

**Highlights from the  
State's Fiscal 2022 Audited Financial Statements**

Prepared by  
Office of the Auditor General

**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**

# State of Rhode Island Annual Comprehensive Financial Report (ACFR) Highlights – Fiscal 2022

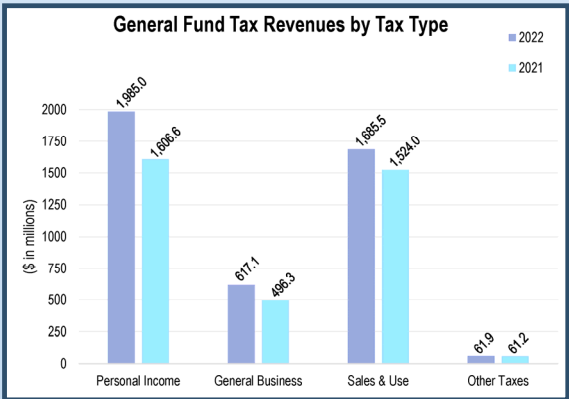
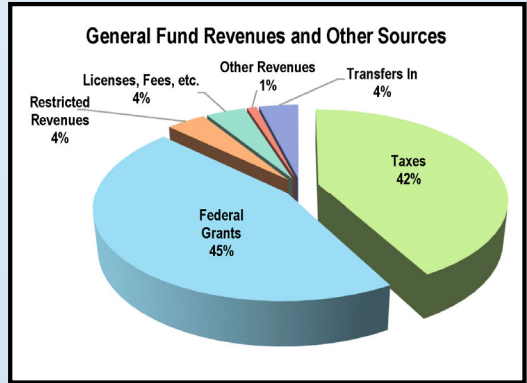
- The State's fiscal 2022 operations were significantly enhanced by better than expected tax collections and the continued use of awarded COVID-related federal assistance. Fund balances and net position of the primary government were largely improved.
- Government-wide net position (governmental activities) totaled \$1.3 billion—an increase of \$1.1 billion. \$4.3 billion represents the State's net investment in capital assets. \$1.5 billion is restricted for specific purposes leaving an unrestricted net deficit of \$4.5 billion.
- Fund balance of the General Fund totaled \$983.7 million at June 30, 2022, an increase of \$86.5 million - \$209.7 million is available for future appropriation.
- The Interim Auditor General issued an unmodified opinion on the State's fiscal 2022 financial statements concluding that the financial statements are fairly presented in accordance with U.S. generally accepted accounting principles.
- The budget reserve ("rainy day") account totaled \$279 million at June 30, 2022.
- The State appropriated \$75 million to fund future IT-related projects through the Information Technology Investment Fund in fiscal 2022. This appropriation is recorded as a change in fund balance classification to restricted fund balance within the General Fund.
- Unemployment insurance benefits totaled \$451 million in fiscal 2022, a decrease of \$1.6 billion from fiscal 2021. Pandemic unemployment benefits ended in September 2021 resulting in a significant decrease in benefits paid in fiscal 2022.
- \$699.2 million is available in the RI Capital Plan Fund for future capital projects. \$679.4 million was transferred to the fund from the General Fund, including a specific appropriation of \$563 million for future capital projects. Expenditures in the fund totaled \$142.5 million.



- Capital assets of the primary government, net of accumulated depreciation, totaled \$5.3 billion at June 30, 2022, of which \$2.6 billion were infrastructure assets. Construction in progress totaled \$851 million, mostly for infrastructure projects.
- The State received an allotment of \$1.13 billion in State Fiscal Recovery funding under the American Rescue Plan Act. The State began appropriating and utilizing the funding in fiscal 2022. The State expended \$83.2 million in fiscal 2022, much of which was used to fund small business assistance through the RI Commerce Corporation, child care provider assistance, and funding to RI Housing for affordable housing programs. In addition, the State also disbursed \$132 million of Local Fiscal Recovery funds to cities and towns from the State's allotment of non-entitlement and county distributions.
- Under Disaster Grants – Public Assistance (FEMA Stafford Act), the State received federal funds totaling \$239.5 million in fiscal 2022, of which \$155.8 million related to reimbursement of expenditures in prior years. In fiscal 2022, the State incurred pandemic expenditures totaling \$243.7 million that are pending review and reimbursement from FEMA as of June 30, 2022. These expenditures are currently reported as general revenue expenditures, but are expected to be reimbursed with federal funds in future periods when approved by FEMA.

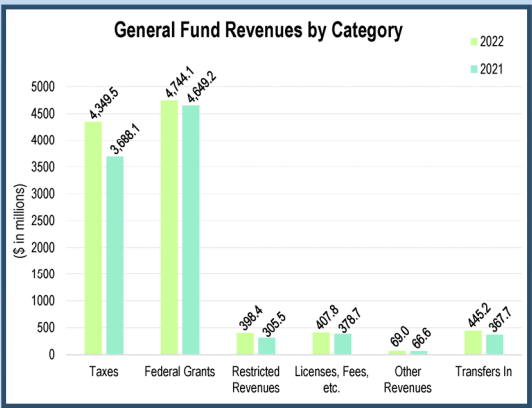
# General Fund Revenues

- General Fund revenues increased by nearly \$1 billion in fiscal 2022 over the prior year. Tax revenue, as detailed more fully below, accounted for more than half of the increase with federal grant revenue and net revenue from the Lottery also contributing to increases over the prior year.
- Transfers from the Lottery (reported as Transfers In on the General Fund) totaled \$388.6 million in 2022, an increase of \$86.8 million from 2021 but less than fiscal 2019 pre-pandemic activity. The 28.8% increase in fiscal 2022 was largely attributable to both casinos being fully operational for the entire fiscal year, the first time since fiscal 2019.



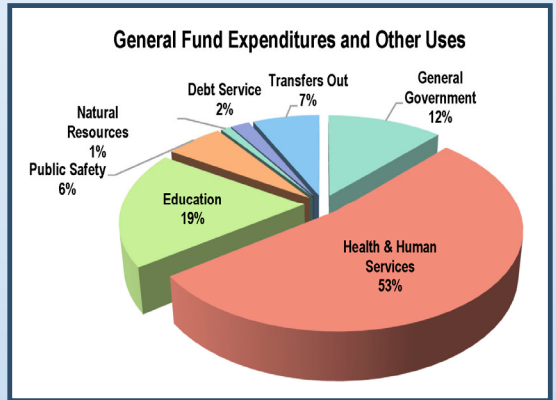
- Tax revenues totaled \$4.3 billion in fiscal 2022, an increase of 17.9% over fiscal 2021. This total increase was driven by strong gains in personal income tax collections (23.6% increase) supported by the robust labor market and general business tax revenues (24.3% increase) in large part to significant gains in business corporation taxes (42.9% increase).
- Sales and use tax totaled \$1.7 billion, an increase of 10.6% over the prior year due to inflation in consumer goods and wages along with continued spending of savings accumulated during the pandemic.

- The continued additional federal assistance towards the management and recovery from the COVID-19 public health emergency have made federal revenue the State's largest revenue source (\$4.7 billion) again in fiscal 2022 with tax revenue (\$4.4 billion) finishing a close second, representing 45% and 42% of total revenues, respectively.
- The increase in restricted revenue over the prior year was largely attributable to a provision in the American Rescue Plan Act that provided states with an additional 10% federal Medicaid match on qualified Medicaid home and community-based services (expenditures incurred April 2021 through March 2022), provided that the states use their savings in general revenue for expanded home and community based services into fiscal 2026. The 10% savings in general revenue has been restricted by the State for that purpose.

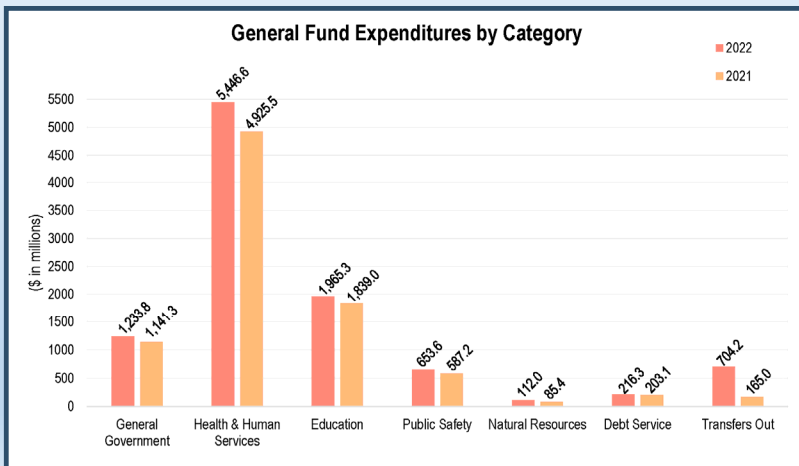


# General Fund Expenditures

- Expenditures and transfers totaled \$10.3 billion in fiscal 2022, an increase of \$1.4 billion or 15.5% over fiscal 2021, principally due to pandemic response expenditures. Additionally, \$563 million was appropriated in fiscal 2022 for transfer to the RI Capital Plan Fund for various capital projects.
- General government expenditures totaled \$1.2 billion in fiscal 2022, seeing an 8.1% increase over fiscal 2021. This was largely due to a \$61.8 million advanced payment of pension payment deferrals from 1991 and 1992.
- Health & human services expenditures rose by \$521.2 million in fiscal 2022, attributable to the continued impact of the pandemic and related economic recovery efforts for social service programs, predominately Medicaid.
- Education expenditures noted a \$126.3 million increase in fiscal 2022. Increased funding of \$38 million was provided to local school districts and state schools through education formula aid. The State provided increased support of \$21.6 million for the public higher education institutions. There was also a substantial increase of \$65.4 million in federal funding for the National School Lunch Program.



- Public safety expenditures increased by \$66.4 million due partially to increased COVID-19 expenditures at the RI Emergency Management Agency.
- Natural resources expenditures grew by \$26.6 million in fiscal 2022, significantly attributable to a \$22 million transfer to RI Infrastructure Bank to finance the State match for federal clean water and drinking water programs.



## Intermodal Surface Transportation (IST) Fund Operations

- IST Fund expenditures were funded through a variety of revenue sources in fiscal 2022. These sources mostly included gasoline taxes, appropriations from the RI Capital Plan Fund, federal transportation programs, GARVEE bond proceeds, RhodeWorks program tolls and motor vehicle registry fees and surcharges.
- Toll revenue from the State's RhodeWorks tolling program accounts for \$38.5 million or 60.6% of reported IST fees and tolls revenue. Subsequent to June 30, 2022, the State was enjoined from further collection of tolls by a district court decision ruling that the RhodeWorks program violated the Commerce Clause of the United States Constitution. The State has appealed the court's decision.
- RIDOT expended \$546 million on infrastructure projects and maintenance programs. Infrastructure expenditures accounted for \$345 million. The two largest infrastructure projects were the I-95 Viaduct North Bound Bridge and the Route 6/10 interchange project with expenditures totaling \$70 million and \$31 million, respectively. Infrastructure maintenance programs totaled \$136 million in fiscal 2022.

Revenues and other sources:	(in millions)
Taxes	\$ 225.1
Federal grants	417.6
Transfers from RICAP	63.5
Fees	62.2
Other	5.9
<b>Total</b>	<b>\$ 774.3</b>
<b>Expenditures and transfers:</b>	
Maintenance and Infrastructure capital outlay	\$ 546.5
Debt service	72.3
Transfers to RIPTA - Gas Tax	41.8
Transfers (primarily to General Fund for debt service)	56.3
<b>Total</b>	<b>716.9</b>
<b>Increase in fund balance</b>	<b>\$ 57.4</b>

## Changes in Long-Term Liabilities

	(expressed in millions)			
	Beginning	Additions	Reductions	Ending
<b>Governmental</b>				
Bonds payable	\$ 2,889.1	\$ 158.7	\$ (223.4)	\$ 2,824.4
Lease Liability	-	94.0	(15.8)	78.2
Net pension liability	3,672.3	8.0	(859.2)	2,821.1
Net OPEB liability	341.9	-	(132.7)	209.2
Other	315.3	158.4	(160.5)	313.2
<b>Total</b>	<b>\$ 7,218.6</b>	<b>\$ 419.1</b>	<b>\$ (1,391.6)</b>	<b>\$ 6,246.1</b>
<b>Business-Type</b>				
Bonds payable	\$ 195.0	-	\$ (14.0)	\$ 181.0
Lease Liability	-	1.4	-	1.4
Net pension liability	21.7	-	(5.1)	16.6
Net OPEB liability	3.4	-	(1.3)	2.1
Other	5.7	2.5	(1.3)	6.9
<b>Total</b>	<b>\$ 225.8</b>	<b>\$ 3.9</b>	<b>\$ (21.7)</b>	<b>\$ 208.0</b>
<b>Total</b>	<b>\$ 7,444.4</b>	<b>\$ 423.0</b>	<b>\$ (1,413.3)</b>	<b>\$ 6,454.1</b>

- In October 2021, the State issued General Obligation bonds totaling \$135 million for various projects previously authorized by the voting public.
- In fiscal 2022, the State implemented GASB Statement No. 87 - Leases. At fiscal year end, the total lease liability recorded was \$78.2 million for Governmental Activities and \$1.4 million for Business-Type Activities.
- Further details surrounding the changes in Net Pension and Net OPEB Liabilities can be found on the following page.

## Employer Pension Plans

- Net pension liabilities of the primary government totaled \$2.8 billion. This 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 totaling \$1.0 billion.
- The net pension liability is the **accounting** measure of pension liabilities and is net of amounts accumulated for future benefits at the measurement date. Plan net position as a percentage of total pension liability for the plans at the June 30, 2021 measurement date is shown in the table.
- The State contributed \$344 million in fiscal 2022 as employer contributions to the defined benefit pension plans which included \$116.3 million as the State's share for teachers. The Pension Trust Funds collectively recognized \$516.4 million net investment loss as of June 30, 2022. The investment return assumption for the Pension Trust Funds is 7%.
- Assets of the defined contribution plan, part of the hybrid pension benefit structure, totaled \$1.5 billion at June 30, 2022.

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

ERS - State employees	63.2%
ERS - Teachers	66.5%
SPRBT - State Police	98.4%
SPRFT - State Police	14.0%
JRBT - Judges	107.7%
RIJRFT - Judges	6.0%

## Retiree Healthcare Benefit (OPEB) Plans

- Six defined benefit OPEB plans provide retiree healthcare benefits for State employees including certain electing teachers and Board of Education employees.
- The net OPEB liability (asset) is the **accounting** measure of OPEB liabilities and assets. Net OPEB liabilities totaled \$211.4 million which is net of amounts accumulated for future benefits at the measurement date. Plan net position as a percentage of the total OPEB liability at the June 30, 2021 measurement date is shown in the table.
- The funded status of the OPEB plans is improving — the largest plan covering most state employees increased from 42.5% to 60.5% at June 30, 2022. For four plans, a net OPEB asset results from plan assets exceeding the OPEB plans' liabilities by \$18.4 million.
- Employer contributions to the OPEB plans totaled \$43.8 million in fiscal 2022. The OPEB Trust Funds collectively recognized \$58.3 million net investment loss at June 30, 2022. The investment return assumption is 5% for the OPEB plans.

***Plan fiduciary net position as a % of the total OPEB liability***

State employees	60.5%
Teachers	215.3%
State Police	100.4%
Judicial	2,307.8%
Legislators	412.3%
Board of Education	91.4%



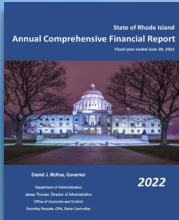
## Fiscal 2022 - COVID-19 Federal Assistance Expenditures

Fiscal 2022 federal expenditures funded by COVID-19 related assistance totaled \$1.4 billion. This funding consists of authorizations under the CARES Act, Consolidated Appropriations Act of 2021, and the American Rescue Plan Act.

	(in millions)
<b>Unemployment Insurance</b> - Enhanced unemployment benefits under the Pandemic Unemployment Assistance Program which ended in September 2021.	\$ 327.6
<b>Emergency Rental Assistance</b> - Funds provided to RI Housing to assist households having difficulty making rent and utility payments due to the pandemic.	240.6
<b>Coronavirus State and Local Fiscal Recovery Fund</b> – Funding to states and municipalities for pandemic assistance. Approximately \$83.2 million expended from State Recovery Funds and \$132 million disbursed to cities and towns from the State’s Local Fiscal Recovery Funding allotment.	215.2
<b>Medicaid and CHIP Programs</b> - Enhanced federal reimbursement to States during the public health emergency to assist states in dealing with increasing program expenditures due to expanding enrollments.	166.6
<b>Education Stabilization Fund</b> - Funds provided to local education agencies to address the impact the pandemic has had on elementary and secondary schools.	109.2
<b>FEMA Stafford Act Disaster Assistance</b> - Claims for certain pandemic-related costs associated with the public health emergency. See complete FEMA details in ACFR highlights section.	83.8
<b>Child Care and Development Fund</b> - Additional funding provided to ensure childcare centers are able to maintain operations while recovering from hardships of the pandemic.	73.9
<b>Pandemic-EBT Food Benefits</b> - Nutrition assistance for children who would receive free or reduced school meals while their school was closed or operating with reduced hours and for children whose childcare facility is closed or has reduced attendance.	44.0
<b>Epidemiology &amp; Laboratory Capacity for Infectious Diseases</b> - Funds used to monitor the spread of COVID-19, as well as lab testing costs, and other virus mitigation efforts.	38.2
<b>Homeownership Assistance Fund</b> - Funds provided to RI Housing to mitigate financial hardships due to the pandemic and to prevent homeowner mortgage delinquencies, defaults, foreclosures, etc.	25.5
<b>Coronavirus Relief Fund (CRF)</b> - The remainder of the \$1.25 billion award under CRF was expended in fiscal 2022.	24.3
<b>Highway Planning and Construction</b> - Additional funding for eligible maintenance expenditures, including personnel, winter vendor & materials, and other maintenance materials.	24.1
<b>Other Federal Programs Receiving COVID-19 Assistance</b>	67.2
<b>Total COVID-19 Assistance Expended in 2022</b>	<b>\$ 1,440.2</b>

Additional information on expenditures of federal awards during fiscal 2022 will be included in the State’s Single Audit Report which is in progress and will be shared with federal funding agencies as a condition of continued federal assistance.

The **State of Rhode Island's Fiscal 2022 Annual Comprehensive Financial Report (ACFR)** prepared by the Office of Accounts and Control—Department of Administration—includes the *Independent Auditor's Report* of the Interim 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 2022 and 2021.



The full fiscal 2022 ACFR is available on the Office of Accounts and Control and Auditor General websites:

[2022 State of Rhode Island ACFR 6.30.22 \(ri.gov\)](https://www.oag.ri.gov)

The Rhode Island Commerce Corporation assisted in providing artwork for the State of Rhode Island's 2022 Annual Comprehensive Financial Report



**Office of the Auditor General  
Rhode Island General Assembly  
33 Broad Street • Suite 201 • Providence RI 02903  
phone 401.222.2435— [www.oag.ri.gov](http://www.oag.ri.gov)  
David A. Bergantino, CPA, CFE  
Interim Auditor General**