



Audit Summary

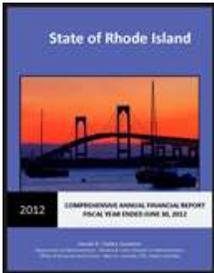
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DECEMBER 2012

State of Rhode Island Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2012

We completed our annual audit of the State's financial statements for the fiscal year ended June 30, 2012 as required by the Rhode Island General Laws. The State's financial statements and our Independent Auditor's Report thereon are included in the State's Comprehensive Annual Financial Report (CAFR) for fiscal 2012 which was prepared by the State's Department of Administration.



The CAFR encompasses the entirety of the State's operations including quasi-public entities considered to be component units for financial reporting purposes (e.g., URI, RIC, CCRI, RI Resource Recovery, and RI Housing).

The Fiscal 2012 CAFR includes the Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association for the State's Fiscal 2011 CAFR. Receiving that award was possible, in part, due to the accelerated time frame for completing the CAFR and annual audit by no later than December 31 of each year. This reflects continued emphasis and coordinated efforts between the Office of Accounts and Control - Department of Administration and the Office of the Auditor General to ensure audited financial information is available on a timely basis.

Fund level financial statements are included in the CAFR as well as government-wide financial statements, which include long-term assets and liabilities. Total net assets of the State increased by \$279 million for fiscal 2012. This amount includes governmental and business-type activities (Lottery, Convention Center, and Employment Security) but excludes discretely presented component units.

General Fund revenues and other sources exceeded expenditures and other uses by \$102.3 million for fiscal 2012. The primary sources of General Fund revenue and other sources were taxes (44%) and federal grants (38%).

Fund balance within the State's General Fund totaled \$373 million of which \$115 million was available for appropriation in fiscal 2013. Remaining fund balance amounts are generally restricted for specific purposes. The Budget Reserve and Cash Stabilization or "Rainy Day" Account was fully funded in compliance with the General Laws and had a balance of \$153.4 million at June 30, 2012.

The Employment Security Fund continued to incur significant expenses for unemployment benefits, which totaled \$541 million

for fiscal 2012. Funding these benefits in 2012 and prior fiscal years necessitated borrowing from the federal government. At June 30, 2012, \$224.7 million was owed to the federal Unemployment Insurance Trust Fund. The Employment Security Fund had a fund deficit of \$151.5 million at June 30, 2012.

The Employees' Retirement System covering state employees and teachers was 58.8% funded based on a June 30, 2011 actuarial valuation. The State Police and Judicial plans were 98.6% and 86.1% funded, respectively, as of the June 30, 2011 actuarial valuations.

The State created a trust in fiscal 2011 for its other postemployment benefit (OPEB) programs covering most state employees, participating teachers, and certain employees of the Board of Governors for Higher Education. Net assets of \$36.9 million were available for the payment of future benefits at June 30, 2012.

Other communications resulting from the annual audit will follow separately. These will include findings and recommendations related to the State's controls over financial reporting and the *Single Audit Report*, which focuses on the State's compliance with federal requirements related to nearly \$5 billion of federal assistance expenditures. The *Single Audit Report* is required by federal law and is provided to federal funding agencies as a condition of continued federal assistance.

Audit Highlights - Fiscal 2012

- We expressed unqualified opinions on the opinion units within the State's financial statements.
- General Fund revenues and other sources exceeded expenditures and other uses by \$102.3 million.
- The Budget Reserve and Cash Stabilization or "Rainy Day" Account was fully funded in compliance with the General Laws with a balance of \$153.4 million at June 30, 2012.
- The Employment Security Fund ended fiscal 2012 with a deficit of \$151.5 million, which required borrowing from the federal government.
- On a government-wide basis, net assets increased \$279 million. Capital assets net of accumulated depreciation totaled \$3.4 billion and long-term liabilities including bonds payable totaled \$3.1 billion.
- Net assets available for benefits in the pension and OPEB trusts totaled \$7.3 billion.
- The State disclosed, in Note 12 to the financial statements, contingencies related to lawsuits challenging pension reform measures enacted in 2009, 2010 and more recently in 2011.

The State's Fiscal 2012 CAFR is available on our website www.oag.ri.gov and the Office of Accounts and Control website <http://controller.admin.ri.gov/index.php>.