3,642	\$ —	\$ 37,320
Differences between expected and actual experience	2,006	—	5,687	—	—	7,693
Change of assumptions	—	—	83	—	—	83
Totals	<u>\$ 13,512</u>	<u>\$ 120</u>	<u>\$ 27,822</u>	<u>\$ 3,642</u>	<u>\$ —</u>	<u>\$ 45,096</u>

The amount of \$28.5 million reported as deferred outflows of resources, related to pensions resulting from State contributions to the single employer plans subsequent to the measurement date, will be recognized as a reduction in the net pension liability in the year ended June 30, 2023. 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
2023	\$ (3,395)	\$ (33)	\$ (4,122)	\$ (868)	\$ —	\$ (8,418)
2024	(2,747)	(29)	(3,870)	(859)	—	(7,505)
2025	(2,360)	(28)	(3,954)	(929)	—	(7,271)
2026	(3,196)	(30)	(4,822)	(987)	—	(9,035)
2027	—	—	2,009	—	—	2,009
Thereafter	—	—	(311)	—	—	(311)
	<u>\$ (11,698)</u>	<u>\$ (120)</u>	<u>\$ (15,070)</u>	<u>\$ (3,643)</u>	<u>\$ —</u>	<u>\$ (30,531)</u>

## J. 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. Plan Assets are held by J. P. Morgan as investment custodian. The Retirement Board is the plan administrator and plan trustee. The employees ("members") may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

**Contributions** – Members contribute 5% of their annual covered salary and employers contribute 1% to 1.5% of annual covered salary, depending on years of service as of June 30, 2012. Member contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the members and employers are established by the General Laws, which are subject to amendment by the General Assembly.

The State contributed and recognized as pension expense \$5.9 million for the fiscal year ended June 30, 2022, equal to 100% of the required contributions for the fiscal year.

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

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

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

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

## K. 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, 2022, 775 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 for 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 2022. 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.

#### **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 Department of Administration (DOA), which also serves as the FARP plan sponsor. The FARP took effect on December 15, 2013. TIAA serves as record keeper for the FARP, and FARP assets are held by J.P. Morgan as investment custodian.

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

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

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

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

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

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

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

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

Certain employees of the University of Rhode Island, Rhode Island College and the Community College of Rhode Island (principally faculty and administrative personnel) are covered by individual annuity contracts under a defined contribution retirement plan. Eligible employees who have reached the age of 30, and who have two years of service are required to participate in either the Teachers Insurance and Annuity Association, the Metropolitan Life Insurance Company, or Variable Annuity Life Insurance Company retirement plan. Eligible employees must contribute at least 5% of their gross biweekly earnings. The University and Colleges contribute 9% of the employees' gross biweekly earnings. Total expenses by the institutions for such annuity contracts amounted to approximately \$21.0 million during the year ended June 30, 2022.

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, 2021 measurement date the plans' total pension liabilities exceeded the plans' fiduciary net position by an aggregate amount of \$52.1 million. Accordingly, a net pension liability of that amount has been recorded as of June 30, 2022. For the fiscal year ended June 30, 2022 pension expense of \$6.3 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 \$1.49 per hour up to a maximum of 40 hours per week to the Plan for calendar year 2022. The Authority is not required to contribute to the Plan.

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

## Note 19. Post employment Benefit Plans

### A. Summary of Employer Plans

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

	Plan	Plan Type	Covered employees	FY 2022 OPEB expense (credit)	Net OPEB liability (asset) at June 30, 2021 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	\$ (5,007)	\$ 209,192
			Business-type activities	\$ 69	\$ 2,145
B	Teachers	Single-employer plan – advance funded through a trust	Certified public school teachers electing to participate in the System	\$ (2,844)	\$ (9,111)
C	Judges	Single-employer plan - advance funded through a trust	Judges and magistrates	\$ (790)	\$ (5,715)
D	State Police	Single-employer plan - advance funded through a trust	State police officers	\$ (1,769)	\$ (326)
E	Legislators	Single-employer plan - advance funded through a trust	Retired and former members of the General Assembly	\$ (379)	\$ (3,228)
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	\$ (5)	\$ 18
	<b>Totals</b>			\$ (10,725)	\$ 192,975

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 post employment 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 of Rhode Island General Laws 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: State Controller, Department of Administration, 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, 2020 actuarial valuations, is summarized in the table below:

	Retirees and beneficiaries	Active	Total by Plan
State Employees	6,698	11,184	17,882
Teachers	99	N/A	99
Judges	33	61	94
State Police	163	261	424
Legislators	15	113	128
Board of Education (BOE)	857	1,869	2,726

Terminated employees are not included in the valuation.

## B. Benefit Plan Descriptions

Members of the System include State employees, legislators, judges, State police officers, certified public school teachers and employees of certain component units. If these members meet certain eligibility requirements, they are eligible to receive some form of retiree health care benefits. In addition, certain employees of the Board of Education receive benefits through 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 (RIGL) 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.



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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 (HRA) 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 by 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 actuarial determined basis. For the fiscal year ended June 30, 2022, the State and other participating employers paid \$52 million into the plans.

The fiscal 2022 contribution rates for the six plans in the System were based on the actuarial valuation of those plans performed as of June 30, 2019.

A summary of the contribution rates by both the participating employers and members and the State's annual plan contributions (dollars are expressed in thousands) for the fiscal year ended June 30, 2022 is provided in the table below:

	State Employees	Teachers	Judges	State Police	Legislators	BOE
Contribution rate:						
Employer	5.28 %	— *	— *	23.27 %	— *	3.5 %
Plan members	—	—	—	—	—	0.9 %
Contributions made	\$ 37,892	\$ —	\$ —	\$5,864	\$ —	\$ 6

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

### D. Net OPEB Liability (Asset)

The net OPEB liability of the State and other participating employers in the State Employees Plan and the Board of Education Plan, which are multiple employer cost-sharing plans, has been apportioned based on the percentage share of total contributions made by each participating employer during fiscal 2021. The State's proportion for the State Employees Plan and Board of Education Plan for State employees was 90.2% and 0.31%, respectively. At the June 30, 2021 measurement date, the Lottery's proportionate share of the net OPEB liability, reported under Business-type activities, was 0.92%.

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, 2021 (expressed in thousands):

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

Total Net OPEB Liability - State Employees Plan		\$ 231,958
<i>Less portion attributable to other entities:</i>		
Enterprise Fund - Rhode Island Lottery		\$ (2,145)
Discretely Presented Component Units		
University of Rhode Island	\$ 11,525	
Rhode Island College	3,739	
Community College of RI	3,184	
RI Division of Higher Education Assistance	29	
RI Commerce Corporation	34	
RI Airport Corporation	197	
		(18,708)
Related organization - Narragansett Bay Commission		(1,913)
State Employees Plan - State's Share of Net OPEB Liability - Governmental Activities		\$ 209,192
Board of Education Plan - State's Share of Net OPEB Liability - Governmental Activities		18
State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans - Governmental Activities		<u>\$ 209,210</u>
State Employees Plan - Rhode Island Lottery's Share of Net OPEB Liability - Business-type Activities		<u>\$ 2,145</u>
Total State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans		<u>\$ 211,355</u>
<b>Net OPEB Liability - All Plans</b>		<u>\$ 211,355</u>
<b>Net OPEB (Asset) - Single Employer OPEB Plans</b>		
Teachers		\$ (9,111)
Judges		(5,715)
State Police		(326)
Legislators		(3,228)
<b>Total Net OPEB (Asset)</b>		<u>\$ (18,381)</u>

Statement of Net Position

	Governmental Activities	Business-Type Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net OPEB Liability	<u>\$ 209,210</u>	<u>\$ 2,145</u>	<u>\$ 211,355</u>
Net OPEB (Asset)	<u>\$ (18,381)</u>	<u>\$ —</u>	<u>\$ (18,381)</u>

Further details regarding the State's total OPEB liability and net OPEB liability (asset) for the single employer trusteed OPEB plans (expressed in thousands) which was measured as of June 30, 2021 is presented below:

	Teachers	Judges	State Police	Legislators
Total OPEB liability	\$ 7,902	\$ 259	\$ 86,126	\$ 1,035
Plan fiduciary net position	17,013	5,974	86,452	4,264
Net OPEB liability (asset)	\$ (9,111)	\$ (5,715)	\$ (326)	\$ (3,228)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	215.29 %	2307.78 %	100.38 %	412.25 %

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

The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the June 30, 2021 measurement date using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Methods and Assumptions						
	Plan					
	State Employees	Teachers	Judges	State Police	Legislators	Board of Education
Actuarial Cost Method	Individual Entry Age					
Actuarial Assumptions						
Investment Rate of Return	5.00%					
Projected Salary Increases	3.25% to 6.25%	N/A	2.75%	3.75% to 11.75%	3.25% to 6.25%	3.25% to 6.25%
Valuation Health Care Cost Trend Rate	Pre-Medicare: 7.50% in 2021, grading to 3.5% in 2033 Medicare: 6.25% in 2021, grading to 3.5% in 2033					
Mortality Rates	Healthy Male State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for General Healthy Retiree Males, loaded by 115%, projected with Scale Ultimate MP16. Healthy Female State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for Healthy General Retiree Females, loaded by 111%, projected with Scale Ultimate MP16. Healthy Male Teachers: PUB-10 Median Table for Healthy Teacher Retiree Males, loaded by 108%, projected with Scale Ultimate MP16. Healthy Female Teachers: PUB-10 Median Table for Healthy Teacher Retiree Females, loaded by 115%, projected with Scale Ultimate MP16. Healthy Judges: Sex distinct PUB-10 Above Median Income Tables for Healthy Retirees, projected with Scale Ultimate MP16.					
Excise Tax Under the Patient Protection and Affordable Care Act	H.R. 1865, Further Consolidated Appropriations Act of 2020.					
<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, 2020 valuation and the calculation of the total OPEB liability (asset) at June 30, 2021 were consistent with an actuarial experience review performed as of June 30, 2017. Most of the demographic assumptions are based on the 2020 Experience Study of the Employees' Retirement System of Rhode Island.

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 39 nationally recognized consulting firms. The June 30, 2021 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%	4.42%
Fixed Income	35%	0.44%

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, actuarial 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	\$ 278,539	\$ 209,192	\$ 151,253
Teachers	\$ (8,410)	\$ (9,111)	\$ (9,717)
Judges	\$ (5,701)	\$ (5,715)	\$ (5,726)
State Police	\$ 6,881	\$ (326)	\$ (6,774)
Legislators	\$ (3,145)	\$ (3,228)	\$ (3,300)
BOE	\$ 49	\$ 18	\$ (7)

## 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	\$ 2,857	\$ 2,145	\$ 1,551

**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 7.5% 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	\$ 132,152	\$ 209,192	\$ 305,716
Teachers	\$ (9,839)	\$ (9,111)	\$ (8,275)
Judges	\$ (5,732)	\$ (5,715)	\$ (5,694)
State Police	\$ (9,414)	\$ (326)	\$ 10,345
Legislators	\$ (3,325)	\$ (3,228)	\$ (3,116)
BOE	\$ (14)	\$ 18	\$ 60

## Business-type Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Rhode Island Lottery:			
OPEB Plan - State Employees	\$ 1,355	\$ 2,145	\$ 3,135

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

Information for the State 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	\$ —	\$ 13	\$ 4,280	\$ 39
Interest	477	18	4,210	58
Difference between expected and actual experience	(964)	(144)	(6,873)	(88)
Changes of assumptions	(696)	(7)	4,148	(41)
Benefit payments, net of retiree contributions	(899)	57	(3,388)	(164)
<b>Net change in Total OPEB Liability</b>	<b>(2,082)</b>	<b>(63)</b>	<b>2,377</b>	<b>(196)</b>
<b>Total OPEB Liability - beginning</b>	<b>9,984</b>	<b>322</b>	<b>83,749</b>	<b>1,231</b>
<b>Total OPEB Liability - ending</b>	<b>\$ 7,902</b>	<b>\$ 259</b>	<b>\$ 86,126</b>	<b>\$ 1,035</b>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ —	\$ —	\$ 6,178	\$ —
Net investment income	3,376	1,080	17,041	854
Benefit payments	(899)	57	(3,388)	(164)
Administrative expenses	(2)	(1)	(12)	(1)
Other	109	25	222	53
<b>Net change in Fiduciary Net Position</b>	<b>\$ 2,584</b>	<b>\$ 1,161</b>	<b>\$ 20,041</b>	<b>\$ 742</b>
<b>Plan Fiduciary Net Position - beginning</b>	<b>14,429</b>	<b>4,813</b>	<b>66,411</b>	<b>3,522</b>
<b>Plan Fiduciary Net Position - ending</b>	<b>\$ 17,013</b>	<b>\$ 5,974</b>	<b>\$ 86,452</b>	<b>\$ 4,264</b>
<b>Net OPEB Liability (Asset)</b>	<b>\$ (9,111)</b>	<b>\$ (5,715)</b>	<b>\$ (326)</b>	<b>\$ (3,228)</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, 2022 the State recognized OPEB expense (credit) of \$(4.9) million related to State employees who are covered by the OPEB cost-sharing plans administered by the System.

At June 30, 2022 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the System from the following sources (expressed in thousands):

Governmental Activities:

	<u>State Employees</u>	<u>BOE</u>	<u>Totals</u>
<u>Deferred Outflows of Resources</u>			
State contributions subsequent to the measurement date	\$ 37,502	\$ 6	\$ 37,508
Differences between expected and actual experience	—	11	11
Changes of assumptions	10,448	5	10,453
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,143	46	3,189
Totals	<u>\$ 51,093</u>	<u>\$ 68</u>	<u>\$ 51,161</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 78,748	\$ 40	\$ 78,788
Net difference between projected and actual investment earnings	49,180	29	49,209
Changes of Assumptions	41,101	37	41,138
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	9	9
Totals	<u>\$ 169,029</u>	<u>\$ 115</u>	<u>\$ 169,144</u>

The \$37.5 million reported as deferred outflows of resources related to pensions resulting from State contributions to the single employer plans subsequent to the measurement date but before the end of the State's reporting period (June 30, 2022), will be recognized as a reduction in the net pension liability in the subsequent fiscal year ended June 30, 2023.



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:		
2022	\$ (33,162)	\$ (14)
2023	(32,116)	(13)
2024	(30,853)	(12)
2025	(29,506)	(8)
2025	(16,244)	(2)
Thereafter	(13,557)	(5)
	<u>\$ (155,438)</u>	<u>\$ (54)</u>

Business-type Activities:

For the year ended June 30, 2022, the Lottery, a proprietary fund of the State, recognized OPEB expense of \$69 thousand. At June 30, 2022, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$ 390
Changes of assumptions	107
Changes in proportion and differences between employer contributions and proportionate share of contributions	633
Totals	<u>\$ 1,130</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 808
Net difference between projected and actual investment earnings	504
Changes of assumptions	422
Changes in Proportion	89
Totals	<u>\$ 1,823</u>

The \$390 thousand reported as deferred outflows of resources related to pensions resulting from State contributions to the single employer plans subsequent to the measurement date, but before the end of the State's reporting period (June 30, 2022), will be recognized as a reduction in the net pension liability in the subsequent fiscal year ended June 30, 2023.

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:	
2022	\$ (220)
2023	(209)
2024	(196)
2025	(190)
2026	(118)
Thereafter	(150)
	<u>\$ (1,083)</u>

#### **Other Single Employer OPEB Plans**

For the fiscal year ended June 30, 2022, 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	\$ (2,844)
Judges	(790)
State Police	(1,769)
Legislators	(379)
Total	<u>\$ (5,782)</u>

The June 30, 2021 measurement date information includes pension credits of \$2,844 thousand, \$790 thousand, \$1,769 thousand, \$379 thousand for the Teachers' plan, the Judges' plan, the State Police plan, and the Legislators' plan, respectively. These credits result from several factors including recognition of investment gains, recognition of experience gains, changes to underlying healthcare plans and the reduction of certain liabilities.

At June 30, 2022, 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	\$ —	\$ —	\$ 5,864	\$ —	\$ 5,864
Differences between expected and actual experience	—	15	403	256	674
Change of Assumptions	—	—	3635	—	3,635
Totals	<u>\$ —</u>	<u>\$ 15</u>	<u>\$ 9,902</u>	<u>\$ 256</u>	<u>\$ 10,173</u>
<u>Deferred Inflows of Resources</u>					
Differences between expected and actual experience	\$ —	\$ 577	\$ 8,243	\$ 136	\$ 8,956
Change of assumptions	—	41	7,886	332	8,259
Net difference between projected and actual investment earnings	2,627	807	13,183	676	17,293
Totals	<u>\$ 2,627</u>	<u>\$ 1,425</u>	<u>\$ 29,312</u>	<u>\$ 1,144</u>	<u>\$ 34,508</u>

The amount of \$5.9 million reported as deferred outflows of resources, related to pensions resulting from the State contributions to the single employer plans after the measurement date, but before the end of the State's reporting period (June 30, 2022), will be recognized as a reduction in the net pension liability in the subsequent year ended June 30, 2023.

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:				
2022	\$ (765)	\$ (523)	\$ (6,272)	\$ (220)
2023	(712)	(490)	(5,991)	(200)
2024	(615)	(225)	(4,786)	(190)
2025	(535)	(172)	(4,313)	(186)
2026	—	—	(1,477)	(74)
Thereafter	—	—	(2,435)	(18)
	<u>\$ (2,627)</u>	<u>\$ (1,410)</u>	<u>\$ (25,274)</u>	<u>\$ (888)</u>

## G. Component Unit Post Employment 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, 2022, the plan's total OPEB liability totaled \$64.7 million. The total OPEB liability was determined by an actuarial valuation as of July 1, 2021 rolled forward to June 30, 2022. For the fiscal year ended June 30, 2022 OPEB expense of \$2.5 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, 2022, each institution's proportionate share of net OPEB liability related to participation in the plans was as follows (in thousands):

University of Rhode Island	\$ 14,140
Rhode Island College	5,608
Community College of Rhode Island	4,633
Total	<u>\$ 24,381</u>

The net OPEB liabilities in the table above were measured as of June 30, 2021, 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, 2020 rolled forward to the June 30, 2021 measurement date. The proportion of net OPEB liability for each institution was based on its share of contributions to the Plans for fiscal 2021 relative to the total contributions of all participating employers for that fiscal year.

For the fiscal year ended June 30, 2022, each institution recognized OPEB expense as follows (in thousands):

University of Rhode Island	\$ (2,113)
Rhode Island College	(1,431)
Community College of Rhode Island	1,095
Total	<u>\$ (2,449)</u>

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

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

#### *Other Component Units*

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

#### **Note 20. Deferred Compensation**

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Department of Administration, pursuant to Chapter 36-13 of the General Laws, administers the plan. The Department of Administration contracts with private corporations to provide investment products related to the management of the deferred compensation plan. Plan distributions are normally available to employees without penalty at the later of age 59 or retirement and mandatory distributions must commence once the individual reaches a certain age. The plan also allows for distributions for qualifying events such as termination, death or "unforeseeable emergency."

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

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

## Note 21. Risk Management

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

To manage losses associated with the theft, damage, or loss of assets (most notably, capital assets), the State has entered into various lines of coverage with commercial insurance carriers for insurance coverage, subject to certain deductibles. Furthermore, the State is required by the General Laws to provide insurance coverage on all motor vehicles owned by the State and operated by State employees. During fiscal 2022, and the two preceding fiscal years, no settlements exceeded insured coverage limits.

*Employee and certain retiree healthcare* - The State also has a contract with an insurance carrier/administrator to provide health care benefits to active and certain retired employees. For coverage provided to active employees and retirees who are not eligible for Medicare, the State retains the full risk of loss. The State reimburses the administrator for the costs of all claims paid plus administrative fees.

The estimated liability for incurred but not reported (IBNR) claims at June 30, 2022 and June 30, 2021 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	<u>Liability at July 1, 2021</u>	<u>Current Year Claims and IBNR Estimate</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2022</u>
Health Insurance				
Internal Service Fund				
Unpaid claims	\$ 13,596	\$ 278,021	\$ 277,614	\$ 14,003
	<u>Liability at July 1, 2020</u>	<u>Current Year Claims and IBNR Estimate</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2021</u>
Health Insurance				
Internal Service Fund				
Unpaid claims	\$ 16,440	\$ 245,300	\$ 248,144	\$ 13,596

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

*Worker's Compensation* - The State is self-insured for various risks of loss related to work-related injuries of State employees. The State contracts with a claims administrator to handle claims processing and provide certain loss prevention services for an administrative fee; however, the cost of worker's compensation claims (benefits) are paid by the State. The State maintains the Assessed Fringe Benefits Fund, an internal service fund that services, among other things, workers' compensation claims. Funding is provided through a fringe benefit rate applied to State payrolls on a pay-as-you-go basis.

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

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

### **Discretely Presented Component Units**

The State's component units are also exposed to various risks of loss related to torts, property damage and theft, worker's compensation, employee healthcare, accident and casualty liability, etc.. Component units manage these risks, in most instances, through the purchase of commercial insurance coverage. In certain instances, entities have opted to self-insure and maintain the risk of certain losses.

Specifically, the Rhode Island Public Transit Authority (RIPTA) is self-insured for claims associated with workers' compensation, health insurance and accident and casualty losses. RIPTA has accrued a liability of \$9.5 million at June 30, 2022 for self-insurance claims (accident and casualty related) based on an independent evaluation that it believes is adequate to cover the ultimate liability arising from such claims. However, the recorded liability is based upon estimates of final settlement amounts, which may be more or less than the amounts ultimately paid.

For further detailed information regarding specific component unit risk management practices, please refer to the separately audited financial statements for those entities.

## Note 22. Other Information

### A. Elimination Entries

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

	Total Governmental Funds	Internal Service Funds	Total	Eliminations	Internal Balances
<b>Assets</b>					
Due from other funds	\$ 555,220	\$ 4,649	\$ 559,869	\$ (555,602)	\$ 4,267
Loans to other funds	36,365	195	36,560	(36,560)	—
Total assets	<u>\$ 591,585</u>	<u>\$ 4,844</u>	<u>\$ 596,429</u>	<u>\$ (592,162)</u>	<u>\$ 4,267</u>
<b>Liabilities</b>					
Due to other funds	\$ 553,149	\$ 2,453	\$ 555,602	\$ (555,602)	\$ —
Loans from other funds	30,181	6,379	36,560	(36,560)	—
Total liabilities	<u>\$ 583,330</u>	<u>\$ 8,832</u>	<u>\$ 592,162</u>	<u>\$ (592,162)</u>	<u>\$ —</u>
<b>Program revenue</b>					
General government	\$ —	\$ 437,479	\$ 437,479	\$ (437,479)	\$ —
Public safety	—	9,827	9,827	(9,827)	—
<b>Expenses</b>					
General government	—	(436,483)	(436,483)	436,483	—
Public safety	—	(10,823)	(10,823)	10,823	—
Net revenue (expenses)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Transfers</b>					
Transfers in	\$ 1,196,391	\$ —	\$ 1,196,391	\$ (836,541)	\$ 359,850
Transfers out	(836,541)	—	(836,541)	836,541	—
Net transfers	<u>\$ 359,850</u>	<u>\$ —</u>	<u>\$ 359,850</u>	<u>\$ —</u>	<u>\$ 359,850</u>
<b>Total Business-type Activities</b>					
			Total	Eliminations	Internal Balances
<b>Assets</b>					
Due from other funds	\$ 34	\$ —	\$ 34	\$ (4,301)	\$ (4,267)
Total assets	<u>\$ 34</u>	<u>\$ —</u>	<u>\$ 34</u>	<u>\$ (4,301)</u>	<u>\$ (4,267)</u>
<b>Liabilities</b>					
Due to other funds	\$ 4,301	\$ —	\$ 4,301	\$ (4,301)	\$ —
Total liabilities	<u>\$ 4,301</u>	<u>\$ —</u>	<u>\$ 4,301</u>	<u>\$ (4,301)</u>	<u>\$ —</u>
<b>Transfers</b>					
Transfers in	\$ 28,792	\$ —	\$ 28,792	\$ (28,792)	\$ —
Transfers out	(388,642)	—	(388,642)	28,792	(359,850)
Net transfers	<u>\$ (359,850)</u>	<u>\$ —</u>	<u>\$ (359,850)</u>	<u>\$ —</u>	<u>\$ (359,850)</u>

### B. Related Party Transactions

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



Authority collected tolls on behalf of the State approximating \$37.7 million during the fiscal year ended June 30, 2022.

*The R.I. Industrial-Recreational Building Authority (RIIRBA)* - RIIRBA is authorized to insure contractual principal and interest payments mandated by first mortgages and first security agreements issued by a financial institution or the Rhode Island Industrial Facilities Corporation (RIIFC) to private sector entities for industrial or recreational projects in the State up to a maximum of \$60 million of outstanding principal balances for such insured mortgages and security agreements. The RIIRBA has a net deficit as of June 30, 2022 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 \$1.8 million as of June 30, 2022.

*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 financial statements as a capital contribution at the historical cost of \$343 per acre, for a total of \$7,203. Improvements to the land are being funded by the State to complete redevelopment of the land for sale. In April 2013, the R.I. Commerce Corporation (RICC) issued conduit debt obligations on behalf of the I-195 RDC totaling \$38.4 million. State appropriations for debt service were \$2.2 million in fiscal 2022. Also the State appropriated \$1.4 million for operations during fiscal 2022. The State has appropriated \$28 million to I-195 RDC to facilitate the sale of land and project development within the District.

Included in project development expenses for the years ended June 30, 2022 and 2021 is \$502,310 and \$1.4 million respectively, relating to the Project Fund of which \$180,000 and \$764,040 respectively, relate to Providence Innovation District Phase 1 Owner, LLC, an entity of Wexford Science and Technology. Because Wexford is receiving incentives from the Rebuild Rhode Island Tax Credit Act and the I-195 Redevelopment Project Fund Act, the Commission is requiring Wexford to provide for return of investment 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.

Additionally, during the year ended June 30, 2022, I-195 RDC received \$54 thousand of state appropriations funded by the Beach, Clean Water & Green Economy Bond.

*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 during fiscal 2009 with last payment expected during fiscal 2028.

*Rhode Island Higher Education Savings Trust (RIHEST)* - All non-Rhode Island resident accounts invested in the CollegeBound 529 savings plan operated by RIHEST are assessed a fee, which is paid to State Administrators to support the administration and operation of CollegeBound 529. These fees are used to fund establishing and marketing educational activities and scholarship funds in the State of Rhode Island. The amount of state administrative fees and expenses includes 0.5 basis points (0.005%) accrued on all investment options in CollegeBound 529, which is remitted to the Treasurer to cover administrative costs. Additionally, 1.5 basis points (0.015%) accrued on all investment options in CollegeBound 529, which is contributed to the Student Fund managed by the Rhode Island Office of the Post-secondary Commissioner are to be used to fund Rhode Island Promise scholarships. For the year ended June 30, 2022 the state administrative fees total \$219 thousand and the Student Fund contributions total \$657 thousand.

In addition to the 1.5 basis points paid to the Student Fund from program assets, Invesco (the investment manager of the fund) is required to contribute 9.5 basis points (0.095%) to the Student Fund. Such contributions, which total \$6.5 million for the year ended June 30, 2022, are paid directly by Invesco and are not included in administrative fees and expenses noted in RIHEST's financial statements.

*Rhode Island Health and Educational Building Corporation (RIHEBC)* - During fiscal 2016, the State created the School Building Authority Fund program to address high priority school building projects in communities with limited resources. Certain administrative duties related to the management and custody of monetary assets of the program were assigned to the Rhode Island Health and Educational Building Corporation (RIHEBC), including establishing a trust to hold related monies, creating and maintaining program accounting records, and the distribution and management of awards. Approved awards can be loans, grants or a combination of both. Funding is expected to continue through annual appropriations from the legislature, interest earned on loans, bond refinance interest savings or other payments received by RIHEBC pursuant to finance agreements with cities, towns and local education agencies. The State issued \$70 million of General Obligation Bonds (of the total \$250 million authorized by the voters) during December 2019 to fund the School Construction Bond Program administered by RIHEBC, to provide further assistance to cities and towns for school construction projects. For fiscal 2022, RIHEBC reported bond proceed transfers from the State of \$53.3 million and related project cost expenses of \$71.1 million (approved by the State's School Building Authority).

*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 mandates, premium received from the issuance of bonds totaling \$2.8 million was transferred to RIIB for this fund during fiscal 2022. 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 \$81.3 million during fiscal 2022 to fund various economic development initiatives on behalf of the State. The Corporation reported approximately \$140.5 million reserved for economic development initiatives at June 30, 2022 relating to State appropriations received in recent years.

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

*Other Component Units* - The University of Rhode Island, Rhode Island College, Community College of Rhode Island, Central Falls School District, RI I-195 Redevelopment Commission, Rhode Island Commerce Corporation, and Rhode Island Public Transit Authority receive significant financial support from the State of Rhode Island. See Note 22 D, Significant Transactions with Component Units for further details.

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

### **Budget Preparation**

An annual budget is adopted on a basis consistent with generally accepted accounting principles. The budget encompasses the General, Intermodal Surface Transportation and Temporary Disability Insurance Funds as well as selective portions of certain other funds. Preparation and submission of the budget is governed by the State Constitution and the Rhode Island General Laws. The budget, as enacted,

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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

	Amount	Description
Governmental activities		
<b>General</b>		
University of Rhode Island	\$ 90,435	Operating assistance
Rhode Island College	60,083	Operating assistance
Community College of Rhode Island	56,423	Operating assistance
Central Falls School District	62,701	Operating assistance
The Met	11,699	Operating assistance
I-195 District Commission	761	Operating assistance
R.I. Commerce Corporation	45,173	Operating assistance
R.I. Division of Higher Education Assistance	4,907	Operating assistance
R.I. Public Transit Authority	3,123	Operating assistance
R.I. Health and Educational Building Corporation	65,051	School Building Authority Capital Fund/School Housing Aid
R.I. Housing and Mortgage Finance Corporation	284,735	Infrastructure improvements and bond proceeds
R.I. Infrastructure Bank	21,915	Infrastructure improvements, bond proceeds and bond premiums
<b>IST</b>		
R.I. Public Transit Authority	51,306	Operating assistance
R.I. Turnpike and Bridge Authority	17,722	Infrastructure improvements
<b>Bond Capital</b>		
University of Rhode Island	6,675	Construction, improvement or purchase of assets
Rhode Island College	5,974	Construction, improvement or purchase of assets
R.I. Infrastructure Bank	20,556	Infrastructure improvements, bond proceeds and bond premiums
Quonset Development Corporation	8,846	Infrastructure improvements and bond proceeds
R.I. Health and Educational Building Corporation	51,532	Infrastructure improvements and bond proceeds
<b>R. I. Capital Plan</b>		
University of Rhode Island	11,000	Construction, improvement or purchase of assets
Rhode Island College	4,103	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ 884,720</u>	

## E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2022:

- Human Resources (\$356 thousand)
- Records Center (\$91 thousand)
- Health Insurance Active (\$5.56 million)
- Capitol Police (\$17 thousand)

The deficits will be eliminated through service charges during fiscal 2023.

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## Note 23. Subsequent Events

### Primary Government

*Issuance of Bonds* - In November 2022 the State issued the following General Obligation Bonds; \$162,450,000 Consolidated Capital Development Loan of 2022, Series A (Tax-Exempt) \$60,300,000 Consolidated Capital Development Loan of 2022, Series B (Federally Taxable)

*Federal Funds* -The State Small Business Credit Initiative (SSBCI) is a federally funded program that provides “funding for (1) credit and investment programs for existing small businesses and start-ups, and (2) technical assistance to small businesses applying for SSBCI funding and other government small business programs.” SSBCI was first established in 2010 and reauthorized and expanded under the American Rescue Plan Act (ARPA) of 2021. Rhode Island’s allocation for the SSBCI program is \$61 million for the credit and investment programs for existing small businesses and start-ups and \$773,624 for technical assistance, or a total of \$61.7 million. During FY23, the State engaged Rhode Island Commerce, a quasi-public agency to be responsible for the administration of the SSBCI program on behalf of the State. During FY 23, the State has received \$19,739,282 for the credit and investment programs for existing and small businesses and start-ups. Additional funds will be made available to Rhode Island Commerce once 80% of the \$19.7 million is disbursed.

### Component Units

*Rhode Island Health and Educational Building Corporation - Bond Maturity* - In July 2022, the \$118.24 million in Higher Education Facilities Revenue Bonds "Brown University Issue, Series 2012" bonds reached maturity. In November 2022, the \$9.685 million in Higher Education Facilities Revenue Bonds "Providence College Issue, Series 2012 C" bonds reached maturity.

*Rhode Island Housing and Mortgage Finance Corporation - Bond Redemption* - In November 2022, Rhode Island Housing and Mortgage Finance Corporation redeemed \$25.32 million in Homeownership Opportunity Bonds and \$27.8 million in Multi-Family Funding Bonds.

*Rhode Island Housing and Mortgage Finance Corporation - Bond Issuance* - In November 2022, Rhode Island Housing and Mortgage Finance Corporation issued \$128.41 million in Homeownership Opportunity Bonds.

*Rhode Island Public Transit Authority - New Litigation* - In October 2022, the ACLU on behalf of two individual Plaintiffs and on behalf of others similarly situated filed a “Class Action” lawsuit against RIPTA and United Healthcare of New England. The suit alleges damages caused by a RIPTA data breach that occurred on or about August 5, 2021, such damages resulting in alleged harm to the named Plaintiffs as they claim to have been exposed to an “imminent and ongoing risk of fraud and identity theft”. The Plaintiffs further allege to have incurred out of pocket expenses that will continue in the future and direct damages related to fraud and identity theft. RIPTA is defending the action through counsel provided through its cyber security insurance policy and with the assistance of “local counsel”.

# Required Supplementary Information



**State of Rhode Island**

Fiscal Year Ended

June 30, 2022



**State of Rhode Island**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>				
General Revenues:				
Personal Income Tax	\$ 1,656,600	\$ 1,940,800	\$ 1,985,923	\$ 45,123
General Business Taxes:				
Business Corporations	209,900	255,100	288,450	33,350
Public Utilities Gross Earnings	94,300	89,400	90,447	1,047
Financial Institutions	35,700	35,700	36,263	563
Insurance Companies	137,500	155,600	159,708	4,108
Bank Deposits	3,800	4,200	4,209	9
Health Care Provider Assessment	37,200	36,800	38,044	1,244
Sales and Use Taxes:				
Sales and Use	1,432,000	1,475,000	1,511,453	36,453
Motor Vehicle	1,000	1,000	965	(35)
Cigarettes	153,800	144,900	149,746	4,846
Alcohol	23,200	23,900	23,323	(577)
Other Taxes:				
Inheritance and Gift	39,800	35,700	39,302	3,602
Racing and Athletics	500	500	508	8
Realty Transfer Tax	20,500	22,800	22,118	(682)
<i>Total Taxes (1)</i>	<u>3,845,800</u>	<u>4,221,400</u>	<u>4,350,459</u>	<u>129,059</u>
Departmental Revenue	419,200	427,000	433,131	6,131
Total Taxes and Departmental Revenue	<u>4,265,000</u>	<u>4,648,400</u>	<u>4,783,590</u>	<u>135,190</u>
Other Sources:				
Lottery	393,300	389,600	388,642	(958)
Unclaimed Property	14,700	16,100	21,425	5,325
Other Miscellaneous	11,300	16,900	10,586	(6,314)
Total Other Sources	<u>419,300</u>	<u>422,600</u>	<u>420,653</u>	<u>(1,947)</u>
Total General Revenues	<u>4,684,300</u>	<u>5,071,000</u>	<u>5,204,243</u>	<u>133,243</u>
Federal Revenues	4,925,243	4,896,728	4,744,265	(152,463)
Restricted Revenues	369,446	377,753	398,431	20,678
Other Revenues	64,565	66,550	67,036	486
Non-budgeted Capital Lease Proceeds	—	—	4,289	4,289
<i>Total Revenues (2)</i>	<u>10,043,554</u>	<u>10,412,031</u>	<u>10,418,264</u>	<u>6,233</u>
<b>Expenditures:</b>				
General government	1,435,373	2,250,934	1,975,319	275,615
General government - non-budgeted lease expenditures	—	—	1,181	(1,181)
Total general government	<u>1,435,373</u>	<u>2,250,934</u>	<u>1,976,500</u>	<u>274,434</u>
Health and human services	5,211,127	5,733,607	5,450,770	282,837
Health and human services - non-budgeted lease expenditures	—	—	608	(608)
Total health and human services	<u>5,211,127</u>	<u>5,733,607</u>	<u>5,451,378</u>	<u>282,229</u>
Education	2,535,901	2,047,313	2,012,923	34,390
Public safety	625,244	669,817	652,462	17,355
Public safety - non-budgeted lease expenditures	—	—	2,500	(2,500)
Total public safety	<u>625,244</u>	<u>669,817</u>	<u>654,962</u>	<u>14,855</u>
Natural resources	102,421	132,123	114,757	17,366
<i>Total Expenditures (2)</i>	<u>9,910,066</u>	<u>10,833,794</u>	<u>10,210,520</u>	<u>\$ 623,274</u>
Transfer of Excess Budget Reserve to RI Capital Fund	—	—	116,375	
Transfer of scholarship revenue to RI Division of Higher Education (3)	—	—	4,907	
Total Expenditures and Transfers	<u>\$ 9,910,066</u>	<u>\$ 10,833,794</u>	<u>\$ 10,331,802</u>	
Change in Fund Balance			86,462	
Fund balance - beginning			<u>897,255</u>	
Fund balance - ending			<u>\$ 983,717</u>	

(Continued)

**State of Rhode Island**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Expenditures by Source:</b>				
General Revenues	\$ 4,550,811	\$ 5,214,050	\$ 4,996,269	\$ 217,781
General Revenues - pending FEMA reimbursement (4)	—	278,715	243,669	35,046
Federal Funds	4,925,243	4,896,728	4,588,987	307,741
Restricted Receipts	369,446	377,753	315,280	62,473
Other Funds	64,566	66,548	62,026	4,522
Non-budgeted Lease Expenditures	—	—	4,289	(4,289)
	<u>\$ 9,910,066</u>	<u>\$ 10,833,794</u>	<u>\$ 10,210,520</u>	<u>\$ 623,274</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 2022 by Tax Type:

	General Fund Reported Revenue	Historic Tax Credits Applied Transfer from HTCF	Reported Revenue Budget and Actual
Personal Income	\$ 1,984,975	\$ 948	\$ 1,985,923
Business Corporations	288,450	—	288,450
Insurance Corporations	159,708	—	159,708
Financial Institutions	36,263	—	36,263

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

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

*(4) Amounts represent claims to FEMA pending reimbursement at June 30, 2022. These amounts are reflected as sourced to General Revenues until approved by FEMA (expected in fiscal 2023).*

(Continued)



**State of Rhode Island**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

*(5) Functional Expenditure Reclassifications - Budgetary presentation compared to Financial Statement Presentation: For financial reporting purposes, certain expenditures (debt service and transfers) have been reclassified to align to the appropriate functional expenditure classification.*

	<b>General Government</b>	<b>Health and Human Services</b>	<b>Education</b>	<b>Public Safety</b>	<b>Natural Resources</b>	<b>Debt Service</b>	<b>Transfers</b>	<b>Total Expenditures</b>
<b>Budgetary Presentation</b>	\$ 1,976,500	\$ 5,451,378	\$ 2,012,923	\$ 654,962	\$ 114,757	\$ —	\$ 121,283	\$ 10,331,802
Reclassifications:								
Debt Service	(159,778)	(4,735)	(47,655)	(1,355)	(2,728)	216,251		—
Other Transfers - TDI	(291)	—	—	—	—	—	291	—
Other Transfers - RICAP	(563,000)	—	—	—	—	—	563,000	—
Other Transfers - RIDHEA	4,907	—	—	—	—	—	(4,907)	—
Other Transfers - RICCA	(24,492)	—	—	—	—	—	24,492	—
<b>Financial Statement Presentation</b>	\$ 1,233,846	\$ 5,446,643	\$ 1,965,268	\$ 653,607	\$ 112,029	\$ 216,251	\$ 704,159	\$ 10,331,802

(Continued)

**State of Rhode Island**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

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

	Fund Balance Reported in the Financial Statements	Budgetary Perspective	
		Fund Balance Not Available for Appropriation in Fiscal 2023	Fund Balance Available for Appropriation in Fiscal 2023
Nonspendable	\$ 1,323	\$ —	\$ 1,323
Restricted	461,970	461,970	—
Committed	11,790	11,790	—
Assigned	31,720	21,374	(a) 10,346
Unassigned	476,914	278,933	(b) 197,981
<b>Total Fund Balance</b>	<b>\$ 983,717</b>	<b>\$ 774,067</b>	<b>\$ 209,650</b> (c)

(a) Assigned fund balance not available for appropriation in fiscal 2023 includes general revenue appropriations carried forward by the Governor, Judiciary, and Legislature and intra-agency balances assigned for specific purposes.

(b) Budget Reserve and Cash Stabilization Account - for financial statement purposes, this account is classified as unassigned, yet, it is not considered available for recurring operational appropriations.

(c) Remaining fund balance available for appropriation.

(Concluded)

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Intermodal Surface Transportation Fund**  
**For the Fiscal Year Ended June 30, 2022**  
*(Expressed in Thousands)*

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<b>Revenues:</b>				
Taxes	\$ 219,240	\$ 228,868	\$ 225,142	\$ (3,726)
Licenses, fines, sales, and services	68,090	66,984	62,228	(4,756)
Departmental restricted revenue	2,589	4,693	1,029	(3,664)
Federal grants	451,047	470,075	417,644	(52,431)
Other revenues	6,030	11,281	4,019	(7,262)
Total revenues	<u>746,995</u>	<u>781,902</u>	<u>710,063</u>	<u>(71,839)</u>
<b>Revenues and other Financing Sources (unbudgeted):</b>				
Miscellaneous revenue			646	
Total revenues			<u>710,709</u>	
Other Financing Sources:				
Transfers from RI Capital Plan			63,453	
Total Other Financing Sources			<u>63,453</u>	
Total Revenues and Other Financing Sources			<u>774,162</u>	
<b>Expenditures (budgeted):</b>				
Central Management				
Federal Funds	16,067	16,695	7,914	8,781
Gasoline Tax	8,918	9,645	7,032	2,613
Total - Central Management	<u>24,985</u>	<u>26,340</u>	<u>14,946</u>	<u>11,394</u>
Management and Budget				
Gasoline Tax	5,381	5,434	3,970	1,464
Total - Management and Budget	<u>5,381</u>	<u>5,434</u>	<u>3,970</u>	<u>1,464</u>
Infrastructure-Engineering-GARVEE/Motor Fuel Tax Bonds				
Federal Funds	416,941	420,542	385,349	35,193
Restricted Receipts	2,589	4,693	2,555	2,138
Gasoline Tax	70,348	71,646	69,850	1,796
Toll Revenue	35,090	31,090	36,844	(5,754)
Land Sale Revenue	5,980	11,282	1,408	9,874
Total - Infrastructure - Engineering	<u>530,948</u>	<u>539,253</u>	<u>496,006</u>	<u>43,247</u>
Infrastructure - Maintenance				
Federal Funds	18,039	32,839	24,120	8,719
Gasoline Tax	29,782	35,412	34,693	719
Non-Land Surplus Property	50	—	—	—
Rhode Island Highway Maintenance Account	87,157	99,485	31,346	68,139
Total - Infrastructure - Maintenance	<u>135,028</u>	<u>167,736</u>	<u>90,159</u>	<u>77,577</u>
Total Expenditures (budgeted)	<u>\$ 696,342</u>	<u>\$ 738,763</u>	<u>\$ 605,081</u>	<u>\$ 133,682</u>
<b>Expenditures and Other Financing Uses (unbudgeted):</b>				
Infrastructure Expenditures - GARVEE and State Match funded by RI Capital Plan and Bond Capital Funds			66,802	
I-195 Redevelopment District project			850	
Mission 360 Loan Program			78	
Transfers to General Fund - Gas Tax			43,939	
Total Expenditures and Other Financing Uses (unbudgeted)			<u>111,669</u>	
Total Expenditures and Other Financing Uses			<u>716,750</u>	
Net change in fund balance			57,412	
Fund balance, beginning			265,818	
Fund balance, ending			<u>\$ 323,230</u>	

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Rhode Island Capital Plan**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
<b>Revenues &amp; Transfers In:</b>				
Statutorily Determined Funding from General Fund	\$ —	\$ —	\$ 116,375	\$ —
Appropriation from General Fund	—	563,000	563,000	—
Other Financing Source - Leases <sup>(1)</sup>	—	—	7,472	—
Bond Premium <sup>(2)</sup>	4,978	4,978	4,978	—
Investment Earnings <sup>(2)</sup>	81	81	81	—
<b>Total Revenues</b>	<b>5,059</b>	<b>568,059</b>	<b>691,906</b>	<b>—</b>
<b>Expenditures:</b>				
<b>Administration</b>				
State House Renovations	1,478	1,386	459	927
Information Technology Operations Center	800	250	—	250
Cranston Street Armory	325	326	7	319
Cannon Building	800	1,113	314	799
Zambarano Building Rehabilitation	1,350	1,394	126	1,268
Pastore Center Strategic Plan	116	188	19	169
Old State House	100	476	204	272
State Office Building	100	178	98	80
Veterans Memorial Auditorium	285	285	285	—
Washington County Government Center	500	605	40	565
William Powers Administration Building	1,800	2,330	640	1,690
Pastore Center Water Tanks and Pipes	100	208	—	208
Pastore Center Power Plant Rehabilitation	734	1,278	495	783
Replacement of Fueling Tanks	800	1,045	62	983
Environmental Compliance	400	466	110	356
Pastore Center Utilities Upgrade	175	391	113	278
Pastore Center Building Demolition	1,000	1,000	850	150
Chapin Health Laboratory	500	686	394	291
Big River Management Area	250	347	174	174
Rhode Island Convention Center Authority	2,000	2,000	2,000	—
Dunkin Donuts Center	2,300	2,300	2,300	—
Accessibility - Facility Renovations	1,000	1,393	813	580
Energy Efficiency Improvements	1,250	1,250	539	711
Security Measures State Buildings	500	856	651	206
Shepard Building Upgrades	1,500	1,967	59	1,907
BHDDH Group Homes	750	798	619	179
BHDDH DD & Community Homes-Fire Code	325	755	479	276
BHDDH DD & Community Facilities Asset Protection	300	307	166	141

(Continued)

**State of Rhode Island**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Rhode Island Capital Plan**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
BHDDH DD Regional Facilities - Asset Protection	450	518	236	282
BHDDH Substance Abuse Asset Protection	375	520	356	164
Pastore Center Non-Medical Blds Asset Protection	3,170	3,513	2,671	842
State Office Reorganization & Relocation	500	1,875	563	1,312
Pastore Cntr Medical Building Asset Protection	750	750	745	5
RICAP - 560 Jefferson Blvd Asset Protection	150	150	35	115
RICAP - Arrigan Center	198	198	—	198
Medical Examiner Building	4,500	500	131	369
Executive Office of Commerce				
I-195 Redevelopment District Commission	578	824	589	235
Quonset Piers	—	20	—	20
Quonset Point Infrastructure	6,000	6,000	6,000	—
Children, Youth, and Families				
Training School Maintenance Building	250	250	57	193
Human Services				
Blind Vending Facilities	165	273	278	(5)
Veterans Home Asset Protection	350	350	42	308
RICAP: Crypt Installation/Cemetery Expansion	380	160	28	132
Behavioral Healthcare, Developmental Disabilities, and Hospitals				
DD Residential Development	100	199	96	103
Hospital Equipment	300	600	286	314
Elementary and Secondary Education				
Davies HVAC	900	27	188	(162)
Davies Asset Protection	665	815	391	424
Met School Asset Protection	250	250	250	—
School for the Deaf Asset Protection	250	250	—	250
Davies School Healthcare Classroom Renovations	500	500	14	486
Public Higher Education				
Northern RI Education Center	3,933	1,000	236	764
University of Rhode Island				
URI - Asset Protection	9,900	9,872	9,913	(41)
URI -Fine Arts Center	—	1,073	1,087	(14)
Rhode Island College				
RIC - Asset Protection	4,733	2,426	1,542	885
RIC - Infrastructure Modernization	4,550	5,506	2,561	2,945
Community College of Rhode Island				
CCRI - Asset Protection	3,038	3,038	1,942	1,096
CCRI - Knight Campus Renewal	3,000	106	106	—
Knight Campus Lab Renovation	888	948	895	54
RICAP: CCRI Flanagan Campus Renewal	2,000	18	—	18
CCRI Data Cabling & Power Infrastructure	1,500	—	—	—

(Continued)

**State of Rhode Island**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Rhode Island Capital Plan**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
RI Atomic Energy Commission				
Asset Protection - Atomic Energy Commission	50	55	16	39
Attorney General				
Attorney General Building Repairs	150	154	—	153
Corrections				
Asset Protection - Institutional Support	5,125	5,125	1,784	3,341
Correctional Facilities Renovations	—	3,063	2,449	614
Judiciary				
Judicial Complexes Asset Protection	1,500	1,500	1,410	90
Judicial Complexes - HVAC	1,000	1,143	948	196
Licht Judicial Complex Restoration	750	792	792	1
RICAP - Judicial Complexes – Fan Coil Unit Replacements	750	750	750	—
RICAP - Garrahy Courtroom Restoration	250	250	249	1
RICAP - Murray Courtroom Restoration	700	701	700	1
Military Staff				
Asset Protection - Military Staff	930	1,128	349	778
Armory of Mounted Command Roof Replacement	367	—	—	—
Joint Force Headquarters Building	—	906	906	—
Aviation Readiness Center	535	—	—	—
Public Safety				
DPS Asset Protection	791	798	105	693
Training Academy Upgrades	750	194	151	43
RICAP - RI Statewide Communications System Network	237	231	231	—
State Police Headquarters Roof	—	998	613	385
RICAP - Southern Barracks	2,100	2,100	420	1,680
RICAP - Portsmouth Barracks	350	350	78	272
Emergency Management Agency				
RICAP - Emergency Management Building	250	250	—	250
RI Statewide Communications System Network	1,494	1,494	1,494	—
Environmental Management				
Dam Repair	90	955	693	262
Fort Adams Rehabilitation	300	524	185	338
Recreational Facilities Improvement	3,200	3,358	2,698	660
Galilee Piers Upgrades	5,420	8,983	7,022	1,961
Newport Piers	150	259	—	259
Blackstone Valley Park Improvements	500	990	192	798
Recreational Facilities Asset Protection	750	830	330	500
Health Department				
Laboratory Equipment	600	600	424	176
Coastal Resources Management Council				
Coastal Storm Risk Study	475	475	475	—
Narragansett Bay SAMP	75	144	126	18

(Continued)

**State of Rhode Island**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Rhode Island Capital Plan**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget</b>
Transportation				
Maintenance Facility Improvements	900	1,079	349	730
RIPTA - Land and Buildings	1,330	1,255	540	715
Salt Storage Facilities	2,500	2,000	1,658	342
Maintenance/Capital Equipment Replacement	1,499	1,499	—	1,499
Train Station Maintenance and Repairs	450	680	368	312
Highway Improvement Program	63,451	63,451	63,451	—
RIPTA-Providence Transit Connector	—	36	36	—
RIPTA-Pawtucket Bus Hub	—	598	(273)	871
RIPTA Warwick Bus Hub	260	260	—	260
Bike Facilities Maintenance	400	384	(16)	400
Welcome Center	150	150	77	73
RICAP - URI Mobility Hub	600	600	—	600
Subtotal	\$ 177,040	\$ 179,199	\$ 135,034	\$ 44,165
Capital Outlay-Leases			7,472	
Total Expenditures			<u>142,506</u>	
Net change in fund balance			549,400	
Fund balance - beginning			\$ 149,825	
Fund balance - ending			<u>\$ 699,225</u>	

(Concluded)

<sup>(1)</sup> Generally Accepted Accounting Principles require reporting lease transactions as other financing sources- leases and related capital outlay.

<sup>(2)</sup> Revenues are not legislatively adopted, budgeted revenues for these line items are assumed to equal actual amounts.

Certain items included in the budget and actual comparison schedule are presented as transfers to other funds on the Rhode Island Capital Plan financial statements.

## Budget and Actual

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

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

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

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



**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Defined Benefit Multiple-Employer Cost-sharing Plan**

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

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

The amounts included in these schedules for fiscal 2022 reflect a June 30, 2021 measurement date.

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

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

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

These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information

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

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

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State's proportion of the net pension liability	90.2 %	89.9 %	89.7 %	89.5 %	89.2 %	88.9 %	89.0 %	89.0 %	89.0 %
State's proportionate share of the net pension liability	\$ 1,604,576	\$ 2,044,888	\$ 2,031,989	\$ 2,013,417	\$ 2,010,955	\$ 1,887,351	\$ 1,767,095	\$ 1,585,647	
State's covered payroll	\$ 668,135	\$ 679,351	\$ 644,463	\$ 627,595	\$ 620,754	\$ 612,081	\$ 594,466	\$ 581,589	
State's proportionate share of the net pension liability as a percentage of its covered payroll	240.2 %	301.0 %	315.3 %	320.8 %	324.0 %	308.3 %	297.3 %	272.6 %	
Plan fiduciary net position as a percentage of the total pension liability	63.2 %	52.6 %	52.8 %	52.5 %	51.8 %	51.9 %	55.0 %	58.6 %	

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

See Notes to Required Supplementary Information.

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

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

*Rhode Island Lottery*

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Lottery's proportion of the net pension liability	0.9 %	1.0 %	0.9 %	0.8 %	0.7 %	0.8 %	0.8 %	0.7 %
Lottery's proportionate share of the net pension liability	\$ 16,558	\$ 21,652	\$ 20,850	\$ 17,142	\$ 16,869	\$ 16,260	\$ 15,074	\$ 13,315
Lottery's covered payroll	\$ 6,899	\$ 7,199	\$ 6,613	\$ 5,311	\$ 5,186	\$ 5,156	\$ 5,071	\$ 4,891
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	240.0 %	300.8 %	315.3 %	322.8 %	325.3 %	315.4 %	297.3 %	272.2 %
Plan fiduciary net position as a percentage of the total pension liability	63.2 %	52.6 %	52.8 %	52.5 %	51.8 %	51.9 %	55.0 %	58.6 %

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

See Notes to Required Supplementary Information.

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

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

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
State's proportion of the net pension liability	42.6 %	42.6 %	42.8 %	42.7 %	43.1 %	40.7 %	40.6 %	40.7 %
State's proportionate share of the net pension liability	\$ 1,002,105	\$ 1,361,982	\$ 1,366,538	\$ 1,357,444	\$ 1,357,577	\$ 1,212,754	\$ 1,117,395	\$ 990,129
Plan fiduciary net position as a percentage of the total pension liability	66.5 %	54.3 %	54.6 %	54.3 %	54.0 %	54.1 %	57.6 %	61.4 %

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

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of State Contributions**  
**Last Eight Fiscal Years**  
**(Expressed in Thousands)**

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

	2022	2021	2020	2019*	2018	2017	2016	2015
Actuarially determined contribution	\$ 197,171	\$ 184,004	\$ 179,281	\$ 169,365	\$ 156,083	\$ 157,299	\$ 144,696	\$ 138,689
Contributions in relation to the actuarially determined contribution	\$ 197,171	\$ 184,004	\$ 179,281	\$ 169,365	\$ 156,083	\$ 157,299	\$ 144,696	\$ 138,689
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 703,931	\$ 668,135	\$ 679,351	\$ 644,463	\$ 627,595	\$ 620,754	\$ 612,081	\$ 594,466
Contributions as a percentage of covered payroll	28.01 %	27.54 %	26.39 %	26.28 %	24.87 %	25.34 %	23.64 %	23.33 %

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

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

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of State Contributions**  
**Last Eight Fiscal Years**  
**(Expressed in Thousands)**

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

*Rhode Island Lottery*

	2022	2021	2020	2019*	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,066	\$ 1,900	\$ 1,900	\$ 1,738	\$ 1,321	\$ 1,314	\$ 1,219	\$ 1,183
Contributions in relation to the actuarially determined contribution	\$ 2,066	\$ 1,900	\$ 1,900	\$ 1,738	\$ 1,321	\$ 1,314	\$ 1,219	\$ 1,183
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 7,377	\$ 6,899	\$ 7,199	\$ 6,613	\$ 5,311	\$ 5,186	\$ 5,156	\$ 5,071
Contributions as a percentage of covered payroll	28.01 %	27.54 %	26.39 %	26.28 %	24.87 %	25.34 %	23.64 %	23.33 %

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

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

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of State Contributions**  
**Last Eight Fiscal Years**  
**(Expressed in Thousands)**

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

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 116,291	\$ 112,623	\$ 108,636	\$ 102,239	\$ 98,121	\$ 96,542	\$ 87,998	\$ 84,944
Contributions in relation to the statutorily required contribution	116,291	112,623	108,636	102,239	98,121	96,542	87,998	84,944
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

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

See Notes to Required Supplementary Information.

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

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

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

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

The amounts included in these schedules for fiscal 2022 reflect a June 30, 2021 measurement date.

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

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

These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information.



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

**State Police Retirement Benefits Trust**

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>								
Service cost	\$ 5,827	\$ 5,788	\$ 5,342	\$ 4,999	\$ 4,498	\$ 4,316	\$ 4,198	\$ 5,122
Interest	13,110	12,405	11,590	10,763	9,393	9,058	8,540	7,768
Benefit Changes	—	—	—	—	—	—	1,170	—
Differences between expected and actual experience	(322)	(3,126)	624	1,912	10,694	(4,139)	(3,522)	—
Changes of assumptions	—	1,541	—	—	9,274	—	—	(364)
Benefit payments	(6,872)	(6,229)	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
<b>Net Change in Total Pension Liability</b>	<b>11,743</b>	<b>10,379</b>	<b>11,509</b>	<b>11,650</b>	<b>28,717</b>	<b>4,650</b>	<b>7,889</b>	<b>10,759</b>
<b>Total Pension Liability-Beginning</b>	<b>187,812</b>	<b>177,433</b>	<b>165,924</b>	<b>154,274</b>	<b>125,557</b>	<b>120,907</b>	<b>113,018</b>	<b>102,259</b>
<b>Total Pension Liability-Ending</b>	<b>\$ 199,555</b>	<b>\$ 187,812</b>	<b>\$ 177,433</b>	<b>\$ 165,924</b>	<b>\$ 154,274</b>	<b>\$ 125,557</b>	<b>\$ 120,907</b>	<b>\$ 113,018</b>
<b>Plan Fiduciary Net Position</b>								
Employer contributions	\$ 5,241	\$ 4,878	\$ 3,567	\$ 2,797	\$ 2,980	\$ 4,005	\$ 3,432	\$ 3,331
Employee contributions	2,324	2,346	2,130	1,994	2,060	2,035	1,732	2,034
Net investment income	41,840	5,642	9,161	10,298	13,694	58	2,656	14,124
Benefit payments	(6,872)	(6,229)	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
Transfers of member contributions	—	—	—	—	—	—	—	—
Administrative expenses	(153)	(158)	(140)	(137)	(125)	(103)	(100)	(83)
Other	16	25	1	16	5	1	4	5
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 42,396</b>	<b>\$ 6,504</b>	<b>\$ 8,672</b>	<b>\$ 8,944</b>	<b>\$ 13,472</b>	<b>\$ 1,411</b>	<b>\$ 5,227</b>	<b>\$ 17,644</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>153,909</b>	<b>147,405</b>	<b>138,733</b>	<b>129,789</b>	<b>116,317</b>	<b>114,906</b>	<b>109,679</b>	<b>92,035</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 196,305</b>	<b>\$ 153,909</b>	<b>\$ 147,405</b>	<b>\$ 138,733</b>	<b>\$ 129,789</b>	<b>\$ 116,317</b>	<b>\$ 114,906</b>	<b>\$ 109,679</b>
<b>Net Pension Liability</b>	<b>\$ 3,250</b>	<b>\$ 33,903</b>	<b>\$ 30,028</b>	<b>\$ 27,191</b>	<b>\$ 24,485</b>	<b>\$ 9,240</b>	<b>\$ 6,001</b>	<b>\$ 3,339</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total</b>								
<b>Pension Liability</b>	98.4 %	81.9 %	83.1 %	83.6 %	84.1 %	92.6 %	95.0 %	97.0 %
<b>Covered Payroll</b>	\$ 26,438	\$ 26,419	\$ 24,216	\$ 22,590	\$ 22,728	\$ 20,985	\$ 19,701	\$ 23,051
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	12.3 %	128.3 %	124.0 %	120.4 %	107.7 %	44.0 %	30.5 %	14.5 %

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

See Notes to Required Supplementary Information.

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

**Judicial Retirement Benefits Trust**

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>								
Service cost	\$ 3,387	\$ 3,335	\$ 3,184	\$ 3,215	\$ 3,001	\$ 2,859	\$ 3,024	\$ 3,002
Interest	6,213	5,663	5,526	5,303	5,031	4,744	4,540	4,134
Benefit Changes	—	—	—	—	—	—	253	—
Differences between expected and actual experience	(564)	180	(3,165)	(2,032)	(1,788)	(1,206)	(2,857)	—
Changes of assumptions	—	2,515	—	—	5,173	—	—	(672)
Benefit payments	(3,983)	(3,724)	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
<b>Net Change in Total Pension Liability</b>	<b>5,053</b>	<b>7,969</b>	<b>1,936</b>	<b>3,530</b>	<b>8,677</b>	<b>3,866</b>	<b>3,151</b>	<b>4,833</b>
<b>Total Pension Liability-Beginning</b>	<b>89,062</b>	<b>81,093</b>	<b>79,158</b>	<b>75,628</b>	<b>66,951</b>	<b>63,085</b>	<b>59,934</b>	<b>55,101</b>
<b>Total Pension Liability-Ending</b>	<b>\$ 94,115</b>	<b>\$ 89,062</b>	<b>\$ 81,094</b>	<b>\$ 79,158</b>	<b>\$ 75,628</b>	<b>\$ 66,951</b>	<b>\$ 63,085</b>	<b>\$ 59,934</b>
<b>Plan Fiduciary Net Position</b>								
Employer contributions	\$ 2,246	\$ 2,189	\$ 1,922	\$ 2,058	\$ 2,057	\$ 2,410	\$ 2,709	\$ 2,543
Employee contributions	1,215	1,204	1,109	1,142	1,118	1,053	1,121	1,093
Net investment income	21,815	2,955	4,821	5,377	7,107	29	1,368	7,221
Benefit payments	(3,983)	(3,724)	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
Transfers of member contributions	—	—	—	—	—	—	—	—
Administrative expenses	(80)	(80)	(74)	(71)	(65)	(53)	(51)	(43)
Other	—	—	—	—	—	—	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 21,213</b>	<b>\$ 2,544</b>	<b>\$ 4,169</b>	<b>\$ 5,550</b>	<b>\$ 7,477</b>	<b>\$ 908</b>	<b>\$ 3,338</b>	<b>\$ 9,183</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>80,158</b>	<b>77,614</b>	<b>73,445</b>	<b>67,895</b>	<b>60,418</b>	<b>59,510</b>	<b>56,172</b>	<b>46,989</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 101,371</b>	<b>\$ 80,158</b>	<b>\$ 77,614</b>	<b>\$ 73,445</b>	<b>\$ 67,895</b>	<b>\$ 60,418</b>	<b>\$ 59,510</b>	<b>\$ 56,172</b>
<b>Net Pension Liability (Asset)</b>	<b>\$ (7,256)</b>	<b>\$ 8,904</b>	<b>\$ 3,480</b>	<b>\$ 5,713</b>	<b>\$ 7,733</b>	<b>\$ 6,533</b>	<b>\$ 3,575</b>	<b>\$ 3,762</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	107.7 %	90.0 %	95.7 %	92.8 %	89.8 %	90.2 %	94.3 %	93.7 %
<b>Covered Payroll</b>	\$ 10,387	\$ 10,284	\$ 9,474	\$ 9,653	\$ 9,532	\$ 8,981	\$ 9,570	\$ 9,314
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	(69.9)%	(86.6)%	36.7 %	59.2 %	81.1 %	72.7 %	37.4 %	40.4 %

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

See Notes to Required Supplementary Information.

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

**Rhode Island Judicial Retirement Fund Trust**

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<b>Total Pension Liability</b>									
Service cost	\$ 400	\$ 323	\$ 277	\$ 294	\$ 350	\$ 466	\$ 416	\$ 498	\$ 498
Interest	550	640	685	726	586	719	673	710	710
Benefit Changes	—	—	—	—	—	—	—	—	—
Differences between expected and actual experience	(656)	(646)	—	(1,953)	—	(1,060)	(642)	1,617	1,617
Changes of assumptions	1,176	2,060	917	(116)	(666)	1,865	859	(1,160)	(1,160)
Benefit payments	(396)	(399)	(399)	(399)	(399)	(231)	—	—	—
<b>Net Change in Total Pension Liability</b>	<b>1,074</b>	<b>1,978</b>	<b>1,480</b>	<b>(1,448)</b>	<b>(129)</b>	<b>1,759</b>	<b>1,306</b>	<b>1,665</b>	<b>1,665</b>
<b>Total Pension Liability-Beginning</b>	<b>22,452</b>	<b>20,474</b>	<b>18,994</b>	<b>20,442</b>	<b>20,571</b>	<b>18,812</b>	<b>17,506</b>	<b>15,841</b>	<b>15,841</b>
<b>Total Pension Liability-Ending</b>	<b>\$ 23,526</b>	<b>\$ 22,452</b>	<b>\$ 20,474</b>	<b>\$ 18,994</b>	<b>\$ 20,442</b>	<b>\$ 20,571</b>	<b>\$ 18,812</b>	<b>\$ 17,506</b>	<b>\$ 17,506</b>
<b>Plan Fiduciary Net Position</b>									
Employer contributions	\$ 399	\$ 399	\$ 399	\$ 399	\$ 332	\$ 140	\$ —	\$ —	\$ —
Employee contributions	126	126	122	117	117	135	159	153	153
Net investment income	178	23	38	44	64	4	9	12	12
Benefit payments	(396)	(399)	(399)	(399)	(399)	(231)	—	—	—
Transfers of member contributions	—	—	—	—	—	—	—	—	—
Administrative expenses	(1)	(1)	(1)	(1)	(1)	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 306</b>	<b>\$ 148</b>	<b>\$ 159</b>	<b>\$ 160</b>	<b>\$ 113</b>	<b>\$ 48</b>	<b>\$ 168</b>	<b>\$ 165</b>	<b>\$ 165</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>1,115</b>	<b>966</b>	<b>807</b>	<b>647</b>	<b>534</b>	<b>486</b>	<b>318</b>	<b>153</b>	<b>153</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 1,421</b>	<b>\$ 1,114</b>	<b>\$ 966</b>	<b>\$ 807</b>	<b>\$ 647</b>	<b>\$ 534</b>	<b>\$ 486</b>	<b>\$ 318</b>	<b>\$ 318</b>
<b>Net Pension Liability</b>	<b>\$ 22,105</b>	<b>\$ 21,338</b>	<b>\$ 19,508</b>	<b>\$ 18,187</b>	<b>\$ 19,795</b>	<b>\$ 20,037</b>	<b>\$ 18,326</b>	<b>\$ 17,188</b>	<b>\$ 17,188</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>									
<b>Covered Payroll</b>	<b>\$ 1,051</b>	<b>\$ 1,046</b>	<b>\$ 1,002</b>	<b>\$ 1,020</b>	<b>\$ 988</b>	<b>\$ 963</b>	<b>\$ 1,321</b>	<b>\$ 1,276</b>	<b>\$ 1,276</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>2103.2 %</b>	<b>2040.0 %</b>	<b>1946.9 %</b>	<b>1783.0 %</b>	<b>2003.3 %</b>	<b>2189.2 %</b>	<b>1387.4 %</b>	<b>1346.8 %</b>	<b>1346.8 %</b>

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

See Notes to Required Supplementary Information.

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

**State Police Retirement Fund Trust**

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>Total Pension Liability</b>					
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	11,469	11,878	12,193	11,712	12,589
Benefit Changes	—	—	—	—	—
Differences between expected and actual experience	1,256	(162)	—	12,187	—
Changes of assumptions	—	(1,136)	—	—	4,214
Benefit payments	(16,269)	(16,581)	(16,799)	(17,273)	(17,392)
<b>Net Change in Total Pension Liability</b>	<b>(3,544)</b>	<b>(6,001)</b>	<b>(4,606)</b>	<b>6,626</b>	<b>(589)</b>
<b>Total Pension Liability-Beginning</b>	<b>171,976</b>	<b>177,977</b>	<b>182,583</b>	<b>175,957</b>	<b>176,546</b>
<b>Total Pension Liability-Ending</b>	<b>\$ 168,432</b>	<b>\$ 171,976</b>	<b>\$ 177,977</b>	<b>\$ 182,583</b>	<b>\$ 175,957</b>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 16,387	\$ 16,387	\$ 16,387	\$ 16,387	\$ 31,566
Employee contributions	—	—	—	—	—
Net investment income	6,144	868	770	1,137	1,839
Benefit payments	(16,269)	(16,581)	(16,799)	(17,273)	(17,392)
Administrative expenses	(18)	(17)	(17)	(6)	—
Other	—	—	—	—	—
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 6,244</b>	<b>\$ 657</b>	<b>\$ 341</b>	<b>\$ 245</b>	<b>\$ 16,013</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>17,255</b>	<b>16,599</b>	<b>16,258</b>	<b>16,013</b>	<b>—</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 23,499</b>	<b>\$ 17,256</b>	<b>\$ 16,599</b>	<b>\$ 16,258</b>	<b>\$ 16,013</b>
<b>Net Pension Liability</b>	<b>\$ 144,933</b>	<b>\$ 154,720</b>	<b>\$ 161,378</b>	<b>\$ 166,325</b>	<b>\$ 159,944</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total</b>					
<b>Pension Liability</b>	14.0 %	10.0 %	9.3 %	8.9 %	9.1 %
<b>Covered Payroll</b>	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	— %	— %	— %	— %	— %

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

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

See Notes to Required Supplementary Information.

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

**State Police Retirement Benefits Trust**

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 5,211	\$ 5,241	\$ 4,878	\$ 3,567	\$ 2,802	\$ 2,980	\$ 4,005	\$ 3,432
Contributions in relation to the actuarially determined contribution	5,211	5,241	4,878	3,567	2,802	2,980	4,005	3,432
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 27,083	\$ 26,442	\$ 26,394	\$ 24,199	\$ 22,930	\$ 22,191	\$ 23,258	\$ 19,907
Contributions as a percentage of covered payroll	19.24 %	19.82 %	18.48 %	14.74 %	12.22 %	13.43 %	17.22 %	17.24 %

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

See Notes to Required Supplementary Information.

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

**Judicial Retirement Benefits Trust**

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,611	\$ 2,246	\$ 2,189	\$ 1,922	\$ 2,064	\$ 2,057	\$ 2,410	\$ 2,709
Contributions in relation to the actuarially determined contribution	2,611	2,246	2,189	1,922	2,064	2,057	2,410	2,709
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 11,967	\$ 10,393	\$ 10,278	\$ 9,477	\$ 9,768	\$ 9,532	\$ 8,993	\$ 9,566
Contributions as a percentage of covered payroll	21.82 %	21.61 %	21.30 %	20.28 %	21.13 %	21.58 %	26.80 %	28.32 %

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

See Notes to Required Supplementary Information.

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

**Rhode Island Judicial Retirement Fund Trust**

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,190	\$ 1,242	\$ 1,215	\$ 1,224	\$ 1,322	\$ 1,241	\$ 1,200	\$ 1,623
Contributions in relation to the actuarially determined contribution	405	399	399	399	399	332	140	—
Contribution deficiency (excess)	<u>\$ 785</u>	<u>\$ 843</u>	<u>\$ 816</u>	<u>\$ 825</u>	<u>\$ 923</u>	<u>\$ 909</u>	<u>\$ 1,060</u>	<u>\$ 1,623</u>
Covered payroll	\$ 1,038	\$ 1,046	\$ 1,046	\$ 1,002	\$ 1,020	\$ 988	\$ 964	\$ 1,321
Contributions as a percentage of covered payroll	39.02 %	38.15 %	38.15 %	39.82 %	39.12 %	33.60 %	14.52 %	— %

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

See Notes to Required Supplementary Information.

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

**State Police Retirement Fund Trust**

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 16,387	\$ 16,387	\$ 16,387	\$ 16,387	\$ 16,387
Contributions in relation to the actuarially determined contribution	16,387	16,387	16,387	16,387	16,387
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —

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

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

See Notes to Required Supplementary Information.



**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Non-Contributory (pay-as-you-go) Defined Benefit Single-Employer Plan**

Certain retired state employees are covered by the Judicial Non-Contributory Retirement Plan, a single-employer plan, which is separate from the plans previously described, and is not part of the Employees' Retirement System of Rhode Island.

The State funds this plan on a pay-as-you-go basis and no actuarial 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 2022 reflects a June 30, 2021 measurement date. The Schedule of Changes in Total Pension Liability is intended to show information for 10 years - additional years will be displayed as information becomes available. A Schedule of State Contributions is not presented as the plan operates on a pay-as-you-go basis and there is no covered payroll because there are no active members of the plan.

Note 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - Pension Information**  
**Schedule of Changes in Total Pension Liability**  
**Last Eight Fiscal Years**  
**(Expressed in Thousands)**

**Judicial Non-Contributory Retirement Plan**

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total Pension Liability</b>								
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	1,089	1,170	1,413	1,497	1,380	1,860	2,172	2,334
Benefit changes	—	—	—	—	—	—	—	—
Differences between expected and actual experience	(1,215)	3,560	521	916	182	—	328	—
Changes of assumptions	1,855	6,757	1,250	(166)	(2,291)	3,510	1,885	—
Benefit payments	(4,184)	(4,659)	(5,029)	(5,486)	(5,763)	(6,107)	(6,020)	(6,173)
<b>Net Change in Total Pension Liability</b>	(2,455)	6,828	(1,845)	(3,239)	(6,492)	(737)	(1,635)	(3,839)
<b>Total Pension Liability-Beginning</b>	46,536	39,705	41,550	44,789	51,281	52,018	53,653	57,492
<b>Total Pension Liability-Ending</b>	\$ 44,081	\$ 46,533	\$ 39,705	\$ 41,550	\$ 44,789	\$ 51,281	\$ 52,018	\$ 53,653

*The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported 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 actuarial determined contributions

Generally, actuarial determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contribution rates are applicable. The actuarial determined contribution rates for fiscal 2022 were determined based on valuations performed as of June 30, 2019, with the exception of the Rhode Island Judicial Retirement Fund Trust (RIJRFT) contribution which was determined based on a valuation performed as of June 30, 2021. Significant methods and assumptions are summarized for each plan in the table below:

	ERS		SPRBT	JRBT	RIJRFT	SPRFT
	State Employees	Teachers				
<b>Actuarial Cost Method</b>	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.					
<b>Amortization Method</b>	Level Percent of Payroll - Closed				Level Dollar	Level Dollar
<b>Equivalent single remaining amortization period</b>	17 years	19 years	20 years	20 years	20 years	17 years
<b>Asset valuation method</b>	5 year smoothed market				Market Value	Market Value
<b>Amortization period for new gains and losses</b>	20 years				N/A	N/A
<b>Actuarial Assumptions</b>						
<b>Investment Rate of Return</b>	7.0%				1.92%	7.00%
<b>Projected Salary Increases</b>	3.25% to 6.25%	3.0% to 13.0%	3.75% to 11.75%	3.00%	3.00%	N/A
<b>Mortality</b>	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 Ultimate values of the MP scale. Female Teachers: RP-2014 Combined Healthy for Females with White Collar adjustments, projected with Ultimate values of the MP scale.					
<b>Inflation</b>	2.5%					

The required contribution for the State Police Retirement Fund Trust (SPRFT), a plan newly created in fiscal 2017 covering a closed group of retired individuals, was calculated based on a level-dollar amortization over 18 years from June 30, 2016. Upon statutory creation of the RISPRFT, an annual contribution amount totaling \$16.4 million was actuarial determined. This amount has been contributed annually since 2017.

### Cost of Living Adjustments

**Post-retirement Benefit Increase:** Post-retirement benefit increases are assumed to be 2.1%, per annum, while the plan has a funding level that exceeds 80%; however, an interim COLA will be granted in four-year intervals while the COLA is suspended. The first such COLA will be applicable in Calendar Year 2017 and the second such COLA will be applicable in Calendar Year 2021. As of June 30, 2017, it is assumed that the COLAs will be suspended for 10 years due to the current funding level of the plans. The actual amount of the COLA is determined based on 50% of the plan's five-year average investment rate of return minus 5.00% which will range from zero to 4.0%, and 50% of the lesser of 3% or last year's CPI-U increase for a total maximum increase of 3.0%.

**Factors affecting trends for amounts related to the net pension liability*****June 30, 2021 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, 2021 measurement date compared to the June 30, 2020 measurement date.

***June 30, 2020 measurement date:***

As part of the 2020 Actuarial Experience Study for the six-year period ending June 30, 2019 as approved by the System Board on May 22, 2020, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. The following summarizes the more significant changes in assumptions:

- Separated Correctional Officers from State Employees for all assumptions.
- Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based PUB (10) tables.
- Increased slightly the probabilities of turnover.
- Decreased slightly the probabilities of retirement.
- Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not.
- Lowered wage assumptions for Judges from 3.00% to 2.75%.

The RIJRFT and JNCRP plans used the municipal bond index rate of 2.45% instead of the plan's assumed investment rate of return of 3.13%.

***June 30, 2019 measurement date:***

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

***June 30, 2018 measurement date:***

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

***June 30, 2017 measurement date:***

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

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

For RIJRFT, the municipal bond index rate, based on fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year

Municipal GO AA Index” (3.56% at June 30, 2017) was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

***June 30, 2016 measurement date:***

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date except for the changes in assumption for the RIJRF 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 RIJRF plan due to use of the municipal bond index rate of 3.8% compared to 4.29% used in the June 30, 2014 valuation.

Benefit changes, which resulted from the settlement of the pension litigation and the subsequent enactment of those settlement provisions by the General Assembly, are reflected in the calculation of the net pension liability at the June 30, 2015 measurement date. Significant benefit changes are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and participate solely in the defined benefit plan effective July 1, 2015 - service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, or 62 with 33 years of service. Members may retire earlier if their RI Retirement Security Act date is earlier or are eligible under a transition rule.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less the discount rate (5 year return - 5.5%, with a maximum of 4%) and 50% is calculated using the previous year's CPI-U (maximum of 3%) for a total maximum COLA of 3.5%. The COLA is calculated on the first \$25,855, effective 01/01/2016, and indexed as of that date as well.
- Other changes included providing interim cost of living increases at four rather than five year intervals, providing a one-time cost of living adjustment of 2% (applied to the first \$25,000), two \$500 stipends, and minor adjustments.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Multiple-Employer Cost-Sharing Plans**

The Rhode Island State Employees' and Electing Teachers OPEB System administers two multiple-employer cost-sharing OPEB plans covering state employees; the State Employees plan and the Board of Education plan. Separate actuarial valuations are performed for each plan but not for individual employers within each plan. The net OPEB liability and other OPEB related amounts are apportioned based on proportionate employer contributions to the plan.

The amounts included in these schedules for fiscal 2022 reflect a June 30, 2021 measurement date.

Additional information for these plans is available in the separately issued audited financial statements of Rhode Island State Employees' and Electing Teachers OPEB System and an additional report prepared to provide the GASB Statement No. 75 related information for participating employers.

The following schedules are presented for these multiple-employer cost-sharing plans:

- **Schedule of State's Proportionate Share of the Net OPEB Liability - State Employees Plan - Governmental Activities**
- **Schedule of State's Proportionate Share of the Net OPEB Liability - State Employees Plan - Business-Type Activities**
- **Schedule of State's Proportionate Share of the Net OPEB Liability - Board of Education Plan**
- **Schedule of State Contributions - State Employees Plan - Governmental Activities**
- **Schedule of State Contributions - State Employees Plan - Business-Type Activities**
- **Schedule of State Contributions - Board of Education Plan**

*These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 19 to the financial statements contains detailed information concerning OPEB plans.*

See Notes to Required Supplementary Information.

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

**State Employees-Governmental Activities**

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
State's proportion of the net OPEB liability	90.2 %	89.9 %	89.6 %	89.4 %	89.2 %
State's proportionate share of the net OPEB liability	\$ 209,192	\$ 324,502	\$ 391,135	\$ 455,475	\$ 463,597
State's covered payroll	\$ 673,924	\$ 681,554	\$ 657,222	\$ 633,562	\$ 632,672
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	31.0 %	47.6 %	59.5 %	71.9 %	73.3 %
Plan fiduciary net position as a percentage of the total OPEB liability	60.5 %	42.5 %	33.6 %	26.3 %	22.4 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**State Employees-Business-Type Activities**

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<i>Rhode Island Lottery</i>					
Lottery's proportion of the net OPEB liability	0.9 %	0.9 %	0.9 %	0.8 %	0.7 %
Lottery's proportionate share of the net OPEB liability	\$ 2,145	\$ 3,420	\$ 3,990	\$ 3,876	\$ 3,864
Lottery's covered payroll	\$ 6,911	\$ 7,182	\$ 6,705	\$ 5,308	\$ 5,186
Lottery's proportionate share of the net OPEB liability as a percentage of its covered payroll	31.0 %	47.6 %	59.5 %	73.0 %	74.5 %
Plan fiduciary net position as a percentage of the total OPEB liability	60.5 %	42.5 %	33.6 %	26.3 %	22.4 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.



**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State's Proportionate Share**  
**of the Board of Education Plan Net OPEB Liability**  
**Last Five Fiscal Years**  
**(Expressed in Thousands)**

**State's Share of Board of Education Plan**

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
State's proportion of the net OPEB liability	0.3 %	0.2 %	0.2 %	0.2 %	0.2 %
State's proportionate share of the net OPEB liability	\$ 18	\$ 89	\$ 80	\$ 87	\$ 111
State's covered payroll	\$ 417	\$ 335	\$ 276	\$ 411	\$ 264
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	4.3 %	26.6 %	29.0 %	21.2 %	42.0 %
Plan fiduciary net position as a percentage of the total OPEB liability	91.4 %	57.3 %	51.6 %	38.6 %	32.1 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**State Employees-Governmental Activities**

	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 37,502	\$ 36,998	\$ 45,323	\$ 39,302	\$ 37,887
Contributions in relation to the actuarial determined contribution	37,502	36,998	45,323	39,302	\$ 37,887
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 710,271	\$ 673,924	\$ 681,554	\$ 657,222	\$ 633,562
Contributions as a percentage of covered payroll	5.28 %	5.49 %	6.65 %	5.98 %	5.98 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**State Employees-Business-Type Activities**

*Rhode Island Lottery*

	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 390	\$ 379	\$ 478	\$ 401	\$ 317
Contributions in relation to the actuarial determined contribution	390	379	478	401	\$ 317
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 7,386	\$ 6,911	\$ 7,182	\$ 6,705	\$ 5,308
Contributions as a percentage of covered payroll	5.28 %	5.49 %	6.65 %	5.98 %	5.98 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Schedule of State Contributions to Board of Education Plan**  
**Last Five Fiscal Years Ended June 30**  
**(Expressed in Thousands)**

**State's Share of Board of Education Plan**

	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 6	\$ 12	\$ 14	\$ 12	\$ 18
Contributions in relation to the actuarial determined contribution	6	12	14	12	\$ 18
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 169	\$ 417	\$ 335	\$ 276	\$ 411
Contributions as a percentage of covered payroll	3.50 %	2.93 %	4.08 %	4.36 %	4.36 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

**State of Rhode Island**  
**Required Supplementary Information - OPEB Information**  
**Single-Employer Plans**

Certain state employees are covered by the following single-employer plans, which are separate from the State Employees and Board of Education multiple-employer cost-sharing plans, that cover most state employees.

- Teachers Plan
- Judges Plan
- State Police Plan
- Legislators Plan

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

The amounts included in these schedules for fiscal 2022 reflect a June 30, 2021 measurement date.

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

- **Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios**
  - Teachers Plan
  - Judges Plan
  - State Police Plan
  - Legislators Plan
- **Schedule of State Contributions**
  - Teachers Plan
  - Judges Plan
  - State Police Plan
  - Legislators Plan

*These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 19 to the financial statements contains detailed information concerning OPEB plans.*

See Notes to Required Supplementary Information.

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

**Teachers Plan**

<b>Year Ended</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Measurement Date</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>Total OPEB Liability</b>					
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	477	556	581	612	562
Benefit Changes	—	—	(1,952)	—	—
Differences between expected and actual experience	(964)	(1,212)	1,954	91	1,625
Changes of assumptions	(696)	(164)	(45)	—	217
Benefit payments	(899)	(629)	(1,438)	(1,202)	(1,610)
<b>Net Change in Total OPEB Liability</b>	<b>(2,082)</b>	<b>(1,449)</b>	<b>(900)</b>	<b>(499)</b>	<b>794</b>
<b>Total OPEB Liability-Beginning</b>	<b>9,984</b>	<b>11,433</b>	<b>12,333</b>	<b>12,832</b>	<b>12,038</b>
<b>Total OPEB Liability-Ending</b>	<b>\$ 7,902</b>	<b>\$ 9,984</b>	<b>\$ 11,433</b>	<b>\$ 12,333</b>	<b>\$ 12,832</b>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ —	\$ —	\$ 2,277	\$ 2,321	\$ 2,321
Net investment income	3,376	1,082	1,101	780	864
Benefit payments	(899)	(629)	(1,438)	(1,202)	(1,610)
Administrative expenses	(2)	(24)	(2)	(17)	7
Other	109	150	117	136	103
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 2,584</b>	<b>\$ 579</b>	<b>\$ 2,055</b>	<b>\$ 2,018</b>	<b>\$ 1,685</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>14,429</b>	<b>13,850</b>	<b>11,795</b>	<b>9,777</b>	<b>8,092</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 17,013</b>	<b>\$ 14,429</b>	<b>\$ 13,850</b>	<b>\$ 11,795</b>	<b>\$ 9,777</b>
<b>Net OPEB Liability (Asset)</b>	<b>\$ (9,111)</b>	<b>\$ (4,445)</b>	<b>\$ (2,417)</b>	<b>\$ 538</b>	<b>\$ 3,055</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	<b>215.3 %</b>	<b>144.5 %</b>	<b>121.1 %</b>	<b>95.6 %</b>	<b>76.2 %</b>
<b>Covered Payroll</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Net OPEB Liability (Asset) as a Percentage of Covered Payroll</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**Judges Plan**

<b>Year Ended</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Measurement Date</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>Total OPEB Liability</b>					
Service cost	\$ 13	\$ 22	\$ 22	\$ 15	\$ 20
Interest	18	64	60	68	50
Benefit Changes	—	—	(42)	—	—
Differences between expected and actual experience	(144)	(960)	102	(271)	(306)
Changes of assumptions	(7)	(69)	(11)	—	503
Benefit payments	57	(18)	(54)	72	138
<b>Net Change in Total OPEB Liability</b>	<b>(63)</b>	<b>(961)</b>	<b>77</b>	<b>(116)</b>	<b>405</b>
<b>Total OPEB Liability-Beginning</b>	<b>322</b>	<b>1,283</b>	<b>1,206</b>	<b>1,322</b>	<b>917</b>
<b>Total OPEB Liability-Ending</b>	<b>\$ 259</b>	<b>\$ 322</b>	<b>\$ 1,283</b>	<b>\$ 1,206</b>	<b>\$ 1,322</b>
<b>Plan Fiduciary Net Position</b>					
Net investment income	1,080	327	341	293	334
Benefit payments	57	(18)	(54)	72	138
Administrative expenses	(1)	(2)	—	(6)	—
Other	25	56	49	54	26
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 1,161</b>	<b>\$ 363</b>	<b>\$ 336</b>	<b>\$ 413</b>	<b>\$ 498</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>4,813</b>	<b>4,449</b>	<b>4,113</b>	<b>3,700</b>	<b>3,202</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 5,974</b>	<b>\$ 4,812</b>	<b>\$ 4,449</b>	<b>\$ 4,113</b>	<b>\$ 3,700</b>
<b>Net OPEB Liability (Asset)</b>	<b>\$ (5,715)</b>	<b>\$ (4,490)</b>	<b>\$ (3,166)</b>	<b>\$ (2,907)</b>	<b>\$ (2,378)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	<b>2307.8 %</b>	<b>1494.3 %</b>	<b>346.8 %</b>	<b>341.0 %</b>	<b>279.9 %</b>
<b>Covered Payroll</b>	<b>\$ 11,985</b>	<b>\$ 11,636</b>	<b>\$ 11,297</b>	<b>\$ 10,746</b>	<b>\$ 10,746</b>
<b>Net OPEB Liability (Asset) as a Percentage of Covered Payroll</b>	<b>(47.7)%</b>	<b>(38.6)%</b>	<b>(28.0)%</b>	<b>(27.1)%</b>	<b>(22.1)%</b>

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**State Police Plan**

<b>Year Ended</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Measurement Date</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>Total OPEB Liability</b>					
Service cost	\$ 4,280	\$ 4,481	\$ 4,108	\$ 3,920	\$ 3,836
Interest	4,210	4,391	4,369	4,148	4,202
Benefit Changes	—	—	(4,790)	—	—
Differences between expected and actual experience	(6,873)	(2,230)	630	(907)	(174)
Changes of assumptions	4,148	(6,974)	(1,161)	—	(6,005)
Benefit payments	(3,388)	(3,009)	(2,801)	(2,849)	(3,130)
<b>Net Change in Total OPEB Liability</b>	<b>2,377</b>	<b>(3,341)</b>	<b>355</b>	<b>4,312</b>	<b>(1,271)</b>
<b>Total OPEB Liability-Beginning</b>	<b>83,749</b>	<b>87,090</b>	<b>86,735</b>	<b>82,423</b>	<b>83,694</b>
<b>Total OPEB Liability-Ending</b>	<b>\$ 86,126</b>	<b>\$ 83,749</b>	<b>\$ 87,090</b>	<b>\$ 86,735</b>	<b>\$ 82,423</b>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 6,178	\$ 7,797	\$ 8,257	\$ 7,919	\$ 7,702
Net investment income	17,041	4,775	4,683	3,413	3,491
Benefit payments	(3,388)	(3,009)	(2,801)	(2,849)	(3,130)
Administrative expenses	(12)	(35)	(12)	(73)	(1)
Other	222	335	277	197	163
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 20,041</b>	<b>\$ 9,863</b>	<b>\$ 10,404</b>	<b>\$ 8,607</b>	<b>\$ 8,225</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>66,411</b>	<b>56,548</b>	<b>46,144</b>	<b>37,537</b>	<b>29,312</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 86,452</b>	<b>\$ 66,411</b>	<b>\$ 56,548</b>	<b>\$ 46,144</b>	<b>\$ 37,537</b>
<b>Net OPEB Liability (Asset)</b>	<b>\$ (326)</b>	<b>\$ 17,338</b>	<b>\$ 30,542</b>	<b>\$ 40,591</b>	<b>\$ 44,886</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	<b>100.4 %</b>	<b>79.3 %</b>	<b>64.9 %</b>	<b>53.2 %</b>	<b>45.5 %</b>
<b>Covered Payroll</b>	<b>\$ 25,401</b>	<b>\$ 24,661</b>	<b>\$ 23,943</b>	<b>\$ 21,334</b>	<b>\$ 21,334</b>
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	<b>(1.3)%</b>	<b>70.3 %</b>	<b>127.6 %</b>	<b>190.3 %</b>	<b>210.4 %</b>

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.



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

**Legislators Plan**

<b>Year Ended</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Measurement Date</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>Total OPEB Liability</b>					
Service cost	\$ 39	\$ 57	\$ 71	\$ 54	\$ 63
Interest	58	80	79	74	66
Benefit Changes	—	—	(257)	—	—
Differences between expected and actual experience	(88)	(83)	284	102	168
Changes of assumptions	(41)	(350)	(61)	—	(45)
Benefit payments	(164)	(85)	(98)	(161)	(36)
<b>Net Change in Total OPEB Liability</b>	<b>(196)</b>	<b>(381)</b>	<b>18</b>	<b>69</b>	<b>216</b>
<b>Total OPEB Liability-Beginning</b>	<b>1,231</b>	<b>1,612</b>	<b>1,594</b>	<b>1,525</b>	<b>1,309</b>
<b>Total OPEB Liability-Ending</b>	<b>\$ 1,035</b>	<b>\$ 1,231</b>	<b>\$ 1,612</b>	<b>\$ 1,594</b>	<b>\$ 1,525</b>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ —	\$ —	\$ 15	\$ 14	\$ 27
Net investment income	854	263	276	247	283
Benefit payments	(164)	(85)	(98)	(161)	(36)
Administrative expenses	(1)	(2)	—	(4)	—
Other	53	79	32	42	29
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 742</b>	<b>\$ 255</b>	<b>\$ 225</b>	<b>\$ 138</b>	<b>\$ 303</b>
<b>Plan Fiduciary Net Position-Beginning</b>	<b>3,522</b>	<b>3,267</b>	<b>3,042</b>	<b>2,904</b>	<b>2,601</b>
<b>Plan Fiduciary Net Position-Ending</b>	<b>\$ 4,264</b>	<b>\$ 3,522</b>	<b>\$ 3,267</b>	<b>\$ 3,042</b>	<b>\$ 2,904</b>
<b>Net OPEB Liability (Asset)</b>	<b>\$ (3,228)</b>	<b>\$ (2,291)</b>	<b>\$ (1,655)</b>	<b>\$ (1,448)</b>	<b>\$ (1,379)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	<b>412.3 %</b>	<b>287.6 %</b>	<b>202.6 %</b>	<b>190.9 %</b>	<b>190.4 %</b>
<b>Covered Payroll</b>	<b>\$ 1,925</b>	<b>\$ 1,868</b>	<b>\$ 1,814</b>	<b>\$ 1,719</b>	<b>\$ 1,719</b>
<b>Net OPEB Liability (Asset) as a Percentage of Covered Payroll</b>	<b>(167.7)%</b>	<b>(122.6)%</b>	<b>(91.2)%</b>	<b>(84.2)%</b>	<b>(80.2)%</b>

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**Teachers Plan**

	2022*	2021*	2020*	2019	2018
Actuarial determined contribution	\$ —	\$ —	\$ —	2,321	\$ 2,321
Contributions in relation to the actuarial determined contribution	—	—	—	2,277 **	2,321
Contribution deficiency (excess)	\$ —	\$ —	\$ —	44	\$ —
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

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

*\*\* The contribution funded in Fiscal 2019 was the amount appropriated by the General Assembly.*

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

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**Judges Plan**

	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ —	\$ —	\$ —	\$ —	\$ —
Contributions in relation to the actuarial determined contribution	—	—	—	—	—
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 12,960	\$ 11,932	\$ 11,589	\$ 11,297	\$ 10,746
Contributions as a percentage of covered payroll	— %	— %	— %	— %	— %

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

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**State Police Plan**

	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 5,864	\$ 6,178	\$ 7,797	\$ 8,257	\$ 7,919
Contributions in relation to the actuarial determined contribution	5,864	6,178	7,797	8,257	7,919
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$25,201	\$26,505	\$26,297	\$23,666	\$22,698
Contributions as a percentage of covered payroll	23.3 %	23.3 %	29.7 %	34.9 %	34.9 %

*The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.*

See Notes to Required Supplementary Information.

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

**Legislators Plan**

	2022*	2021*	2020*	2019	2018
Actuarial determined contribution	\$ —	\$ —	\$ —	\$ 15	\$ 14
Contributions in relation to the actuarial determined contribution	—	—	—	15	14
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 1,919	\$ 1,897	\$ 1,856	\$ 1,812	\$ 1,728
Contributions as a percentage of covered payroll	— %	— %	— %	0.8 %	0.8 %

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

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

**Required Supplementary Information - OPEB****Significant Methods and Assumptions used in calculating the actuarial determined contributions**

The actuarial determined contribution rates for fiscal 2022 were determined based on valuations performed as of June 30, 2019. 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>	Individual Entry Age Normal					
<b>Amortization Method</b>	Level Percent of Pay	Level Dollar	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay
<b>Remaining amortization period</b>	17 Years Closed	Determined by Statutory Contribution	30 Years Open	17 Years Closed	30 Years Open	17 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>	3.0% to 6.0%	N/A	3.0%	4.0% to 14.0%	3.0% to 6.0%	3.0% to 6.0%
<b>Retirement Age</b>	Experience-based table of rates that are specific to the type of eligibility condition.					
<b>Mortality</b>	<b>Post-Retirement Mortality</b>					
	Healthy Male Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for males with White Collar adjustment, projected with the MP 2016 ultimate rates.					
	Healthy Female Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for females with White Collar adjustment, projected with the MP 2016 ultimate rates.					
	Healthy Male State Employees and Police: RP-2014 Combined Healthy for males with Blue Collar adjustment, projected with the MP 2016 ultimate rates.					
	Healthy Female State Employees and Police: RP-2014 Combined Healthy for females, projected with the MP 2016 ultimate rates.					
	<b>Disabled Mortality</b>					
Disabled Males: RP-2014 Disabled Retiree Table for males, projected with the MP 2016 ultimate rates.						
Disabled Females: RP-2014 Disabled Retiree Table for females, projected with the MP 2016 ultimate rates.						
<b>Pre-Retirement Mortality</b>						
The mortality tables used to project the pre-termination mortality experience of plan members are the RP-2014 Employee tables for males and females as the base table, and then to apply a 75% multiplier for Teachers, Judges, Legislators, and Board of Education and a 100% multiplier for State Employees and State Police.						
<b>Healthcare Cost Trend Rate</b>	Based on the Getzen Model, with trend starting at 8.25% and gradually decreasing to an ultimate trend rate of 3.5%.					
<b>Aging Factors</b>	The tables used in developing the retiree only premium are based on the 2013 SOA Study "Health Care Costs-From Birth to Death".					
<b>Inflation</b>	Not explicitly used, consistent with 2.50% assumption.					

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

The actuarial methods and assumptions used to calculate the net OPEB liability of the participating employers are described in Note 19 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

**June 30, 2021 Measurement date:**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2021 measurement date compared to the June 30, 2020 measurement date.

**June 30, 2020 measurement date:**

The “Cadillac tax”, which was a tax provision from the federal Affordable Care Act (ACA), was repealed in December 2019. As a result, liability amounts previously included for the “Cadillac tax” within the development of the total OPEB liability have been removed as of the June 30, 2020 measurement date.

**June 30, 2019 measurement date:**

The June 30, 2018 actuarial valuation rolled forward to the June 30, 2020 measurement date reflected a change in Excise Tax load on pre-65 liabilities from 11.0% to 9.5%. The healthcare cost trend rate used in determining the OPEB liability at June 30, 2019 measurement date decreased slightly from the previous measurement date.

**June 30, 2018 Measurement date:**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

**June 30, 2017 Measurement date:**

Certain actuarial assumptions for State Employees were updated to match the assumptions used for State Employees in the pension valuation for the Employees’ Retirement System of Rhode Island (ERSRI) and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rates of separation from active membership
- Rates of retirement
- Rates of disability
- The rate of wage inflation
- The mortality assumption
- The trend assumption
- Aging factors and health and inflation trends

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

**Actuarial determined contributions**

Generally, actuarial determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contribution rates are applicable. For example, the annual required contributions for fiscal 2021 were based on the actuarial valuation for the fiscal year ended June 30, 2018.

# Combining Financial Statements



**State of Rhode Island**

Fiscal Year Ended  
June 30, 2022





## Nonmajor Funds

**Special Revenue Funds** – accounts for certain revenue sources whose use is restricted to specific purpose or activities. The primary reason for establishing such a fund is to demonstrate accountability and transparency when tracking cash inflows and outflows for special purposes.

**Coastal Resources Management Council Dredge Fund** – accounts for disposal of dredge material fees in excess of the base rate per cubic yard. 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, 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. Clean Water Act Environmental Trust** – accounts for the proceeds of certain bonds issued of which the purpose is 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 bonds which provide funding for the acquisition, construction or improvement of public facilities and equipment.

**Debt Service Funds** – account for 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** – to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the purposes that support State programs.

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

State of Rhode Island  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2022  
(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. 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	\$ 623	\$ 125,260	\$ 35,146	\$ 189	\$ 161,218	\$ 259,243	\$ 3,823	\$ —	\$ 263,066	\$ 261	\$ 503	\$ 425,048
Funds on deposit with fiscal agent	—	—	32,711	—	32,711	—	—	21,292	21,292	—	—	54,003
Restricted cash equivalents	—	—	—	—	—	—	—	—	—	50,188	—	50,188
Receivables (net)	—	60,828	—	—	60,828	—	—	—	—	28,301	—	89,129
Lease Receivable	—	—	—	276	276	—	—	—	—	—	—	276
<b>Total assets</b>	<b>\$ 623</b>	<b>\$ 186,088</b>	<b>\$ 67,857</b>	<b>\$ 465</b>	<b>\$ 255,033</b>	<b>\$ 259,243</b>	<b>\$ 3,823</b>	<b>\$ 21,292</b>	<b>\$ 284,358</b>	<b>\$ 78,750</b>	<b>\$ 503</b>	<b>\$ 618,644</b>
<b>Liabilities and Fund Balances</b>												
<b>Liabilities</b>												
Accounts payable	—	172	—	—	172	23,350	—	477	23,827	2,662	3	26,664
Due to other funds	—	1,375	—	—	1,375	65	—	—	65	—	293	1,733
Due to component units	—	—	—	—	—	2,819	—	—	2,819	—	—	2,819
Loans from other funds	—	—	—	—	—	30,173	—	8	30,181	—	—	30,181
Other liabilities	—	232	—	—	232	358	—	—	358	—	—	590
<b>Total liabilities</b>	<b>—</b>	<b>1,779</b>	<b>—</b>	<b>—</b>	<b>1,779</b>	<b>56,765</b>	<b>—</b>	<b>485</b>	<b>57,250</b>	<b>2,662</b>	<b>296</b>	<b>61,987</b>
<b>Deferred inflows of resources</b>												
Leases	—	—	—	276	276	—	—	—	—	—	—	276
<b>Fund balances</b>												
Nonspendable	—	—	—	—	—	—	—	—	—	—	174	174
Restricted	623	184,309	67,857	—	252,789	202,478	3,823	20,807	227,108	75,826	33	555,756
Committed	—	—	—	189	189	—	—	—	—	262	—	451
<b>Total fund balances</b>	<b>623</b>	<b>184,309</b>	<b>67,857</b>	<b>189</b>	<b>252,978</b>	<b>202,478</b>	<b>3,823</b>	<b>20,807</b>	<b>227,108</b>	<b>76,088</b>	<b>207</b>	<b>556,381</b>
<b>Total liabilities and fund balances</b>	<b>\$ 623</b>	<b>\$ 186,088</b>	<b>\$ 67,857</b>	<b>\$ 465</b>	<b>\$ 255,033</b>	<b>\$ 259,243</b>	<b>\$ 3,823</b>	<b>\$ 21,292</b>	<b>\$ 284,358</b>	<b>\$ 78,750</b>	<b>\$ 503</b>	<b>\$ 618,644</b>

State of Rhode Island  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2022  
(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. Clean Water Act Environmental Trust	Certificates of Participation	Total Capital Project Funds	Tobacco Settlement Financing Corporation		Permanent School
<b>Revenues:</b>												
Taxes	\$ —	\$ 236,596	\$ —	\$ —	\$ 236,596	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 236,596
Licenses, fines, sales, and services	—	—	1,552	23	1,575	—	—	—	—	—	39	1,614
Income (loss) from investments	—	284	(624)	6	(334)	546	7	12	565	100	1	332
Other revenues	—	—	—	—	—	—	—	—	—	57,392	—	57,392
Total revenues	—	236,880	928	29	237,837	546	7	12	565	57,492	40	295,934
<b>Expenditures:</b>												
General government	—	226,433	—	—	226,433	—	—	—	—	72	—	226,505
Education	—	—	—	—	—	—	—	—	—	—	354	354
Transportation	—	—	—	3,117	3,117	—	—	—	—	—	—	3,117
Capital outlays	—	—	—	—	—	149,859	—	364	150,223	—	—	150,223
Debt service:												
Principal	—	—	—	—	—	—	—	—	—	29,970	—	29,970
Interest and other charges	—	—	52	—	52	1,122	—	—	1,122	23,177	—	24,351
Total expenditures	—	226,433	52	3,117	229,602	150,981	—	364	151,345	53,219	354	434,520
Excess (deficiency) of revenues over (under) expenditures	—	10,447	876	(3,088)	8,235	(150,435)	7	(352)	(150,780)	4,273	(314)	(138,586)
<b>Other financing sources (uses)</b>												
Issuance of bonds	—	—	—	—	—	135,000	—	—	135,000	—	—	135,000
Lease Financing Premium	—	—	—	—	—	8,859	—	—	8,859	—	—	8,859
Transfers in	—	291	—	3,101	3,392	—	—	—	—	—	—	3,392
Transfers out	—	—	(948)	—	(948)	(6,164)	—	(1,258)	(7,422)	—	—	(8,370)
Total other financing sources (uses)	—	291	(948)	3,101	2,444	137,695	—	(1,258)	136,437	—	—	138,881
Net change in fund balances	—	10,738	(72)	13	10,679	(12,740)	7	(1,610)	(14,343)	4,273	(314)	295
Fund balances - beginning	623	173,571	67,929	176	242,299	215,218	3,816	22,417	241,451	71,815	521	556,086
Fund balances - ending	\$ 623	\$ 184,309	\$ 67,857	\$ 189	\$ 252,978	\$ 202,478	\$ 3,823	\$ 20,807	\$ 227,108	\$ 76,088	\$ 207	\$ 556,381

**State of Rhode Island**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Rhode Island Temporary Disability Insurance Fund**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
<b>* Revenues:</b>				
Taxes	\$ 236,596	\$ 236,596	\$ 236,596	\$ —
Other Revenues	284	284	284	—
Total Revenues	236,880	236,880	236,880	—
<b>Expenditures:</b>				
Department of Labor and Training	203,095	209,287	225,898	(16,611)
Treasury Department	250	290	244	46
Total Expenditures	\$ 203,345	\$ 209,577	\$ 226,142	\$ (16,565)
Net change in fund balance			10,738	
Fund balance - beginning			\$ 173,571	
Fund balance - ending			\$ 184,309	

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

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## Internal Service Funds

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

**Human Resources** - accounts for costs of human resource services provided to State agencies.

**DCAMM Facilities** - accounts for costs of property management and maintenance services provided to State agencies.

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

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

**Information Technology** - accounts for costs of information technology provided to State agencies.

**Central Mail** - provides for the delivery of mail services for the State.

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

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

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

**Correctional Industries** - provides job training for inmates through prison industries.

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

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

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

**State Fleet Replacement Revolving Loan** - used to finance the acquisition of new vehicles by various State agencies, and functions as a revolving loan fund.

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

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2022**  
**(Expressed in Thousands)**

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom and Technology	Automotive Maintenance
<b>Assets:</b>								
Current assets:								
Cash and cash equivalents	\$ 356	\$ 4,975	\$ 5,665	\$ —	\$ 542	\$ 383	\$ 254	\$ 1,939
Receivables (net)	—	—	1,570	—	—	549	329	811
Due from other funds	—	—	—	319	3,987	—	126	—
Loans to other funds	—	195	—	—	—	—	—	—
Due from other governments	—	—	—	—	—	—	—	—
Inventories	—	—	—	—	—	129	—	550
Other assets	—	—	1,000	—	—	—	—	—
Total current assets	356	5,170	8,235	319	4,529	1,061	709	3,300
Noncurrent assets:								
Capital assets (net)	—	769	—	—	—	—	10	193
Total noncurrent assets	—	769	—	—	—	—	10	193
Total assets	356	5,939	8,235	319	4,529	1,061	719	3,493
<b>Liabilities:</b>								
Current liabilities:								
Accounts payable	55	4,478	213	—	1,254	50	242	780
Due to other funds	196	88	53	—	—	—	—	77
Loans from other funds	—	—	—	178	—	—	—	2,000
Other liabilities	461	414	2,267	6	1,005	45	35	30
Total current liabilities	712	4,980	2,533	184	2,259	95	277	2,887
<b>Net Position (Deficit):</b>								
Net investment in capital assets	—	769	—	—	—	—	10	193
Unrestricted	(356)	190	5,702	135	2,270	966	432	413
Total net position (deficit)	\$ (356)	\$ 959	\$ 5,702	\$ 135	\$ 2,270	\$ 966	\$ 442	\$ 606

(Continued)

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2022**  
**(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	\$ 2,225	\$ 154	\$ 2	\$ 56	\$ 7,100	\$ 6,695	\$ —	\$ 30,346
Receivables (net)	23	1,201	76	—	6,094	2,144	—	12,797
Due from other funds	217	—	—	—	—	—	—	4,649
Loans to other funds	—	—	—	—	—	—	—	195
Inventories	777	576	—	—	—	—	—	2,032
Other assets	—	—	—	—	4,250	—	—	5,250
Total current assets	3,242	1,931	78	56	17,444	8,839	—	55,269
Noncurrent assets:								
Capital assets (net)	1,879	113	—	—	—	—	—	2,964
Total noncurrent assets	1,879	113	—	—	—	—	—	2,964
Total assets	5,121	2,044	78	56	17,444	8,839	—	58,233
<b>Liabilities:</b>								
Current liabilities:								
Accounts payable	346	429	3	—	14,003	—	—	21,853
Due to other funds	—	92	—	—	9	1,938	—	2,453
Due to component units	—	—	—	—	5,177	—	—	5,177
Loans from other funds	—	379	154	—	3,651	—	17	6,379
Other liabilities	39	48	12	—	160	—	—	4,522
Total current liabilities	385	948	169	—	23,000	1,938	17	40,384
<b>Net Position (Deficit):</b>								
Net investment in capital assets	1,879	113	—	—	—	—	—	2,964
Unrestricted	2,857	983	(91)	56	(5,556)	6,901	(17)	14,885
Total net position (deficit)	\$ 4,736	\$ 1,096	\$ (91)	\$ 56	\$ (5,556)	\$ 6,901	\$ (17)	\$ 17,849

(Concluded)

**State of Rhode Island**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom and Technology	Automotive Maintenance
<b>Operating revenues:</b>								
Charges for services	\$ 14,101	\$ 45,159	\$ 38,111	\$ 27,199	\$ 45,102	\$ 7,071	\$ 3,302	\$ 13,972
Total operating revenues	14,101	45,159	38,111	27,199	45,102	7,071	3,302	13,972
<b>Operating expenses:</b>								
Personal services	12,925	11,927	878	157	26,912	1,375	1,027	817
Supplies, materials, and services	2,808	33,475	35,351	26,841	17,451	5,779	2,008	12,624
Depreciation	—	37	—	—	341	—	26	46
Total operating expenses	15,733	45,439	36,229	26,998	44,704	7,154	3,061	13,487
Operating income (loss)	(1,632)	(280)	1,882	201	398	(83)	241	485
<b>Nonoperating revenues (expenses):</b>								
Interest revenue	—	—	8	—	—	—	—	1
Other nonoperating revenues (expenses)	—	—	—	—	—	—	—	11
Change in net position	(1,632)	(280)	1,890	201	398	(83)	241	497
Net position (deficit) - beginning as restated	1,276	1,239	3,812	(66)	1,872	1,049	201	109
Net position (deficit) - ending	\$ (356)	\$ 959	\$ 5,702	\$ 135	\$ 2,270	\$ 966	\$ 442	\$ 606

(Continued)



**State of Rhode Island**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(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	\$ 4,490	\$ 3,964	\$ 903	\$ —	\$ 242,507	\$ 49	\$ 1,376	\$ 447,306
Total operating revenues	4,490	3,964	903	—	242,507	49	1,376	447,306
<b>Operating expenses:</b>								
Personal services	1,261	1,576	336	—	1,048	—	1,276	61,515
Supplies, materials, and services	3,800	2,905	582	1	252,288	—	100	396,013
Depreciation	91	58	—	—	—	—	—	599
Total operating expenses	5,152	4,539	918	1	253,336	—	1,376	458,127
Operating income (loss)	(662)	(575)	(15)	(1)	(10,829)	49	—	(10,821)
<b>Nonoperating revenues (expenses):</b>								
Interest revenue	—	—	—	—	21	10	—	40
Other nonoperating revenues (expenses)	—	1,940	—	—	—	—	—	1,951
Change in net position	(662)	1,365	(15)	(1)	(10,808)	59	—	(8,830)
Net position (deficit) - beginning Restated	5,398	(269)	(76)	57	5,252	6,842	(17)	26,679
Net position (deficit) - ending	\$ 4,736	\$ 1,096	\$ (91)	\$ 56	\$ (5,556)	\$ 6,901	\$ (17)	\$ 17,849

(Concluded)

**State of Rhode Island**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom and Technology	Automotive Maintenance
<b>Cash flows from operating activities:</b>								
Cash received from customers	\$ 14,518	\$ 46,336	\$ 37,952	\$ 26,880	\$ 44,642	\$ 7,152	\$ 3,783	\$ 13,763
Cash payments to suppliers for goods and services	(2,770)	(31,774)	(35,345)	(26,841)	(16,588)	(5,892)	(1,959)	(12,873)
Cash payments to employees	(12,806)	(11,848)	(1,795)	(156)	(26,800)	(1,363)	(1,024)	(812)
Net cash provided by (used for) operating activities	(1,058)	2,714	812	(117)	1,254	(103)	800	78
<b>Cash flows from noncapital financing activities:</b>								
Loans from other funds	—	(195)	—	—	(698)	—	—	—
Loans to other funds	—	—	—	(3,561)	—	—	—	—
Repayment of loans from other funds	—	—	—	—	—	—	(546)	—
Net cash provided by (used for) noncapital financing activities	—	(195)	—	(3,561)	(698)	—	(546)	—
<b>Cash flows from capital and related financing activities:</b>								
Acquisition of capital assets	—	(173)	—	—	(14)	—	—	(89)
Net cash provided by (used for) capital and related financing activities	—	(173)	—	—	(14)	—	—	(89)
<b>Cash flows from investing activities:</b>								
Interest on investments	—	—	8	—	—	—	—	1
Net cash provided by (used for) investing activities	—	—	8	—	—	—	—	1
Net increase (decrease) in cash and cash equivalents	(1,058)	2,346	820	(3,678)	542	(103)	254	(10)
Cash and cash equivalents - July 1	1,414	2,629	4,845	3,678	—	486	—	1,949
Cash and cash equivalents - June 30	\$ 356	\$ 4,975	\$ 5,665	\$ —	\$ 542	\$ 383	\$ 254	\$ 1,939

(Continued)

**State of Rhode Island**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	Human Resources	DCAMM	Assessed Fringe Benefits	Central Utilities	Information Technology	Central Mail	State Telecom and Technology	Automotive Maintenance
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>								
Operating income (loss)	\$ (1,632)	\$ (280)	\$ 1,882	\$ 201	\$ 398	\$ (83)	\$ 241	\$ 485
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>								
Depreciation	—	37	—	—	341	—	26	47
Other (revenue) expense and transfers (in) out	—	—	—	—	—	—	—	11
(Increase) decrease in assets:								
Receivables	220	1,177	(174)	(319)	(460)	81	481	(165)
Inventory	—	—	—	—	—	—	—	(289)
Increase (decrease) in liabilities:								
Accounts payable	236	1,700	21	—	863	(113)	50	(16)
Accrued expenses	118	80	(917)	1	112	12	2	5
Total adjustments	574	2,994	(1,070)	(318)	856	(20)	559	(407)
Net cash provided by (used for) operating activities	\$ (1,058)	\$ 2,714	\$ 812	\$ (117)	\$ 1,254	\$ (103)	\$ 800	\$ 78

(Continued)

**State of Rhode Island**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(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	\$ 2,994	\$ 852	\$ —	\$ 240,418	\$ 49	\$ 1,376	\$ 445,037
Cash payments to suppliers for goods and services	(3,750)	(2,763)	(580)	(1)	(252,872)	—	(101)	(394,109)
Cash payments to employees	(1,245)	(1,576)	(332)	—	(1,035)	—	(1,275)	(62,067)
Net cash provided by (used for) operating activities	(673)	(1,345)	(60)	(1)	(13,489)	49	—	(11,139)
<b>Cash flows from noncapital financing activities:</b>								
Loans from other funds	—	—	(696)	—	—	(1,922)	—	(3,511)
Loans to other funds	—	—	—	—	9,177	—	—	5,616
Repayment of loans to other funds	—	—	—	—	—	2,210	—	2,210
Repayment of loans from other funds	—	(971)	—	—	—	—	—	(1,517)
Loan Forgiveness	—	1,940	—	—	—	—	—	1,940
Net cash provided by (used for) noncapital financing activities	—	969	(696)	—	9,177	288	—	4,738
<b>Cash flows from capital and related financing activities:</b>								
Acquisition of capital assets	—	(22)	—	—	—	—	—	(298)
Net cash provided by (used for) capital and related financing activities	—	(22)	—	—	—	—	—	(298)
<b>Cash flows from investing activities:</b>								
Interest on investments	—	—	—	—	21	10	—	40
Net cash provided by (used for) investing activities	—	—	—	—	21	10	—	40
Net increase (decrease) in cash and cash equivalents	(673)	(398)	(756)	(1)	(4,291)	347	—	(6,659)
Cash and cash equivalents - July 1	2,898	552	758	57	11,391	6,348	—	37,005
Cash and cash equivalents - June 30	\$ 2,225	\$ 154	\$ 2	\$ 56	\$ 7,100	\$ 6,695	\$ —	\$ 30,346

(Continued)

**State of Rhode Island**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(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)	\$ (662)	\$ (575)	\$ (15)	\$ (1)	\$ (10,829)	\$ 49	\$ —	\$ (10,821)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>								
Depreciation	91	58	—	—	—	—	—	600
Other (revenue) expense and transfers (in) out	—	(2)	—	—	—	—	—	9
(Increase) decrease in assets:								
Receivables	(168)	(877)	656	—	(2,092)	—	—	(1,640)
Inventory	(24)	(182)	—	—	—	—	—	(495)
Increase (decrease) in liabilities:								
Accounts payable	74	232	(706)	—	30	—	—	2,371
Accrued expenses	16	1	5	—	(598)	—	—	(1,163)
Total adjustments	(11)	(770)	(45)	—	(2,660)	—	—	(318)
Net cash provided by (used for) operating activities	\$ (673)	\$ (1,345)	\$ (60)	\$ (1)	\$ (13,489)	\$ 49	\$ —	\$ (11,139)

(Concluded)

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## Trust Funds

### Pension Trust Funds

**Pension Trust Funds** – used to report resources that are required to be held for the members and beneficiaries of the State sponsored pension plans.

**Employees' Retirement System** – a multiple-employer, cost-sharing, public employee retirement plan for State employees, teachers and certain employees of local school districts.

**Municipal Employees' Retirement System** – an agent multiple-employer public employee retirement plan for municipal police, firemen and employees of municipalities, housing authorities and water and sewer districts that have elected to participate.

**State Police Retirement Benefits Trust** – a single-employer public employee retirement plan for State police hired on or after July 1, 1987.

**State Police Retirement Fund Trust** – a single-employer public employee retirement plan for State police hired prior to July 1, 1987.

**Judicial Retirement Benefits Trust** – a single-employer public employee retirement plan for State judges appointed after December 31, 1989.

**Judicial Retirement Fund Trust** – a single-employer public employee retirement plan for State judges appointed before January 1, 1990.

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

**Defined Contribution Plan** – a money purchase plan that operates under Section 401 (a) of the Internal Revenue Code. The plan covers certain members of the Employees' Retirement System, excluding legislators, correctional officers and Municipal Employees' Retirement System police and fire employees who participate in Social Security. Judges and State police officers are also excluded from the plan.

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

### Other Employee Benefit Trust Funds

**OPEB Trust Funds** – established for the purpose of providing and administering OPEB benefits for retired employees of the State of Rhode Island and their dependents for the classes listed below.

**State Employees** – covers State employees and certain employees of the Narragansett Bay Commission, RI Airport Corporation, and RI Commerce Corporation.

**Teachers** – covers certified public school teachers electing to participate.

**Judicial** – covers judges and magistrates.

**State Police** – covers retired State police officers.

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## Trust Funds

### Other Employee Benefit Trust Funds

**Legislators** – covers retired and former members of the General Assembly.

**Board of Education** – covers certain members of the University and Colleges, primarily faculty.

### Private Purpose Trust Funds

**Rhode Island Higher Education Savings Trust - (RIHEST)** administers the CollegeBound 529 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.

**ABLE Consortium Trust** - administers funds for eligible individuals with qualifying disabilities to save for disability related expenses in a tax-advantaged way. The Trust was established as part of the Tax Increase Prevention Act of 2014

**HealthSource RI Trust** - collects health and dental insurance premium payments from qualified employers and individuals and pays such premium payments to qualified health plans offered through an exchange.

**State of Rhode Island**  
**Combining Statement of Fiduciary Net Position**  
**Pension and Other Employee Benefits Trust Funds**  
**June 30, 2022**  
**(Expressed in Thousands)**

	<b>Pension Trust</b>	<b>Other Employee Benefits Trust</b>	<b>Totals</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,687	\$ 5,485	\$ 13,172
Receivables			
Contributions	81,045	2,197	83,242
Due from State for teachers	24,498	—	24,498
Due from other plans	2,293	—	2,293
Other	1,284	—	1,284
Total receivables	109,120	2,197	111,317
Prepaid expenses	2,245	—	2,245
Investments, at fair value			
Equity in pooled trust	9,969,196	501,561	10,470,757
Other investments	1,473,981	—	1,473,981
Total investments	11,443,177	501,561	11,944,738
Total assets	11,562,229	509,243	12,071,472
<b>Liabilities</b>			
Accounts payable	5,669	134	5,803
Due to other plans	2,293	—	2,293
Incurred but not reported claims	—	908	908
Other	—	7,231	7,231
Total liabilities	7,962	8,273	16,235
<b>Fiduciary Net position restricted for pension and other post employment benefits</b>	<b>\$ 11,554,267</b>	<b>\$ 500,970</b>	<b>\$ 12,055,237</b>



**State of Rhode Island**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension and Other Employee Benefits Trust Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	Pension Trust	Other Employee Benefits Trust	Totals
<b>Additions</b>			
Contributions			
Member contributions	\$ 221,205	\$ 1,801	\$ 223,006
Employer contributions	510,691	52,029	562,720
New employer contributions	51,731	—	51,731
Additional employer contributions	230	—	230
Supplemental employer contributions	62,012	—	62,012
State contributions for teachers	116,291	—	116,291
Interest on service credits purchased	205	—	205
Service credit transfer payments	15,963	—	15,963
Total contributions	978,328	53,830	1,032,158
Other income	51	2,019	2,070
Investment income			
Increase in fair value of investments	(478,312)	(58,181)	(536,493)
Interest	65,041	10	65,051
Dividends	64,173	—	64,173
Other investment income	(601)	—	(601)
	(349,699)	(58,171)	(407,870)
Less investment expense	(166,710)	(79)	(166,789)
Net investment income	(516,409)	(58,250)	(574,659)
Total additions	461,970	(2,401)	459,569
<b>Deductions</b>			
Retirement benefits	997,929	—	997,929
Death benefits	3,711	—	3,711
Distributions	46,499	—	46,499
Refund of contributions	6,831	—	6,831
Administrative expense	11,935	183	12,118
Service credit transfers	15,963	—	15,963
OPEB benefits	—	29,122	29,122
Total deductions	1,082,868	29,305	1,112,173
Net Increase (Decrease)	(620,898)	(31,706)	(652,604)
<b>Net position restricted for pension and other post employment benefits</b>			
Fiduciary Net position - beginning	12,175,165	532,676	12,707,841
Fiduciary Net position - ending	\$ 11,554,267	\$ 500,970	\$ 12,055,237

**State of Rhode Island**  
**Combining Statement of Fiduciary Net Position**  
**Pension Trust Funds**  
**June 30, 2022**  
**(Expressed in Thousands)**

	<b>Employees' Retirement System</b>	<b>Municipal Employees' Retirement</b>	<b>State Police Retirement Benefits Trust</b>	<b>State Police Retirement Fund Trust</b>	<b>Judicial Retirement Benefits Trust</b>	<b>Judicial Retirement Fund Trust</b>	<b>Teachers' Survivors Benefit Plan</b>	<b>Defined Contribution Plan</b>	<b>FICA Alternative Retirement Program</b>	<b>Totals</b>
<b>Assets</b>										
Cash and cash equivalents	\$ 4,833	\$ 1,047	\$ 603	\$ 38	\$ 31	\$ 734	\$ 401	\$ —	\$ —	7,687
Receivables										
Contributions	79,128	1,022	420	—	86	—	2	387	—	81,045
Due from State for teachers	24,498	—	—	—	—	—	—	—	—	24,498
Due from other plans	1,679	463	—	—	151	—	—	—	—	2,293
Other	1,131	96	—	21	—	36	—	—	—	1,284
Total receivables	106,436	1,581	420	21	237	36	2	387	—	109,120
Prepaid expenses	1,737	378	30	4	15	—	81	—	—	2,245
Investments, at fair value										
Equity in Pooled Trust	7,221,821	2,034,050	189,553	23,845	97,592	806	401,529	—	—	9,969,196
Other-Defined Contribution Plan	—	—	—	—	—	—	—	1,470,195	3,786	1,473,981
Total investments	7,221,821	2,034,050	189,553	23,845	97,592	806	401,529	1,470,195	3,786	11,443,177
Total assets	7,334,827	2,037,056	190,606	23,908	97,875	1,576	402,013	1,470,582	3,786	11,562,229
<b>Liabilities</b>										
Accounts payable	4,351	972	83	13	34	—	216	—	—	5,669
Due to other plans	463	1,679	—	—	—	151	—	—	—	2,293
Total liabilities	4,814	2,651	83	13	34	151	216	—	—	7,962
<b>Fiduciary Net position restricted for pension benefits</b>	<b>\$ 7,330,013</b>	<b>\$ 2,034,405</b>	<b>\$ 190,523</b>	<b>\$ 23,895</b>	<b>\$ 97,841</b>	<b>\$ 1,425</b>	<b>\$ 401,797</b>	<b>\$ 1,470,582</b>	<b>\$ 3,786</b>	<b>\$ 11,554,267</b>

State of Rhode Island  
Combining Statement of Changes in Fiduciary Net Position  
Pension Trust Funds  
For the Fiscal Year Ended June 30, 2022  
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	State Police Retirement Fund Trust	Judicial Retirement Benefits Trust	Judicial Retirement Fund Trust	Teachers' Survivors Benefit Plan	Defined Contribution Plan	FICA Alternative Retirement Program	Totals
<b>Additions</b>										
Contributions										
Member contributions	\$ 89,195	\$ 20,190	\$ 2,387	\$ —	\$ 1,398	\$ 125	\$ 756	\$ 106,934	\$ 220	\$ 221,205
Employer contributions	390,525	61,955	5,211	16,387	2,611	405	756	32,841	—	510,691
New employer contributions	—	51,731	—	—	—	—	—	—	—	51,731
Additional employer contributions	—	230	—	—	—	—	—	—	—	230
Supplemental employer contributions	61,888	124	—	—	—	—	—	—	—	62,012
State contributions for teachers	116,291	—	—	—	—	—	—	—	—	116,291
Interest on service credits purchased	179	10	16	—	—	—	—	—	—	205
Service credit transfers (net)	11,081	4,882	—	—	—	—	—	—	—	15,963
Total contributions	669,159	139,122	7,614	16,387	4,009	530	1,512	139,775	220	978,328
Investment income										
Increase in fair value of investments	(174,231)	(49,182)	(4,600)	(130)	(2,361)	(20)	(9,710)	(238,078)	—	(478,312)
Interest	47,383	12,969	1,223	201	632	5	2,628	—	—	65,041
Dividends	46,090	12,618	1,190	196	615	5	2,556	903	—	64,173
Other investment income	—	—	—	—	—	—	—	—	(601)	(601)
	(80,758)	(23,595)	(2,187)	267	(1,114)	(10)	(4,526)	(237,175)	(601)	(349,699)
Less investment expense	(121,157)	(33,480)	(3,157)	(539)	(1,628)	(13)	(6,736)	—	—	(166,710)
Net investment income	(201,915)	(57,075)	(5,344)	(272)	(2,742)	(23)	(11,262)	(237,175)	(601)	(516,409)
Miscellaneous revenue	33	16	—	—	—	—	—	2	—	51
Total additions	467,277	82,063	2,270	16,115	1,267	507	(9,750)	(97,398)	(381)	461,970
<b>Deductions</b>										
Retirement benefits	840,548	117,479	7,745	15,698	4,700	500	11,259	—	—	997,929
Death benefits	3,018	693	—	—	—	—	—	—	—	3,711
Distributions	—	—	—	—	—	—	—	46,276	223	46,499
Refund of contributions	5,073	900	104	—	—	—	754	—	—	6,831
Administrative expense	7,627	2,039	203	21	98	2	413	1,469	63	11,935
Service credit transfers (net)	9,866	6,097	—	—	—	—	—	—	—	15,963
Total deductions	866,132	127,208	8,052	15,719	4,798	502	12,426	47,745	286	1,082,868
Net increase (decrease)	(398,855)	(45,145)	(5,782)	396	(3,531)	5	(22,176)	(145,143)	(667)	(620,898)
<b>Net position restricted for pension benefits</b>										
Fiduciary Net position - beginning	7,728,868	2,079,550	196,305	23,499	101,372	1,420	423,973	1,615,725	4,453	12,175,165
Fiduciary Net position - ending	\$ 7,330,013	\$ 2,034,405	\$ 190,523	\$ 23,895	\$ 97,841	\$ 1,425	\$ 401,797	\$ 1,470,582	\$ 3,786	\$ 11,554,267

**State of Rhode Island**  
**Combining Statement of Fiduciary Net Position**  
**Other Employee Benefit Trust Funds**  
**June 30, 2022**  
**(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	\$ 2,928	\$ 105	\$ 757	\$ 946	\$ 207	\$ 542	5,485
Receivables							
Contributions Receivable	1,672	26	7	321	24	147	2,197
Investments at fair value - equity in pooled trust	339,254	14,741	4,771	79,560	3,627	59,608	501,561
<b>Total assets</b>	<b>343,854</b>	<b>14,872</b>	<b>5,535</b>	<b>80,827</b>	<b>3,858</b>	<b>60,297</b>	<b>509,243</b>
<b>Liabilities</b>							
Accounts payable	104	8	1	20	—	1	134
Incurred but not reported claims	604	65	4	133	6	96	908
Due to other funds	190	8	2	53	2	34	289
Other	6,593	349	—	—	—	—	6,942
<b>Total liabilities</b>	<b>7,491</b>	<b>430</b>	<b>7</b>	<b>206</b>	<b>8</b>	<b>131</b>	<b>8,273</b>
<b>Fiduciary Net position restricted for other post employment benefits</b>	<b>\$ 336,363</b>	<b>\$ 14,442</b>	<b>\$ 5,528</b>	<b>\$ 80,621</b>	<b>\$ 3,850</b>	<b>\$ 60,166</b>	<b>\$ 500,970</b>

**State of Rhode Island**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Other Employee Benefit Trust Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	State Employees	Teachers	Judges	State Police	Legislators	Board of Education	Totals
<b>Additions</b>							
Contributions							
Member contributions	\$ —	\$ —	\$ —	\$ —	\$ —	1,801	\$ 1,801
Employer contributions	41,485	—	—	5,864	—	4,680	52,029
	41,485	—	—	5,864	—	6,481	53,830
Other income	1,410	32	26	425	73	53	2,019
Investment income							
Increase in fair value of investments	(39,286)	(1,706)	(552)	(9,274)	(420)	(6,943)	(58,181)
Interest and dividends	7	—	1	1	—	1	10
	(39,279)	(1,706)	(551)	(9,273)	(420)	(6,942)	(58,171)
Less investment expense	(53)	(2)	(1)	(13)	(1)	(9)	(79)
Net investment income	(39,332)	(1,708)	(552)	(9,286)	(421)	(6,951)	(58,250)
Total additions	3,563	(1,676)	(526)	(2,997)	(348)	(417)	(2,401)
<b>Deductions</b>							
Benefits	22,653	891	(82)	2,805	62	2,793	29,122
Administrative expense	124	5	2	29	1	22	183
Total deductions	22,777	896	(80)	2,834	63	2,815	29,305
Net increase (decrease)	(19,214)	(2,572)	(446)	(5,831)	(411)	(3,232)	(31,706)
<b>Net position restricted for other postemployment benefits</b>							
Fiduciary Net position - beginning	355,577	17,014	5,974	86,452	4,261	63,398	532,676
Fiduciary Net position - ending	\$ 336,363	\$ 14,442	\$ 5,528	\$ 80,621	\$ 3,850	\$ 60,166	\$ 500,970

**State of Rhode Island**  
**Combining Statement of Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**June 30, 2022**  
**(Expressed in Thousands)**

	Tuition Savings Program (RIHEST)	Touro Jewish Synagogue	ABLE Trust	Health Source RI Trust	Totals
<b>Assets</b>					
Cash and cash equivalents	\$ 4,241	\$ —	\$ —	\$ 2,717	\$ 6,958
Receivables					
Program investments sold	441	—	—	—	441
Investments, at fair value	4,452,495	3,458	3,033	—	4,458,986
Total assets	4,457,177	3,458	3,033	2,717	4,466,385
<b>Liabilities</b>					
Accounts payable	12,232	—	3	2,717	14,952
Total liabilities	12,232	—	3	2,717	14,952
<b>Net position</b>					
Restricted for:					
Tuition Savings Program	4,444,945	—	—	—	4,444,945
Other	—	3,458	3,030	—	6,488
Total net position	\$ 4,444,945	\$ 3,458	\$ 3,030	\$ —	\$ 4,451,433

**State of Rhode Island**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Private Purpose Trust Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	<b>Tuition Savings Program (RIHEST)</b>	<b>Touro Jewish Synagogue</b>	<b>ABLE Trust</b>	<b>Health Source RI Trust</b>	<b>Totals</b>
<b>Additions</b>					
Program participant subscriptions	\$ 269,184	\$ —	\$ 1,392	\$ 82,504	\$ 353,080
Investment income					
Increase (decrease) in fair value of investments	(649,601)	(547)	(244)	—	(650,392)
Dividends and interest	214,234	36	—	—	214,270
Total additions	(166,183)	(511)	1,148	82,504	(83,042)
<b>Deductions</b>					
Program participant redemptions	774,024	—	546	82,504	857,074
Administrative expense	18,736	175	—	—	18,911
Total deductions	792,760	175	546	82,504	875,985
<b>Change in net position restricted for:</b>					
Tuition Savings Program	(958,943)	—	—	—	(958,943)
Other	—	(686)	602	—	(84)
Net position - beginning	5,403,888	4,144	2,428	—	5,410,460
Net position - ending	<u>\$4,444,945</u>	<u>\$ 3,458</u>	<u>\$ 3,030</u>	<u>\$ —</u>	<u>\$4,451,433</u>

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## Custodial Funds

**Custodial Funds** – used to report resources held by the State in a purely custodial capacity.

**Confiscated Property** – accounts for confiscation of assets or property derived from suspected criminal activity.

**Statutory Deposits** – accounts for deposits required from financial institutions, principally insurance companies, doing business within the State.

**Funds Held for Hospital Patients** – accounts for funds deposited to benefit those patients in State care.

**Funds Held for Developmentally Disabled Individuals** – accounts for funds deposited to benefit those individuals in State care.

**Workers' Compensation Insurance Bond Deposits** – accounts for bonds the State requires to be posted prior to the dissolution of a business by employers that are self insured for workers' compensation insurance.

**Inmate Accounts** – accounts for inmate wages earned and deposits made by others for the benefit of specific inmates.

**Unclaimed Property** – accounts for funds abandoned or unclaimed by rightful owner for a specific period of time.



**State of Rhode Island**  
**Combining Statement of Fiduciary Net Position**  
**Custodial Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	<b>Confiscated Property</b>	<b>Statutory Deposits</b>	<b>Funds Held for Hospital Patients</b>	<b>Funds Held for Developmentally Disabled Individuals</b>	<b>Workers' Compensation Insurance Bond Deposits</b>	<b>Inmate Accounts</b>	<b>Unclaimed Property</b>	<b>Total</b>
<b>Assets:</b>								
Current Assets:								
Deposits held for others	\$ —	\$ 52,903	\$ —	\$ —	\$ —	\$ —	\$ —	52,903
Other Assets	3,089	—	338	765	2,569	2,722	10,905	20,388
Total current assets	3,089	52,903	338	765	2,569	2,722	10,905	73,291
Total Assets	3,089	52,903	338	765	2,569	2,722	10,905	73,291
<b>Liabilities:</b>								
Current Liabilities:								
Unclaimed Property Claims	—	—	—	—	—	—	1,341	1,341
Due to inmates and beneficiaries	7	—	54	—	—	585	—	646
Total current liabilities	7	—	54	—	—	585	1,341	1,987
Total Liabilities	7	—	54	—	—	585	1,341	1,987
<b>Net Position:</b>								
Restricted	3,082	\$ 52,903	284	765	2,569	2,137	9,564	71,304
Total Net Position	\$ 3,082	\$ 52,903	\$ 284	\$ 765	\$ 2,569	\$ 2,137	\$ 9,564	\$ 71,304

**State of Rhode Island**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Custodial Funds**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	<b>Confiscated Property</b>	<b>Statutory Deposits</b>	<b>Funds Held for Hospital Patients</b>	<b>Funds Held for Developmentally Disabled Individuals</b>	<b>Workers' Compensation Insurance Bond Deposits</b>	<b>Inmate Accounts</b>	<b>Unclaimed Property</b>	<b>Total</b>
<b>Additions:</b>								
Confiscated assets	\$ 792	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 792
Statutory deposits	—	12,021	—	—	—	—	—	12,021
Deposits for patients, clients and inmates	—	—	746	1,382	—	7,068	—	9,196
Unclaimed property	—	—	—	—	—	—	34,794	34,794
Interest and investment income	—	1,358	—	—	8	—	—	1,366
<b>Total additions</b>	<b>792</b>	<b>13,379</b>	<b>746</b>	<b>1,382</b>	<b>8</b>	<b>7,068</b>	<b>34,794</b>	<b>58,169</b>
<b>Deductions:</b>								
Change in fair value	—	4,346	—	—	—	—	—	4,346
Payments of confiscated assets	608	—	—	—	—	—	—	608
Return of statutory deposits	—	13,234	—	—	—	—	—	13,234
Payments made on behalf of patients, clients and inmates	—	—	1,107	1,402	—	7,019	—	9,528
Transfer of unclaimed funds to the General Fund	—	—	—	—	—	—	21,425	21,425
Return of unclaimed property	—	—	—	—	—	—	14,050	14,050
<b>Total deductions</b>	<b>608</b>	<b>17,580</b>	<b>1,107</b>	<b>1,402</b>	<b>—</b>	<b>7,019</b>	<b>35,475</b>	<b>63,191</b>
Change in restricted net position	184	(4,201)	(361)	(20)	8	49	(681)	(5,022)
Restricted net position-beginning	\$ 2,898	\$ 57,104	\$ 645	\$ 785	\$ 2,561	\$ 2,088	\$ 10,245	\$ 76,326
Restricted net position-ending	\$ 3,082	\$ 52,903	\$ 284	\$ 765	\$ 2,569	\$ 2,137	\$ 9,564	\$ 71,304

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2022**  
**(Expressed in Thousands)**

	CFSD	The Met	DHEA	RIHMF	RIIFC	RIIRBA
<b>Assets and deferred outflows of resources</b>						
Current Assets:						
Cash and cash equivalents	\$ 3,717	\$ 11,875	\$ —	\$ 3,758	\$ 126	\$ 486
Receivables (net)	1,269	2,793	—	5,100	25	28
Lease Receivable, current	—	—	—	—	—	—
Restricted assets:						
Cash and cash equivalents	2,271	—	10,975	434,635	—	—
Investments	—	—	421	120,654	—	—
Receivables (net)	—	—	—	—	—	—
Other assets	—	—	—	49,107	—	—
Due from primary government	1,070	—	742	—	—	—
Due from other governments	6,089	—	—	840	—	—
Due from other component units	—	—	—	—	122	—
Inventories	—	—	—	—	—	—
Other assets	527	—	4	8,917	4	8
Total current assets	14,943	14,668	12,142	623,011	277	522
Noncurrent Assets:						
Receivables (net)	—	—	—	7,324	—	—
Lease Receivable, non-current	—	—	—	—	—	—
Restricted assets:						
Cash and cash equivalents	—	—	—	—	—	—
Investments	—	—	—	661,728	—	—
Receivables (net)	—	—	—	—	—	—
Other assets	8,724	—	—	1,093,899	—	—
Lease Asset, net	—	—	—	—	—	—
Capital assets - nondepreciable	—	364	—	—	—	—
Capital assets - depreciable (net)	5,563	158	—	—	—	—
Due from other component units	—	—	—	—	—	—
Other assets, net of amortization	—	—	—	223,057	—	—
Total noncurrent assets	14,287	522	—	1,986,008	—	—
Total assets	29,230	15,190	12,142	2,609,019	277	522
<b>Deferred outflows of resources</b>	8,988	—	225	2,906	—	—

(Continued)

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2022**  
**(Expressed in Thousands)**

	CFSD	The Met	DHEA	RIHMFC	RIIFC	RIIRBA
<b>Liabilities and deferred inflows of resources</b>						
Current liabilities:						
Accounts payable	3,816	2,212	85	2,096	12	—
Notes Payable	—	—	—	108,460	—	—
Loans Payable	—	—	—	—	—	—
Due to primary government	—	—	—	—	—	—
Due to other component units	—	—	—	—	—	124
Unearned revenue	—	—	—	—	3	—
Other liabilities	104	—	—	256,639	—	453
Lease Liability - Current	81	—	—	—	—	—
Compensated absences	54	—	10	—	—	—
Current portion of long-term debt	—	—	—	31,349	—	—
Total current liabilities	4,055	2,212	95	398,544	15	577
Noncurrent liabilities:						
Unearned revenue	—	—	—	—	15	—
Notes payable	—	—	—	180,468	—	—
Loans payable	—	—	—	—	—	—
Obligations under capital leases	—	—	—	—	—	—
Net pension liability	24,992	—	222	—	—	—
Net OPEB liability	11,814	—	29	10,290	—	—
Other liabilities	—	—	—	242,698	—	1,373
Lease Liability - Non Current	218	—	—	—	—	—
Compensated absences	996	—	23	2,253	—	—
Bonds payable	—	—	—	1,441,564	—	—
Total noncurrent liabilities	38,020	—	274	1,877,273	15	1,373
Total liabilities	42,075	2,212	369	2,275,817	30	1,950
<b>Deferred inflows of resources</b>	16,679	—	1,058	2,066	—	—
<b>Net position (deficit)</b>						
Net investment in capital assets	5,265	522	—	9,497	—	—
Restricted for:						
Debt	—	—	—	214,034	—	—
Other	2,349	2,384	10,940	2,112	—	—
Unrestricted	(28,150)	10,072	—	108,399	247	(1,428)
Net position (deficit)	\$ (20,536)	\$ 12,978	\$ 10,940	\$ 334,042	\$ 247	\$ (1,428)

(Continued)

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2022**  
**(Expressed in Thousands)**

	RIRRC	QDC	RIIB	RIHEBC	Totals
<b>Assets and deferred outflows of resources</b>					
Current Assets:					
Cash and cash equivalents	\$ 62,097	\$ 120	\$ 5,858	\$ 8,357	\$ 96,394
Receivables (net)	7,214	4,173	10,782	121	31,505
Lease Receivable, current	37	7,617	—	—	7,654
Restricted assets:					
Cash and cash equivalents	—	11,186	297,921	201	757,189
Investments	—	—	21,633	—	142,708
Receivables (net)	—	—	104,929	—	104,929
Other assets	—	—	202	—	49,309
Due from primary government	—	2,706	21,915	—	26,433
Due from other governments	—	—	—	—	6,929
Due from other component units	—	235	—	—	357
Inventories	2,834	—	—	—	2,834
Other assets	704	611	—	105	10,880
Total current assets	72,886	26,648	463,240	8,784	1,237,121
Noncurrent Assets:					
Receivables (net)	—	25	64,647	463	72,459
Lease Receivable, non-current	1,211	171,282	—	—	172,493
Restricted assets:					
Cash and cash equivalents	—	446	—	—	446
Investments	123,573	—	—	—	785,301
Receivables (net)	—	—	1,110,116	—	1,110,116
Other assets	1,454	4,749	—	—	1,108,826
Lease Asset, net	—	25,815	—	—	25,815
Capital assets - nondepreciable	48,989	212,416	—	—	261,769
Capital assets - depreciable (net)	54,999	125,155	60	417	186,352
Due from other component units	—	593	—	—	593
Other assets, net of amortization	610	—	—	—	223,667
Total noncurrent assets	230,836	540,481	1,174,823	880	3,947,837
Total assets	303,722	567,129	1,638,063	9,664	5,184,958
<b>Deferred outflows of resources</b>	65	364	6,799	—	19,347

(Continued)

**State of Rhode Island**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**June 30, 2022**  
**(Expressed in Thousands)**

	RIRRC	QDC	RIIB	RIHEBC	Totals
<b>Liabilities and deferred inflows of resources</b>					
Current liabilities:					
Accounts payable	7,266	1,981	525	—	17,993
Notes Payable	250	—	—	—	108,710
Loans Payable	—	1,999	—	—	1,999
Due to primary government	—	—	—	100	100
Due to other component units	—	—	—	—	124
Unearned revenue	—	3,625	—	—	3,628
Other liabilities	932	5,060	120,351	74	383,613
Lease Liability - Current	20	737	—	97	935
Compensated absences	537	—	—	—	601
Current portion of long-term debt	4,517	785	70,652	—	107,303
Total current liabilities	<u>13,522</u>	<u>14,187</u>	<u>191,528</u>	<u>271</u>	<u>625,006</u>
Noncurrent liabilities:					
Unearned revenue	—	1,254	—	—	1,269
Notes payable	1,393	—	—	—	181,861
Loans payable	—	11,721	—	—	11,721
Obligations under capital leases	—	—	—	—	—
Net pension liability	—	—	—	—	25,214
Net OPEB liability	527	—	—	—	22,660
Other liabilities	129,877	—	1,689	—	375,637
Lease liability - Non current	7	25,502	—	317	26,044
Compensated absences	30	—	—	—	3,302
Bonds payable	—	14,784	593,881	—	2,050,229
Total noncurrent liabilities	<u>131,834</u>	<u>53,261</u>	<u>595,570</u>	<u>317</u>	<u>2,697,937</u>
Total liabilities	<u>145,356</u>	<u>67,448</u>	<u>787,098</u>	<u>588</u>	<u>3,322,943</u>
<b>Deferred inflows of resources</b>	<u>1,461</u>	<u>177,822</u>	<u>2,199</u>	<u>—</u>	<u>201,285</u>
<b>Net position (deficit)</b>					
Net investment in capital assets	100,600	308,304	60	4	424,252
Restricted for:					
Debt	—	—	—	—	214,034
Other	—	720	828,274	200	846,979
Unrestricted	56,370	13,199	27,231	8,872	194,812
Net position (deficit)	<u>\$ 156,970</u>	<u>\$ 322,223</u>	<u>\$ 855,565</u>	<u>\$ 9,076</u>	<u>\$1,680,077</u>

(Concluded)

**State of Rhode Island**  
**Combining Statement of Activities**  
**Nonmajor Component Units**  
**For the Fiscal Year Ended June 30, 2022**  
**(Expressed in Thousands)**

	CFSD	The Met	DHEA	RIHMFC	RIIFC	RIIRBA	RIRRC	QDC	RIIB	RIHEBC	Totals
<b>Expenses</b>	\$ 58,374	\$ 18,637	\$ 2,098	\$364,569	\$ 44	\$ 93	\$ 57,681	\$ 17,392	\$ 25,438	\$ 2,015	\$ 546,341
<b>Program revenues:</b>											
Charges for services	3,223	4,862	—	123,047	67	112	71,811	22,332	6,344	2,370	234,168
Operating grants and contributions	60,309	12,398	4,907	251,557	—	—	—	—	100	—	329,271
Capital grants and contributions	2,961	—	—	—	—	—	—	35,856	76,169	—	114,986
Total program revenues	66,493	17,260	4,907	374,604	67	112	71,811	58,188	82,613	2,370	678,425
Net (Expenses) Revenues	8,119	(1,377)	2,809	10,035	23	19	14,130	40,796	57,175	355	132,084
<b>General revenues:</b>											
Interest and investment earnings (losses)	—	32	16	(66,946)	—	1	(8,181)	15	21,111	7	(53,945)
Miscellaneous revenues	1,525	72	—	—	—	—	—	—	—	28	1,625
Gain (Loss) on sale of capital assets	—	—	—	—	—	—	52	178	—	—	230
Total general revenues	1,525	104	16	(66,946)	—	1	(8,129)	193	21,111	35	(52,090)
Change in net position	9,644	(1,273)	2,825	(56,911)	23	20	6,001	40,989	78,286	390	79,994
<b>Net position (deficit) - beginning as restated</b>	(30,180)	14,251	8,115	390,953	224	(1,448)	150,969	281,234	777,279	8,686	1,600,083
<b>Net Position - ending</b>	\$ (20,536)	\$ 12,978	\$ 10,940	\$ 334,042	\$ 247	\$ (1,428)	\$ 156,970	\$ 322,223	\$ 855,565	\$ 9,076	\$ 1,680,077

# Statistical Section



*State of Rhode Island*  
**Annual Comprehensive Financial Report**  
*Fiscal year ended June 30, 2022*

**2022**



## Statistical Section

### Index

This part of the State's annual comprehensive financial report presents detailed information as to the context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

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<b>Financial Trends Information</b>	<b>281</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>289</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>295</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>297</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>300</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 annual comprehensive financial reports of the relevant year.

*Note: When applicable, financial data has been reported at restated amounts in the Statistical Section.*

**State of Rhode Island**  
**Schedule of Net Position by Components**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(expressed in thousands)

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Governmental activities**										
Net investment in capital assets	\$ 4,315,804	\$ 4,049,759	\$ 3,845,461	\$ 3,554,559	\$ 3,356,040	\$ 3,212,380	\$ 3,063,506	\$ 2,934,439	\$ 2,706,209	\$ 2,486,783
Restricted *	1,461,030	709,429	460,163	850,784	584,682	920,232	733,280	841,777	799,274	775,758
Unrestricted *	(4,493,469)	(4,595,435)	(4,929,281)	(5,124,876)	(4,702,373)	(5,035,275)	(4,333,487)	(4,380,849)	(4,454,382)	(1,436,799)
Total governmental activities net position (deficit)	<u>\$ 1,283,365</u>	<u>\$ 163,753</u>	<u>\$ (623,657)</u>	<u>\$ (719,533)</u>	<u>\$ (761,651)</u>	<u>\$ (902,663)</u>	<u>\$ (536,701)</u>	<u>\$ (604,633)</u>	<u>\$ (948,899)</u>	<u>\$ 1,825,742</u>
Business-type activities										
Net investment in capital assets	\$ (27,576)	\$ (29,662)	\$ (31,295)	\$ (42,225)	\$ (50,807)	\$ (53,682)	\$ (57,493)	\$ (61,956)	\$ (62,060)	\$ (67,394)
Restricted	345,148	231,685	366,561	561,601	471,070	384,198	283,901	155,682	33,795	8,340
Unrestricted	(17,094)	(22,886)	(28,309)	(27,981)	(26,437)	(23,285)	(19,970)	(21,312)	(19,991)	(86,571)
Total business-type activities net position (deficit)	<u>\$ 300,478</u>	<u>\$ 179,137</u>	<u>\$ 306,957</u>	<u>\$ 491,395</u>	<u>\$ 393,826</u>	<u>\$ 307,231</u>	<u>\$ 206,438</u>	<u>\$ 72,414</u>	<u>\$ (48,256)</u>	<u>\$ (145,625)</u>
Primary government										
Net investment in capital assets	\$ 4,288,228	\$ 4,020,097	\$ 3,814,166	\$ 3,512,334	\$ 3,305,233	\$ 3,158,698	\$ 3,006,013	\$ 2,872,483	\$ 2,644,149	\$ 2,419,389
Restricted *	1,806,178	941,114	826,724	1,412,385	1,055,752	1,304,430	1,017,181	997,459	833,069	784,098
Unrestricted *	(4,510,563)	(4,618,321)	(4,957,590)	(5,152,857)	(4,728,810)	(5,058,560)	(4,353,457)	(4,402,161)	(4,474,373)	(1,523,370)
Total primary government net position (deficit)	<u>\$ 1,583,843</u>	<u>\$ 342,890</u>	<u>\$ (316,700)</u>	<u>\$ (228,138)</u>	<u>\$ (367,825)</u>	<u>\$ (595,432)</u>	<u>\$ (330,263)</u>	<u>\$ (532,219)</u>	<u>\$ (997,155)</u>	<u>\$ 1,680,117</u>

\* Reclassifications from fiscal years 2013 through 2015 were made to conform with current presentation.

\*\* Reclassification of fund balance categories was done for 2020 to confirm with current presentation

**State of Rhode Island**  
**Schedule of Changes in Net Position**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(expressed in thousands)

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Expenses</b>										
Governmental activities:										
General government	\$ 1,546,983	\$ 1,399,797	\$ 914,244	\$ 843,756	\$ 751,362	\$ 753,011	\$ 769,469	\$ 695,611	\$ 736,911	\$ 625,081
Health and human services	5,436,751	4,959,473	4,361,236	4,063,865	3,965,185	3,802,311	3,652,875	3,631,236	3,302,590	3,038,841
Education	1,977,247	1,929,835	1,802,009	1,803,273	1,708,408	1,619,343	1,595,289	1,472,786	1,399,347	1,364,575
Public safety	627,380	610,263	586,841	580,367	433,815	551,000	545,329	478,854	478,826	473,580
Natural resources	125,582	96,158	103,506	103,477	97,253	90,082	87,537	83,979	80,690	76,730
Transportation	400,677	375,266	365,022	426,522	403,365	350,585	343,270	283,085	298,626	300,639
Interest and other charges	96,490	98,595	102,687	99,971	92,231	109,664	83,899	121,845	129,421	129,714
<b>Total governmental activities</b>	<b>10,211,110</b>	<b>9,469,387</b>	<b>8,235,545</b>	<b>7,921,231</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>
Business-type activities:										
Lottery	1,040,555	773,867	600,854	680,356	521,594	510,302	507,199	484,293	462,153	397,625
Convention Center	47,523	33,499	46,544	51,698	52,684	50,658	48,905	48,628	49,255	48,437
Employment Security	451,040	2,058,867	1,424,693	148,430	149,227	155,672	157,018	167,527	257,145	396,909
<b>Total business-type activities</b>	<b>1,539,118</b>	<b>2,866,233</b>	<b>2,072,091</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>Total primary government expenses</b>	<b>\$ 11,750,228</b>	<b>\$ 12,335,620</b>	<b>\$ 10,307,636</b>	<b>\$ 8,801,715</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>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 292,229	\$ 253,378	\$ 261,568	\$ 273,477	\$ 240,236	\$ 224,704	\$ 229,659	\$ 209,005	\$ 212,275	\$ 220,376
Health and human services	378,863	306,969	394,744	294,852	274,115	252,678	266,091	246,604	229,047	227,158
Education	47,930	40,478	34,724	45,262	34,357	32,250	29,749	29,775	27,617	26,840
Public safety	39,662	41,677	33,909	35,122	38,239	22,070	45,245	39,709	44,192	47,075
Natural resources	49,137	34,447	30,840	30,579	28,429	28,980	28,655	29,258	27,259	28,975
Transportation	63,309	58,163	41,701	34,663	25,929	23,857	25,354	22,806	7,199	1,076
Operating grants and contributions	4,822,534	4,697,836	3,159,368	2,817,912	2,784,544	2,747,631	2,677,431	2,666,243	2,403,772	2,211,800
Capital grants and contributions	335,376	282,976	288,421	295,979	207,673	230,956	178,628	217,604	228,649	190,551
<b>Total governmental activities program revenues</b>	<b>6,029,040</b>	<b>5,715,924</b>	<b>4,245,275</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>
Business-type activities:										
Charges for services	1,700,596	1,305,481	1,113,028	1,332,911	1,142,564	1,151,505	1,177,083	1,163,752	1,127,206	1,055,070
Operating grants and contributions	311,317	1,693,345	1,010,408	1,278	1,259	1,373	1,558	839	53,146	166,164
<b>Total business-type activities program revenues</b>	<b>2,011,913</b>	<b>2,998,826</b>	<b>2,123,436</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>Total primary government program revenues</b>	<b>\$ 8,040,953</b>	<b>\$ 8,714,750</b>	<b>\$ 6,368,711</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>

**State of Rhode Island**  
**Schedule of Changes in Net Position**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(expressed in thousands)

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Net (Expenses)/Revenues</b>										
Governmental activities	\$ (4,182,070)	\$ (3,753,463)	\$ (3,990,270)	\$ (4,093,385)	\$ (3,818,097)	\$ (3,712,870)	\$ (3,596,856)	\$ (3,306,392)	\$ (3,246,401)	\$ (3,055,309)
Business-type activities	472,795	132,593	51,345	453,705	420,318	436,246	465,519	464,143	411,799	378,263
Total primary government net expenses	\$ (3,709,275)	\$ (3,620,870)	\$ (3,938,925)	\$ (3,639,680)	\$ (3,397,779)	\$ (3,276,624)	\$ (3,131,337)	\$ (2,842,249)	\$ (2,834,602)	\$ (2,677,046)
<b>General Revenue and Other Changes in Net Position</b>										
Governmental activities:										
Taxes	\$ 4,813,492	\$ 4,143,930	\$ 3,693,329	\$ 3,609,427	\$ 3,474,545	\$ 3,308,575	\$ 3,266,347	\$ 3,206,935	\$ 2,980,387	\$ 2,870,969
Interest and investment earnings	6,026	3,110	12,884	19,028	10,548	6,313	3,134	3,212	4,852	4,893
Miscellaneous	120,875	109,667	142,310	101,495	124,370	146,205	90,836	107,382	108,398	143,240
Gain on sale of capital assets	1,439	8,326	—	—	—	598	4,693	993	953	3,757
Special items	—	—	—	—	—	—	—	(5,000)	—	—
Transfers	359,850	275,840	251,466	368,236	343,273	338,978	335,765	345,190	332,824	333,804
Total governmental activities	5,301,682	4,540,873	4,099,989	4,098,186	3,952,736	3,800,669	3,700,775	3,658,712	3,427,414	3,356,663
Business-type activities:										
Interest and investment earnings	350	156	764	639	604	312	164	186	109	117
Miscellaneous	8,046	15,271	14,148	11,461	8,946	6,814	4,106	1,531	31,208	24,490
Transfers	(359,850)	(275,840)	(251,466)	(368,236)	(343,273)	(338,978)	(335,765)	(345,190)	(332,824)	(333,804)
Total business-type activities	(351,454)	(260,413)	(236,554)	(356,136)	(333,723)	(331,852)	(331,495)	(343,473)	(301,507)	(309,197)
Total primary government	4,950,228	4,280,460	3,863,435	3,742,050	3,619,013	3,468,817	3,369,280	3,315,239	3,125,907	3,047,466
<b>Changes in Net Position</b>										
Governmental activities	1,119,612	787,410	109,719	4,801	134,639	87,799	103,919	352,320	181,013	301,354
Business-type activities	121,341	(127,820)	(185,209)	97,569	86,595	104,394	134,024	120,670	110,292	69,066
Total primary government	1,240,953	659,590	(75,490)	102,370	221,234	192,193	237,943	472,990	291,305	370,420

(Continued)

**State of Rhode Island**  
**Schedule of Changes in Net Position**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(expressed in thousands)

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Net Position (deficit), beginning of year as restated</b>										
Governmental activities	\$ 163,753	\$ (623,657)	\$ (719,533)	\$ (761,651)	\$ (902,663)	\$ (536,701)	\$ (604,633)	\$ (948,899)	\$ 1,825,742	\$ 1,540,948
Business-type activities	179,137	306,957	491,395	393,826	307,231	206,438	72,414	(48,256)	(145,625)	(212,580)
Total primary government	<u>342,890</u>	<u>(316,700)</u>	<u>(228,138)</u>	<u>(367,825)</u>	<u>(595,432)</u>	<u>(330,263)</u>	<u>(532,219)</u>	<u>(997,155)</u>	<u>1,680,117</u>	<u>1,328,368</u>
<b>Effect of Restatement in Subsequent Period</b>										
Governmental activities	—	—	(13,843)	37,317	6,373	(453,761)	(35,987)	(8,054)	(2,955,654)	(16,560)
Business-type activities	—	—	771	—	—	(3,601)	—	—	(12,923)	(2,111)
Total primary government	<u>—</u>	<u>—</u>	<u>(13,072)</u>	<u>37,317</u>	<u>6,373</u>	<u>(457,362)</u>	<u>(35,987)</u>	<u>(8,054)</u>	<u>(2,968,577)</u>	<u>(18,671)</u>
<b>Net Position (deficit), June 30 as restated</b>										
Governmental activities	1,283,365	163,753	(623,657)	(719,533)	(761,651)	(902,663)	(536,701)	(604,633)	(948,899)	1,825,742
Business-type activities	300,478	179,137	306,957	491,395	393,826	307,231	206,438	72,414	(48,256)	(145,625)
Total primary government	<u>\$ 1,583,843</u>	<u>\$ 342,890</u>	<u>\$ (316,700)</u>	<u>\$ (228,138)</u>	<u>\$ (367,825)</u>	<u>\$ (595,432)</u>	<u>\$ (330,263)</u>	<u>\$ (532,219)</u>	<u>\$ (997,155)</u>	<u>\$ 1,680,117</u>

(Concluded)

**State of Rhode Island**  
**Schedule of Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(expressed in thousands)

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Fund										
Nonspendable	\$ 1,323	\$ 1,538	\$ 7,918	\$ 1,558	\$ 1,626	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted	461,970	276,172	141,229	119,677	97,185	117,668	133,193	134,231	120,898	110,178
Unrestricted										
Committed	11,790	8,135	6,791	5,206	3,210	2,556	3,975	2,561	4,770	4,035
Assigned	31,720	291,985	6,851	37,255	42,385	67,931	128,422	130,964	72,005	105,639
Unassigned	476,914	319,425	225,138	207,336	218,136	201,818	235,096	234,131	197,706	181,282
Total General Fund (as restated)	<u>983,717</u>	<u>897,255</u>	<u>387,927</u>	<u>371,032</u>	<u>362,542</u>	<u>389,973</u>	<u>500,686</u>	<u>501,887</u>	<u>395,379</u>	<u>401,134</u>
All Other Governmental Funds										
Nonspendable	174	174	174	174	174	174	174	174	174	174
Restricted	1,477,675	928,708	843,088	794,052	862,804	916,016	614,687	660,845	615,667	660,198
Unrestricted										
Committed	100,329	42,268	51,116	87,111	76,782	63,673	39,175	10,727	4,118	163
Assigned	658	579	—	—	—	—	—	—	—	255
Unassigned	—	—	(588)	(694)	(1,130)	(1,518)	(1,519)	(1,486)	(4,028)	(4,113)
Total All Other Governmental Funds	<u>1,578,836</u>	<u>971,729</u>	<u>893,790</u>	<u>880,643</u>	<u>938,630</u>	<u>978,345</u>	<u>652,517</u>	<u>670,260</u>	<u>615,931</u>	<u>656,677</u>
Total - All Governmental Funds										
Nonspendable	1,497	1,712	8,092	1,732	1,800	174	174	174	174	174
Restricted	1,939,645	1,204,880	984,317	913,729	959,989	1,033,684	747,880	795,076	736,565	770,376
Unrestricted										
Committed	112,119	50,403	57,907	92,317	79,992	66,229	43,150	13,288	8,888	4,198
Assigned	32,378	292,564	6,851	37,255	42,385	67,931	128,422	130,964	72,005	105,894
Unassigned	476,914	319,425	224,550	206,642	217,006	200,300	233,577	232,645	193,678	177,169
Total - All Governmental Funds	<u>\$ 2,562,553</u>	<u>\$ 1,868,984</u>	<u>\$ 1,281,717</u>	<u>\$ 1,251,675</u>	<u>\$ 1,301,172</u>	<u>\$ 1,368,318</u>	<u>\$ 1,153,203</u>	<u>\$ 1,172,147</u>	<u>\$ 1,011,310</u>	<u>\$ 1,057,811</u>

Prior year balances have been reclassified to agree to current year presentation

**State of Rhode Island**  
**Schedule of Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(expressed in thousands)

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Revenues:</b>										
Taxes	\$4,811,250	\$4,141,193	\$3,686,449	\$3,603,497	\$3,472,042	\$3,310,524	\$3,266,616	\$3,210,123	\$2,975,016	\$2,868,503
Licenses, fines, sales, and services	471,641	438,935	444,469	430,616	410,726	373,066	380,376	348,214	332,655	320,767
Departmental restricted revenue	399,460	305,523	354,123	283,896	231,624	218,618	244,754	229,492	223,314	222,027
Federal grants	5,161,730	4,975,872	3,449,540	3,113,925	2,986,155	2,966,335	2,865,006	2,889,963	2,630,678	2,402,444
Income from investments	5,987	3,073	12,633	18,554	9,783	6,138	3,017	3,156	4,809	4,840
Other revenues	125,438	114,495	148,874	96,519	130,381	137,832	100,356	106,872	115,804	147,090
<b>Total operating revenues</b>	<b>\$10,975,506</b>	<b>\$9,979,091</b>	<b>\$8,096,088</b>	<b>\$7,547,007</b>	<b>\$7,240,711</b>	<b>\$7,012,513</b>	<b>\$6,860,125</b>	<b>\$6,787,820</b>	<b>\$6,282,276</b>	<b>\$5,965,671</b>
<b>Expenditures:</b>										
Current:										
General government	\$1,460,351	\$1,338,320	\$ 800,221	\$ 745,574	\$ 707,953	\$ 749,616	\$ 764,066	\$ 697,289	\$ 656,826	\$ 634,010
Health and human services	5,446,643	4,925,442	4,325,361	4,034,359	3,928,845	3,831,633	3,694,123	3,661,964	3,325,538	3,042,705
Education	1,965,622	1,839,342	1,662,336	1,642,764	1,579,936	1,526,076	1,467,236	1,403,807	1,357,903	1,330,388
Public safety	653,607	587,243	578,721	577,168	555,393	534,495	504,217	490,981	478,108	463,734
Natural resources	112,029	85,374	83,703	81,986	80,820	77,680	78,307	79,941	76,127	70,202
Transportation	591,298	586,942	661,629	593,988	474,310	387,518	386,712	373,715	383,816	373,887
Capital outlays	223,474	131,900	248,444	267,151	203,687	194,955	185,361	171,469	139,848	130,415
Intergovernmental										
Debt service:										
Principal	231,682	205,453	202,571	179,561	153,974	141,378	103,310	190,784	176,885	176,970
Interest and other charges	112,701	118,958	114,774	114,596	112,311	125,060	99,802	140,728	122,663	126,852
<b>Total operating expenditures</b>	<b>\$10,797,407</b>	<b>\$9,818,974</b>	<b>\$8,677,760</b>	<b>\$8,237,147</b>	<b>\$7,797,229</b>	<b>\$7,568,411</b>	<b>\$7,283,134</b>	<b>\$7,210,678</b>	<b>\$6,717,714</b>	<b>\$6,349,163</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 178,099</b>	<b>\$ 160,117</b>	<b>\$ (581,672)</b>	<b>\$ (690,140)</b>	<b>\$ (556,518)</b>	<b>\$ (555,898)</b>	<b>\$ (423,009)</b>	<b>\$ (422,858)</b>	<b>\$ (435,438)</b>	<b>\$ (383,492)</b>

(Continued)

**State of Rhode Island**  
**Schedule of Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(expressed in thousands)

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Other financing sources (uses):</b>										
Issuance of bonds and notes	\$ 135,000	\$ 135,900	\$ 386,705	\$ 255,820	\$ 149,375	\$ 336,925	\$ 72,000	\$ 121,125	\$ 53,150	\$ 81,400
Proceeds from capital leases	9,972	—	—	—	—	—	—	—	—	—
Issuance of refundings and other escrow assets	—	87,660	—	—	43,020	91,560	459,235	830,139	78,700	88,175
Capital leases	1,789	—	—	—	1,328	25,932	5,021	49,495	—	26,690
Premium and accrued interest	8,859	16,755	69,413	16,588	14,893	87,513	73,516	82,553	14,719	27,507
Transfers in	1,196,391	516,796	513,359	627,562	593,815	577,435	572,569	622,520	566,076	592,804
Payment to refunded bonds escrow agent	—	(89,005)	(82,028)	—	(60,111)	(109,895)	(532,780)	(866,168)	(91,991)	(101,172)
Proceeds from termination of investment contracts	—	—	—	—	—	—	—	26,361	—	—
Transfers out	(836,541)	(240,956)	(261,893)	(259,326)	(257,510)	(238,457)	(236,804)	(277,330)	(231,717)	(264,571)
<b>Total other financing sources (uses)</b>	<b>515,470</b>	<b>427,150</b>	<b>625,556</b>	<b>640,644</b>	<b>484,810</b>	<b>771,013</b>	<b>412,757</b>	<b>588,695</b>	<b>388,937</b>	<b>450,833</b>
Special items	—	—	—	—	—	—	—	(5,000)	—	—
<b>Net change in fund balances</b>	<b>693,569</b>	<b>587,267</b>	<b>43,884</b>	<b>(49,496)</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>
Fund Balance, beginning of year as restated	1,868,984	1,281,717	1,251,676	1,301,172	1,368,318	1,153,203	1,172,147	1,011,310	1,057,811	990,470
Effect of Restatement in Subsequent Period	—	—	(13,843)	—	4,562	—	(8,692)	—	—	—
<b>Fund Balance, June 30 as restated</b>	<b>\$2,562,553</b>	<b>\$1,868,984</b>	<b>\$1,281,717</b>	<b>\$1,251,676</b>	<b>\$1,301,172</b>	<b>\$1,368,318</b>	<b>\$1,153,203</b>	<b>\$1,172,147</b>	<b>\$1,011,310</b>	<b>\$1,057,811</b>

(Continued)



**State of Rhode Island**  
**Schedule of Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(expressed in thousands)

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total operating expenditures	\$10,797,407	\$9,818,974	\$8,677,760	\$8,237,147	\$7,797,229	\$7,568,411	\$7,283,134	\$7,210,678	\$6,717,714	\$6,349,163
	*The capital outlay amount used to calculate the debt service as a percentage of noncapital expenditures is from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities, and includes infrastructure additions reported separately above as transportation expense.									
Capital outlays	\$ 465,257	\$ 435,027	\$ 531,688	\$ 416,953	\$ 340,650	\$ 339,270	\$ 378,935	\$ 327,792	\$ 360,267	\$ 315,644
Total noncapital expenditures	\$10,332,150	\$9,383,947	\$8,146,072	\$7,820,194	\$7,456,579	\$7,229,141	\$6,904,199	\$6,882,886	\$6,357,447	\$6,033,519
Debt service as a percentage of noncapital expenditures	3.3 %	3.5 %	3.9 %	3.8 %	3.6 %	3.9 %	3.5 %	4.8 %	4.7 %	5.0 %

(Concluded)

Certain prior year amounts have been reclassified to conform to the current year presentation.

**State of Rhode Island**  
**Schedule of Taxable Sales by Industry**  
**Prior Ten Calendar Years**  
(expressed in millions)

<b>Taxable Sales By Industry:</b>	Calendar Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Grocery, Food Stores, Delis, Bakeries	\$ 1,340	\$ 1,333	\$ 1,225	\$ 1,258	\$ 1,203	\$ 1,265	\$ 1,194	\$ 1,162	\$ 1,189	\$ 1,097
Restaurants and Bars	3,025	2,380	2,930	2,814	2,773	2,594	2,472	2,311	2,199	2,113
Room Rentals - Motels, Hotels	695	405	681	647	619	592	652	503	429	531
Utilities - Telephone, Electric, Gas, Water	252	248	267	286	266	255	592	673	601	618
<b>Total</b>	<b>\$ 5,312</b>	<b>\$ 4,366</b>	<b>\$ 5,103</b>	<b>\$ 5,005</b>	<b>\$ 4,861</b>	<b>\$ 4,706</b>	<b>\$ 4,910</b>	<b>\$ 4,649</b>	<b>\$ 4,418</b>	<b>\$ 4,359</b>
Direct sales tax rate	7 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %	7 %

Data is presented only for taxable sales of industries tracked by the Division of Taxation.

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

	Calendar Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Farm Earnings	\$ 16	\$ 18	\$ 19	\$ 22	\$ 29	\$ 19	\$ 26	\$ 21	\$ 26	\$ 26
<b>Private Earnings</b>										
Forestry, Fishing and Other	77	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	66
Mining	16	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	11
Utilities	244	238	209	204	175	160	150	146	144	132
Construction	2,596	2,393	2,465	2,291	(D)	2,025	1,952	1,914	1,868	1,930
Manufacturing	3,408	3,236	3,230	3,173	3,125	3,044	3,098	3,007	2,888	2,790
Wholesale Trade	1,777	1,655	1,700	1,694	1,692	1,641	1,667	1,561	1,467	1,386
Retail Trade	2,903	2,666	2,530	2,379	2,201	2,173	2,223	2,180	2,193	2,188
Transportation and warehousing	863	796	822	780	722	698	685	646	641	642
Information	664	587	590	575	569	767	815	826	817	867
Finance and Insurance	3,486	3,502	3,305	3,216	3,332	2,976	2,883	2,822	2,527	2,432
Real Estate and Rental and Leasing	1,126	1,053	860	737	635	664	633	672	758	841
Professional, scientific, and technical services	3,778	3,357	3,283	3,152	3,015	2,839	2,838	2,700	2,554	2,476
Management of companies and enterprises	2,090	1,878	1,744	1,942	1,952	1,902	1,802	1,700	1,559	1,409
Administrative and waste services	1,845	1,671	1,658	1,603	1,500	1,388	1,362	1,312	1,265	1,176
Educational services	1,667	1,617	1,631	1,551	1,461	1,419	1,427	1,371	1,295	1,271
Health care and social assistance	5,862	5,612	5,510	5,225	5,092	5,055	5,052	4,885	4,782	4,650
Arts, entertainment, and recreation	392	333	453	508	531	525	496	478	419	390
Accommodation and food services	1,803	1,328	1,687	1,515	1,422	1,359	1,274	1,176	1,166	1,118
Other services, except public administration	1,402	1,308	1,408	1,393	1,348	1,316	1,273	1,222	1,160	1,157
Government and Government Enterprises										
Federal/Civilian	1,479	1,424	1,368	1,333	1,306	1,227	1,188	1,147	1,106	1,122
Military	667	597	591	550	596	557	474	475	502	508
State and Local	4,798	4,713	4,657	4,595	4,404	4,309	4,213	4,110	3,973	3,906
<b>Total Personal Income by Industry*</b>	<b>\$ 42,957</b>	<b>\$ 40,084</b>	<b>\$ 39,807</b>	<b>\$ 38,530</b>	<b>\$ 37,317</b>	<b>\$ 36,157</b>	<b>\$ 35,620</b>	<b>\$ 34,447</b>	<b>\$ 33,183</b>	<b>\$ 32,495</b>

Source: US Bureau of Economic Analysis

(D) Not shown to avoid disclosure of confidential information.

**State of Rhode Island**  
**Schedule of Personal Income Tax Revenue as a Percent of Personal Income**  
**Prior Ten Fiscal Years**  
**(expressed in millions)**

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Personal Income Tax (PIT) Revenue	\$ 1,999	\$ 1,616	\$ 1,406	\$ 1,397	\$ 1,345	\$ 1,244	\$ 1,217	\$ 1,228	\$ 1,116	\$ 1,086
Personal Income	70,062	68,577	63,550	59,434	56,526	54,093	52,770	51,709	49,404	48,519
PIT Revenue as a Percent of Personal Income	2.85 %	2.36 %	2.21 %	2.35 %	2.38 %	2.30 %	2.31 %	2.37 %	2.26 %	2.24 %

Source: Office of Revenue Analysis and personal income data comes from US Bureau of Economic Analysis  
*Includes wages & salaries, supplements to wages & salaries, proprietors' income, dividends, interest & rents, transfer payments, and contributions for social insurance.*

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

Tax Rates on the Portion of Taxable Income in Ranges				
Tax Year 2021 All Filing Status Types	Tax Rate	3.75%	4.75%	5.99%
	Income Bracket	\$ 0 - \$66,200	\$66,200 - \$150,550	over \$150,550
Tax Year 2020 All Filing Status Types	Tax Rate	3.75%	4.75%	5.99%
	Income Bracket	\$ 0 - 65,250	\$65,250 - \$148,350	over \$148,350
Tax Year 2019 All Filing Status Types	Tax Rate	3.75%	4.75%	5.99%
	Income Bracket	\$ 0 - \$64,050	\$64,050 - \$145,600	over \$145,600
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 - \$135,500	over \$135,500
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

Source: Department of Revenue - Division of Taxation

**State of Rhode Island**  
**Schedule of Resident Personal Income Tax Filers & Liability by AGI**  
**Tax Years 2011 through 2020**

<u>Tax Year 2020</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	163,433	30.41 %	\$ 17,934,745	1.27 %
\$25,001 - \$50,000	133,126	24.77 %	93,445,412	6.62 %
\$50,001 - \$75,000	81,738	15.21 %	120,454,205	8.53 %
\$75,001 - \$100,000	51,507	9.58 %	118,179,887	8.37 %
\$100,001 - \$200,000	80,432	14.97 %	373,703,052	26.47 %
\$200,001 - \$500,000	22,689	4.22 %	320,104,945	22.67 %
\$500,001 - \$1,000,000	3,152	0.59 %	120,628,844	8.54 %
\$1,000,001 and greater	1,315	0.24 %	247,446,107	17.53 %
	537,392	100 %	\$ 1,411,897,197	100.00 %

<u>Tax Year 2019</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	181,633	34.32 %	\$ 13,222,524	1.00 %
\$25,001 - \$50,000	131,837	24.91 %	93,265,765	7.05 %
\$50,001 - \$75,000	71,429	13.50 %	112,402,933	8.49 %
\$75,001 - \$100,000	42,593	8.05 %	105,231,395	7.95 %
\$100,001 - \$200,000	76,138	14.39 %	355,832,479	26.88 %
\$200,001 - \$500,000	21,319	4.03 %	300,617,000	22.71 %
\$500,001 - \$1,000,000	3,051	0.58 %	115,337,673	8.71 %
\$1,000,001 and greater	1,233	0.23 %	227,863,347	17.21 %
	529,233	100 %	\$ 1,323,773,116	100.00 %

<u>Tax Year 2018</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	168,885	33.04 %	\$ 12,516,825	1.04 %
\$25,001 - \$50,000	123,549	24.16 %	82,115,469	6.85 %
\$50,001 - \$75,000	74,969	14.66 %	107,644,389	8.98 %
\$75,001 - \$100,000	47,853	9.36 %	108,478,237	9.04 %
\$100,001 - \$200,000	73,511	14.38 %	341,333,662	28.46 %
\$200,001 - \$500,000	18,908	3.70 %	269,715,269	22.49 %
\$500,001 - \$1,000,000	2,570	0.50 %	98,018,372	8.17 %
\$1,000,001 and greater	1,038	0.20 %	179,528,957	14.97 %
	511,283	100.00 %	\$ 1,199,351,180	100.00 %

<u>Tax Year 2017</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	173,455	34.56 %	\$ 13,071,271	1.21 %
\$25,001 - \$50,000	120,894	24.09 %	80,782,374	7.47 %
\$50,001 - \$75,000	72,481	14.44 %	104,524,797	9.67 %
\$75,001 - \$100,000	45,756	9.12 %	104,790,845	9.69 %
\$100,001 - \$200,000	69,443	13.84 %	323,717,549	29.95 %
\$200,001 - \$500,000	16,766	3.34 %	240,752,018	22.27 %
\$500,001 - \$1,000,000	2,251	0.45 %	86,024,931	7.96 %
\$1,000,001 and greater	837	0.17 %	127,304,302	11.78 %
	501,883	100.00 %	\$ 1,080,968,087	100.00 %

<u>Tax Year 2016</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	178,845	35.59 %	\$ 14,309,901	1.28 %
\$25,001 - \$50,000	119,884	23.86 %	83,011,473	7.43 %
\$50,001 - \$75,000	71,266	14.18 %	107,036,620	9.58 %
\$75,001 - \$100,000	45,370	9.03 %	106,648,459	9.55 %
\$100,001 - \$200,000	67,374	13.41 %	313,908,244	28.10 %
\$200,001 - \$500,000	16,510	3.29 %	237,228,771	21.24 %
\$500,001 - \$1,000,000	2,312	0.46 %	88,073,796	7.89 %
\$1,000,001 and greater	961	0.19 %	166,731,910	14.93 %
	502,522	100.00 %	\$ 1,116,949,174	100.00 %

(Continued)

**State of Rhode Island**  
**Schedule of Resident Personal Income Tax Filers & Liability by AGI**  
**Tax Years 2011 through 2020**

<u>Tax Year 2015</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	181,611	36.77 %	\$ 14,296,084	1.17 %
\$25,001 - \$50,000	115,747	23.44 %	83,335,501	6.82 %
\$50,001 - \$75,000	68,878	13.95 %	110,057,592	9.00 %
\$75,001 - \$100,000	44,457	9.00 %	109,913,917	8.99 %
\$100,001 - \$200,000	64,897	13.14 %	302,002,270	24.70 %
\$200,001 - \$500,000	15,145	3.07 %	218,229,138	17.85 %
\$500,001 - \$1,000,000	2,144	0.43 %	81,482,245	6.67 %
\$1,000,001 and greater	973	0.20 %	303,125,066	24.80 %
	<u>493,852</u>	<u>100.00 %</u>	<u>\$ 1,222,441,813</u>	<u>100.00 %</u>

<u>Tax Year 2014</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	185,935	37.56 %	\$ 14,665,245	1.34 %
\$25,001 - \$50,000	114,881	23.21 %	82,902,886	7.57 %
\$50,001 - \$75,000	68,668	13.87 %	109,495,169	10.00 %
\$75,001 - \$100,000	44,097	8.91 %	109,097,854	9.96 %
\$100,001 - \$200,000	63,469	12.82 %	296,654,641	27.07 %
\$200,001 - \$500,000	14,888	3.01 %	216,813,938	19.79 %
\$500,001 - \$1,000,000	2,126	0.43 %	80,900,417	7.39 %
\$1,000,001 and greater	972	0.20 %	184,862,456	16.88 %
	<u>495,036</u>	<u>100.00 %</u>	<u>\$ 1,095,392,606</u>	<u>100.00 %</u>

<u>Tax Year 2013</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	186,349	38.17 %	\$ 15,089,983	1.50 %
\$25,001 - \$50,000	113,558	23.26 %	82,381,470	8.17 %
\$50,001 - \$75,000	67,598	13.85 %	107,951,956	10.70 %
\$75,001 - \$100,000	43,910	8.99 %	109,078,637	10.82 %
\$100,001 - \$200,000	60,524	12.40 %	284,258,122	28.18 %
\$200,001 - \$500,000	13,449	2.75 %	197,666,346	19.60 %
\$500,001 - \$1,000,000	1,977	0.40 %	75,753,497	7.51 %
\$1,000,001 and greater	825	0.17 %	136,376,437	13.52 %
	<u>488,190</u>	<u>100.00 %</u>	<u>\$ 1,008,556,448</u>	<u>100.00 %</u>

<u>Tax Year 2012</u>				
Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$0 - \$25,000	185,433	38.36 %	\$ 15,788,095	1.55 %
\$25,001 - \$50,000	114,123	23.61 %	83,752,981	8.24 %
\$50,001 - \$75,000	67,181	13.90 %	107,779,597	10.60 %
\$75,001 - \$100,000	43,316	8.96 %	108,406,641	10.66 %
\$100,001 - \$200,000	58,008	12.00 %	273,640,681	26.93 %
\$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>

Source: Department of Revenue - Division of Taxation

(Concluded)

**State of Rhode Island**  
**Schedule of Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(expressed in thousands)

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Governmental Activities</b>										
General obligation bonds	\$1,534,688	\$1,524,060	\$1,499,293	\$1,324,337	\$1,267,433	\$1,327,520	\$1,238,951	\$1,162,764	\$1,137,468	\$1,146,789
Revenue bonds (blended component units)	702,825	717,953	727,353	755,610	765,150	748,304	780,270	789,580	846,475	848,212
Capital leases	119,223	137,444	170,362	204,105	201,478	228,531	231,090	255,581	224,206	245,150
Special purpose bonds	586,905	647,085	704,755	666,788	648,237	606,195	391,240	435,600	415,955	468,730
<b>Total governmental activities</b>	<b>2,943,641</b>	<b>3,026,542</b>	<b>3,101,763</b>	<b>2,950,840</b>	<b>2,882,298</b>	<b>2,910,550</b>	<b>2,641,551</b>	<b>2,643,525</b>	<b>2,624,104</b>	<b>2,708,881</b>
<b>Business-type Activities</b>										
Revenue bonds	180,975	194,970	207,374	222,752	234,542	195,772	208,627	221,775	230,838	234,321
<b>Total primary government</b>	<b>\$3,124,616</b>	<b>\$3,221,512</b>	<b>\$3,309,137</b>	<b>\$3,173,592</b>	<b>\$3,116,840</b>	<b>\$3,106,322</b>	<b>\$2,850,178</b>	<b>\$2,865,300</b>	<b>\$2,854,942</b>	<b>\$2,943,202</b>
Debt as a Percentage of Personal Income	4.4 %	5.0 %	5.5 %	5.5 %	5.6 %	5.8 %	5.8 %	5.8 %	6.0 %	6.8 %
Amount of Debt Per Capita	\$ 2.85	\$ 3.05	\$ 3.12	\$ 3.00	\$ 2.94	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00



**State of Rhode Island**  
**Schedule of Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
(expressed in thousands)

	Current Debt Service as Reported in the Prior Year Financial Statements									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Revenue Bonds-Tobacco Settlement Financing Corporation (TSFC)</b>										
Revenue:										
Tobacco settlement revenue, cash basis (a)	\$ 52,902	\$ 46,987	\$ 41,489	\$ 43,882	\$ 45,916	\$ 31,057	\$ 47,432	\$ 45,295	\$ 51,757	\$ 46,692
Investment income	63	9	714	1,043	540	212	50	1,436	3,300	3,376
Total revenue	52,965	46,996	42,203	44,925	46,456	31,269	47,482	46,731	55,057	50,068
Less: operating expenses	49	72	87	65	52	84	141	126	62	33
Net available revenue	<u>\$ 52,916</u>	<u>\$ 46,924</u>	<u>\$ 42,116</u>	<u>\$ 44,860</u>	<u>\$ 46,404</u>	<u>\$ 31,185</u>	<u>\$ 47,341</u>	<u>\$ 46,605</u>	<u>\$ 54,995</u>	<u>\$ 50,035</u>
Debt service										
Interest and required principal payments (d)	\$ 35,217	\$ 35,507	\$ 35,701	\$ 36,006	\$ 36,287	\$ 37,996	\$ 38,139	\$ 35,633	\$ 35,229	\$ 36,085
Covered ratio before turbo principal payment	150 %	132 %	118 %	125 %	128 %	82 %	124 %	131 %	156 %	139 %
Turbo principal payments (c)	17,930	11,860	6,945	9,160	10,315	6,275	10,005	25,520	20,340	14,265
Total debt service	<u>\$ 53,147</u>	<u>\$ 47,367</u>	<u>\$ 42,646</u>	<u>\$ 45,166</u>	<u>\$ 46,602</u>	<u>\$ 44,271</u>	<u>\$ 48,144</u>	<u>\$ 61,153</u>	<u>\$ 55,569</u>	<u>\$ 50,350</u>
Coverage ratio after turbo principal payments (b)	100 %	99 %	99 %	99 %	100 %	70 %	98 %	76 %	99 %	99 %
<b>Revenue Bonds-GARVEE (Federal Highway)</b>										
Revenue - FHWA participation	\$ 65,817	\$ 65,517	\$ 57,493	\$ 57,521	\$ 23,555	\$ 19,116	\$ 6,254	\$ 48,356	\$ 48,387	\$ 48,382
Net available revenue	<u>\$ 65,817</u>	<u>\$ 65,517</u>	<u>\$ 57,493</u>	<u>\$ 57,521</u>	<u>\$ 23,555</u>	<u>\$ 19,116</u>	<u>\$ 6,254</u>	<u>\$ 48,356</u>	<u>\$ 48,387</u>	<u>\$ 48,382</u>
Debt service (e)										
Principal	\$ 39,170	\$ 37,305	\$ 35,525	\$ 33,975	\$ —	\$ —	\$ —	\$ 34,160	\$ 32,615	\$ 31,075
Interest	26,648	28,214	22,012	23,560	23,560	19,116	6,254	14,196	15,772	17,308
Total debt service	<u>\$ 65,818</u>	<u>\$ 65,519</u>	<u>\$ 57,537</u>	<u>\$ 57,535</u>	<u>\$ 23,560</u>	<u>\$ 19,116</u>	<u>\$ 6,254</u>	<u>\$ 48,356</u>	<u>\$ 48,387</u>	<u>\$ 48,383</u>
Coverage (b)	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
<b>Revenue Bonds - Motor Fuel (Gas Tax)</b>										
Revenue - 2 cents per gallon of the gasoline tax	\$ 8,606	\$ 8,151	\$ 8,270	\$ 9,776	\$ 8,976	\$ 8,845	\$ 8,981	\$ 8,793	\$ 8,473	\$ 8,275
Net available revenue	<u>\$ 8,606</u>	<u>\$ 8,151</u>	<u>\$ 8,270</u>	<u>\$ 9,776</u>	<u>\$ 8,976</u>	<u>\$ 8,845</u>	<u>\$ 8,981</u>	<u>\$ 8,793</u>	<u>\$ 8,473</u>	<u>\$ 8,275</u>
Debt service										
Principal	\$ 4,180	\$ 3,980	\$ 3,790	\$ 3,605	\$ —	\$ 4,200	\$ 4,375	\$ 4,185	\$ 3,985	\$ 3,840
Interest	1,182	1,381	1,571	1,751	948	2,661	2,839	3,006	3,162	3,304
Coverage (b)	160 %	152 %	154 %	183 %	947 %	129 %	124 %	122 %	119 %	116 %

(a) Included for fiscal year 2022 are certain one-time revenue items totaling \$2,027,179, which is reflective of the settled 2019 Non Participating Manufacturers (NPM) Adjustment.

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

(c) 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.

(d) 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.

(e) The large variance in Fiscal 2016 occurred because the bonds were refunded.

Source: Department of Administration

State of Rhode Island

Schedule of Nominal Personal Income and Per Capita Personal Income  
Prior Ten Calendar Years

Resident Population  
Prior Ten Calendar Years

	Personal Income				Per Capita Personal Income				Population			
	(in billions)				(in dollars)				(in thousands)			
	United States		Rhode Island		United States		Rhode Island		United States		Rhode Island	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Population	Percent Change	Population	Percent Change
2021	21,289	7.5%	70.5	7.3%	64,143	7.3%	64,376	7.4%	331,894	0.1%	1,096	-0.1%
2020	19,812	6.7%	65.7	7.5%	59,765	6.2%	59,941	7.4%	331,501	0.4%	1,096	0.2%
2019	18,576	5.1%	61.1	6.3%	56,250	4.6%	55,830	6.0%	330,233	0.5%	1,095	0.3%
2018	17,671	5.0%	57.5	3.9%	53,786	4.3%	52,659	3.3%	328,542	0.6%	1,092	0.6%
2017	16,837	4.6%	55.3	3.9%	51,550	3.9%	50,982	3.7%	326,623	0.7%	1,085	0.2%
2016	16,093	2.6%	53.2	1.5%	49,613	1.8%	49,184	1.0%	324,368	0.8%	1,082	0.5%
2015	15,681	4.8%	52.4	3.6%	48,725	3.9%	48,682	3.1%	321,829	0.8%	1,077	0.4%
2014	14,970	5.5%	50.6	4.3%	46,887	4.7%	47,199	3.9%	319,270	0.8%	1,073	0.5%
2013	14,189	1.3%	48.5	0.1%	44,798	0.6%	45,447	-0.3%	316,735	0.8%	1,068	0.4%
2012	14,003	5.0%	48.5	3.7%	44,548	4.2%	45,601	3.2%	314,344	0.8%	1,064	0.5%

Source: United States Bureau of Economic Analysis

Schedule of Economic Indicators  
Prior Ten Calendar Years

	Civilian Labor Force		Existing Single Family Home Sales	
	(in thousands)			
	Number in Labor Force	Percent Change	Number of Sales	Percent Change
2021	571	0.7%	14,534	4.7%
2020	567	-0.9%	13,877	1.9%
2019	572	0.2%	13,615	1.1%
2018	571	0.5%	13,465	-7.8%
2017	568	0.3%	14,607	2.1%
2016	567	0.1%	14,312	8.6%
2015	566	0.1%	13,176	8.7%
2014	566	0.0%	12,119	-4.5%
2013	559	0.1%	12,684	11.4%
2012	565	0.1%	11,390	11.6%

Source: IHS Long Term Quarterly Forecast from September 2022

**State of Rhode Island**  
**Principal Employers (Non-Governmental)**  
**2022 and 2013**

2022				2013			
Rank	Employer	Employed	Percentage	Rank	Employer	Employed	Percentage
1	Lifespan	16,564	2.90 %	1	Lifespan	12,750	2.28 %
2	Rhode Island	13,454	2.36 %	2	Care New England	6,657	1.19 %
3	CVS Health Corp.	8,600	1.51 %	3	CVS Caremark Corporation	6,200	1.11 %
4	Care New England Health System	7,548	1.32 %	4	RBS Citizens Financial Group	5,390	0.96 %
5	Providence	4,747	0.83 %	5	Brown University	4,264	0.76 %
6	Brown University	4,709	0.82 %	6	Fidelity Investments	3,629	0.65 %
7	Citizens Financial Group Inc.	4,571	0.80 %	7	CharterCare Health Partners	2,866	0.51 %
8	General Dynamics Electric Boat	4,500	0.79 %	8	General Dynamics Corp	2,760	0.49 %
9	Naval Undersea Warfare Center	3,515	0.62 %	9	Naval Undersea Warfare Center	2,718	0.49 %
10	Fidelity Investments Inc.	3,200	0.56 %	10	Bank of America	2,500	0.45 %
	Total employment	571,000	12.51 %			559,000	8.90 %

**Source:** Providence Business News  
Some employers are not listed because they did not wish to participate.

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

	<b>Full Time State Employees as of June 30th for each fiscal year</b>									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b><u>Full-time Employees</u></b>										
General Government	2,307	2,350	2,371	2,573	2,457	2,496	2,428	2,364	2,384	2,414
Health and Human Services	3,218	3,166	3,345	3,211	3,096	3,196	3,190	3,273	3,353	3,273
Education	347	356	351	358	357	352	353	340	359	370
Public Safety	3,039	2,995	3,011	3,025	3,032	3,031	3,007	3,029	3,057	3,023
Natural Resources	740	813	813	861	851	860	843	879	904	898
Transportation	714	705	743	789	740	741	705	735	771	781
<b>State Total</b>	<b>10,365</b>	<b>10,385</b>	<b>10,634</b>	<b>10,817</b>	<b>10,533</b>	<b>10,676</b>	<b>10,526</b>	<b>10,620</b>	<b>10,828</b>	<b>10,759</b>

**Source:** Department of Administration

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b><u>General Government</u></b>										
Division of Taxation										
Dollars received electronically (expressed in thousands)	\$3,787,474	\$3,343,618	\$3,232,999	\$3,094,923	\$2,948,315	\$2,788,256	\$2,732,982	\$2,630,196	\$2,479,404	\$2,422,640
Number of business transactions processed electronically	1,570,407	979,410	891,270	844,749	809,922	1,219,895	1,042,129	1,026,097	1,160,506	988,669
Personal Income Tax returns filed electronically -Tax Year	650,593	605,932	588,220	559,995	546,404	555,142	531,354	505,137	490,000	463,900
Department of Labor and Training										
Labor force total (expressed in thousands)	569	553	555	555	553	553	555	553	554	560
Unemployment rate (percentage)	7.4 %	6.2 %	3.7 %	4.3 %	4.7 %	5.6 %	6.7 %	7.7 %	8.9 %	11.1 %
<b><u>Health and Human Services</u></b>										
Department of Children, Youth and Families										
Average Number of Children in Out-of-Home Placement	2,880	3,016	2,991	2,838	2,531	2,535	2,484	2,306	2,141	2,116
Number of births (expressed in thousands)	11	11	11	11	12	12	12	11	11	12
<b><u>Education</u></b>										
Office of Postsecondary Commissioner										
Enrollment - Higher Education	35,523	35,807	38,405	39,779	40,098	41,030	43,335	42,765	42,786	44,504
Number of certificates and degrees awarded - Higher Education	8,176	8,699	8,594	8,372	8,325	7,888	7,675	7,400	7,256	6,804
<b><u>Public Safety</u></b>										
Department of Corrections										
Incarcerated offenders (male)	2,031	2,413	2,521	2,644	2,819	3,068	3,047	3,060	2,988	3,022
Incarcerated offenders (female)	101	131	145	140	138	125	136	154	173	169
<b><u>Natural Resources</u></b>										
Department of Environmental Management										
Hatchery fish raised and restocked (approximated in thousands)	104	150	178	180	180	143	141	145	138	131
Park visitations (expressed in thousands)	9,069	10,545	8,652	8,775	8,111	7,884	6,393	1,904	1,302	3,449
Recreational registrations (boats)	39,640	38,663	38,784	38,880	43,259	40,178	38,463	38,950	39,012	38,583
<b><u>Transportation</u></b>										
Department of Transportation										
Vehicle miles traveled (expressed in millions)	7,327	6,864	7,905	8,009	8,001	7,927	7,832	7,677	7,775	7,786

Source: Various Agencies

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

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b><u>General Government</u></b>										
Buildings	17	17	17	17	16	17	17	16	16	16
Vehicles	194	186	192	182	118	126	161	163	272	257
<b><u>Health and Human Services</u></b>										
Buildings	166	183	182	188	188	188	188	205	199	199
Vehicles	229	227	232	243	248	273	281	280	291	286
<b><u>Education</u></b>										
Buildings	10	10	9	12	12	12	13	12	12	9
Vehicles	19	19	19	19	19	18	18	17	16	13
<b><u>Public Safety</u></b>										
Buildings	65	65	68	67	66	66	66	65	65	64
Vehicles	679	651	661	627	674	669	656	646	635	643
<b><u>Natural Resources</u></b>										
Buildings	69	68	66	60	81	80	81	78	80	80
Vehicles	414	402	396	381	388	424	443	416	431	419
Number of state parks, beaches, bike paths	34	34	34	34	34	34	25	26	21	21
Area of state parks, beaches (acres)	8,162	8,038	8,038	8,038	8,038	8,038	8,038	8,052	8,052	8,052
<b><u>Transportation</u></b>										
Buildings	24	23	23	23	22	21	19	33	23	23
Vehicles	855	885	881	833	790	693	606	652	558	547
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 2022 Annual Comprehensive Financial Report**

**Cover – Rhode Island State House - Providence**



**Introductory Section – Sunset Sailing**



**Financial Section – Arial view of Providence**



**Management's Discussion and Analysis – Lincoln Woods State Park**



**Basic Financial Statements –Narragansett Beach**



**Required Supplementary Information – Warren Marina**



**Combining Financial Statements – Winnapaug Pond**



**Statistical Section – Newport Vineyards – Middletown**

