



# Audit Summary

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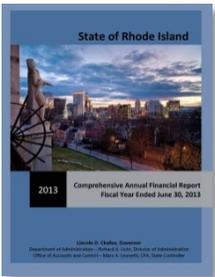
December 2013

State of Rhode Island

## Comprehensive Annual Financial Report

*Fiscal Year Ended June 30, 2013*

We completed our annual audit of the State's financial statements for the fiscal year ended June 30, 2013 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 2013, which was prepared by the Department of Administration's Office of Accounts and Control.



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).

Fund level financial statements are included in the CAFR as well as government-wide statements, which include the State's long-term assets and liabilities. The total net position of the State increased by \$370 million for fiscal 2013. 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 \$28 million for fiscal 2013. Taxes of \$2.6 billion (45%) and federal grants of \$2.1 billion (37%) were the primary General Fund revenue sources. Transfers from the RI Lottery totaled \$379 million.

General Fund expenditures totaled \$5.6 billion of which the human services and education categories totaled \$3.0 billion and \$1.3 billion, respectively.

Fund balance within the State's General Fund totaled \$401 million of which \$104 million was available for appropriation in fiscal 2014. 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 \$172 million at June 30, 2013.

The financial position of the Employment Security (ES) Fund improved through reduced unemployment benefit expenses and increases in tax revenues and assessments on employers. This allowed repayment of amounts previously borrowed from the federal government to fund benefits. The amount owed to the federal government was reduced to \$155 million and the ES fund deficit was reduced by more than \$70 million to \$81 million at June 30, 2013.

Fiduciary net position available for pension benefits totaled \$7.7 billion at June 30, 2013 of which \$122 million had accumulated within the new defined contribution plan created by the November 2011 enacted pension reforms. At June 30, 2013, fiduciary net position of \$66.1 million was available for retiree health benefits.

The Employees' Retirement System covering state employees and teachers was 57.8% funded based on a June 30, 2012 actuarial valuation while the State Police plan was 89.6% funded. Two judicial plans, one covering judges appointed after December 31, 1989 and the other covering active judges appointed before January 1, 1990, were 83.4% and 0% funded, respectively, as of the June 30, 2012 actuarial valuations.

Other communications resulting from the annual audit 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 requirements related to 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.

The Fiscal 2013 CAFR includes the Government Finance Officers Association (GFOA) *Certificate of Achievement for Excellence in Financial Reporting* awarded for the 2012 CAFR. This award reflects the State's continued commitment to ensuring audited financial information, which meets generally accepted accounting principles as well as all the required elements of a comprehensive governmental financial report, is available on a timely basis.

### Audit Highlights – Fiscal 2013

- 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 \$28 million.
- The "Rainy Day" account was fully funded in compliance with the General Laws with a balance of \$172 million at June 30, 2013.
- The Employment Security Fund ended fiscal 2013 with a deficit of \$81 million, a deficit reduction of more than \$70 million compared to 2012.
- Government-wide net position increased \$370 million. Capital assets net of accumulated depreciation totaled \$3.7 billion and long-term liabilities including bonds payable totaled \$3.1 billion.
- At June 30, 2013, fiduciary net position available for pension and OPEB benefits totaled \$7.8 billion, an increase of \$455 million over 2012.
- The State disclosed contingencies related to lawsuits challenging recent pension reform measures.