

Pensions and Retiree Healthcare

Net pension liabilities of the primary government totaled \$3.2 billion. This amount is the combined liability for six defined benefit plans covering State employees and the State's proportionate share of the net pension liability for teachers (\$1.1 billion).

The net pension liability is the **accounting** measure of pension liabilities which differs from measurements used to determine the **funding** requirements or actuarially determined annual contributions to each plan.

Four plans are managed as trusts by the Employees' Retirement System of RI (ERSRI) - the pension liability is net of amounts accumulated for future benefits (fair value at the June 30, 2015 measurement date). Two additional plans (covering certain judges and State Police) are managed as pay-as-you-go plans – annual benefit payments are appropriated each year.

Plan fiduciary net position as a percentage of total pension liability for the plans managed by ERSRI at the June 30, 2015 measurement date is shown in the table at right.

Plan fiduciary net position as a % of the total pension liability

ERS - State employees	55.0%
ERS - Teachers	57.6%
State Police	95.0%
JRBT - Judges	94.3%
RJJRFT - Judges	2.6%

The State contributed \$239 million in fiscal 2016 as employer contributions to the defined benefit pension plans which included \$88 million as the State's share for teachers.

Assets of the defined contribution plan, part of the hybrid pension benefit structure, totaled \$514.2 million at June 30, 2016.

Six defined benefit OPEB plans provide retiree healthcare benefits for State employees including certain electing teachers and Board of Education employees. The funded status of the plans as of the June 30, 2015 actuarial valuation is shown at left.

OPEB Plans	Funded Status
State employees	14.8%
Teachers	50.9%
State Police	29.1%
Judicial	373.8%
Legislators	187.5%
Board of Education	21.1%

Total State employer contributions to the OPEB plans totaled \$53.4 million including contributions of

the University and Colleges to the Board of Education plan.

The State of Rhode Island's Fiscal 2016 Comprehensive Annual Financial Report (CAFR)

prepared by the Office of Accounts and Control—Department of Administration—includes government-wide financial statements that encompass all the State's financial activity for the year, as well as individual fund level financial statements and notes thereto.

The CAFR includes the *Independent Auditor's Report* of the Auditor General resulting from the annual audit of the State's financial statements required by General Law section 35-7-10.

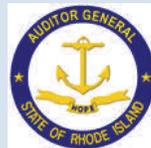
Management's Discussion and Analysis explains key highlights and changes between fiscal years 2016 and 2015.

Required Supplementary Information (RSI) provides summarized budget to actual comparison schedules for the State's General Fund and Intermodal Surface Transportation Fund.

RSI also provides important trend information on the net pension liabilities and employer contributions to the defined benefit pension plans covering employees as well as the progress made in funding retiree healthcare (OPEB). Ten-year trend information is included in the Statistical Section of the report. The full CAFR is available on the Office of Accounts and Control and Auditor General websites:

http://controller.admin.ri.gov/documents/Financial%20Reports//118_Comprehensive%20Annual%20Financial%20Report_06-30-2016.pdf

<http://www.oag.ri.gov/reports.html>



Office of the Auditor General General Assembly

Dennis E. Hoyle, CPA
Auditor General

33 Broad Street • Suite 201 • Providence RI 02903

Phone 401.222.2435

www.oag.ri.gov

State of Rhode Island Comprehensive Annual Financial Report Fiscal year ended June 30, 2016

State of Rhode Island



Comprehensive Annual Financial Report

for the year ended June 30, 2016

Gina M. Raimondo, Governor
Department of Administration
Michael DiBiase, Director of Administration
Office of Accounts and Control
Peter B. Keenan, CPA, State Controller

2016

Highlights of the State's Fiscal 2016 Audited Financial Statements

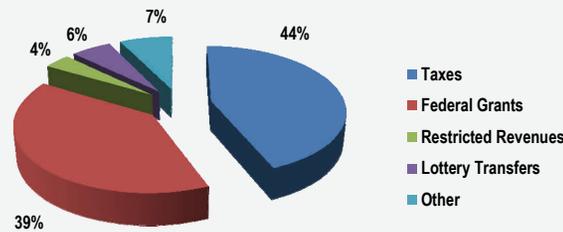
prepared by the
Office of the Auditor General

CAFR Highlights - Fiscal 2016

- The Auditor General issued an unmodified opinion on the State's fiscal 2016 financial statements concluding that the financial statements are fairly presented in accordance with U.S. generally accepted accounting principles.
- The budget reserve or "rainy day" fund is fully funded at \$191.6 million as required by Constitution and statute.
- \$152.7 million is available in the RI Capital Plan Fund (RICAP) for future capital projects.
- Net pension liabilities totaled \$3.2 billion for State employees and the State's proportionate share of the net pension liability for teachers (the State funds 40% of the annual required contribution for teachers). The net pension liability increased compared to the prior year primarily due to reductions in plan assets at the measurement date.
- Government-wide net position (deficit) of the primary government increased by \$238 million reducing the net deficit to (\$294) million at June 30, 2016. \$3.0 billion represents the State's net investment in capital assets (net of related debt). \$1.0 billion is restricted for specific purposes leaving an unrestricted net deficit of \$4.3 billion.
- Capital assets of the primary government net of accumulated depreciation totaled \$4.2 billion at June 30, 2016, of which \$2.4 billion were infrastructure assets.
- Fund balance of the General Fund totaled \$509 million at June 30, 2016 of which \$124 million has been appropriated in support of the 2017 budget, and \$43.5 million is available for future appropriation.
- The RI Higher Education Savings Trust, with assets of \$6.7 billion, is now included in the State's financial statements as a fiduciary fund - private-purpose trust. Oversight of the Trust was transferred to the General Treasurer from the former RI Higher Education Assistance Authority.
- A subsequent event note details the State's commitment to advance fund pension benefits for certain State Police members. \$15 million of "Google" settlement funds were deposited into a trust after June 30, 2016 to begin funding the benefits previously managed on a pay-as-you-go basis.

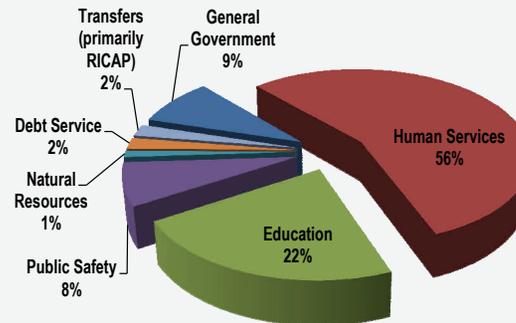
General Fund Operations

General Fund Revenues and Other Sources



- ◆ Tax revenues totaled \$2.9 billion in fiscal 2016, an increase of less than 1% over fiscal 2015.
- ◆ Lottery transfers totaled \$369.8 million, a decrease of \$12.1 million compared to fiscal 2015.
- ◆ Federal revenues totaled \$2.6 billion, a decrease of \$8.7 million over fiscal 2015.

General Fund Expenditures and Transfers



- ◆ Expenditures totaled \$6.5 billion, an increase of \$116 million or 2% over fiscal 2015. General government expenditures increased 11% due to new economic development initiatives of approximately \$50 million. Debt service decreased 27% due to refunding of debt during the fiscal year.
- ◆ General Fund revenues and other sources exceeded expenditures and transfers by \$7.5 million for fiscal 2016.

Transportation Operations

The Intermodal Surface Transportation (IST) Fund reported fund balance of \$136.1 million; an increase of \$23.7 million over 2015 due primarily to increased allocation of motor vehicle registration and licensing fees.

(in millions)	
Revenues and other sources:	
Taxes	\$ 184.8
Federal grants	254.3
Transfers from RICAP and Bond funds	15.4
Fees	22.4
Other	6.7
Total	\$ 483.6
Expenditures and transfers:	
Maintenance and Infrastructure capital outlay	\$ 341.1
Debt service	15.1
Transfers to RIPTA - Gas Tax	44.1
Transfers (primarily to General Fund for debt service)	59.6
Total	459.9
Increase in fund balance	\$ 23.7

Long-Term Debt

Long-term liabilities of the primary government totaled \$6.2 billion. The net pension liability for defined benefit pension plans is included in the financial statements pursuant to GASB 68.

	Changes in Long-Term Liabilities (in millions)			
	Beginning	Additions	Decreases	Ending
Governmental				
Bonds payable	\$ 2,387.9	\$ 616.6	\$ (594.1)	\$ 2,410.4
Net pension liability	2,907.3	323.2		3,230.5
Other	423.1	99.3	(150.7)	371.7
Total	\$ 5,718.3	\$ 1,039.1	\$ (744.8)	\$ 6,012.6
Business-Type				
Bonds payable	\$ 221.8	\$	(13.2)	\$ 208.6
Net pension liability	13.3	1.8		15.1
Other	8.6	2.4	(1.2)	9.8
Total	\$ 243.7	\$ 4.2	\$ (14.4)	\$ 233.5
Total	\$ 5,962.0	\$ 1,043.3	\$ (759.2)	\$ 6,246.1