



**RHODE ISLAND**  
INFRASTRUCTURE BANK

# **RHODE ISLAND INFRASTRUCTURE BANK**

A Component Unit of the State of Rhode Island  
and Providence Plantations

Basic Financial Report  
June 30, 2020 and 2019

---

## Table of Contents

---

Independent auditor's report.....	1 - 3
Management's discussion and analysis (unaudited).....	4 - 9
Financial statements	
Statements of net position.....	10
Statements of revenues, expenses, and changes in net position.....	11
Statements of cash flows .....	12 - 13
Notes to financial statements .....	14 - 43
<u>Supplementary information</u>	
Combining schedules of net position .....	44 - 45
Combining schedules of revenues, expenses, and changes in net position .....	46 - 47

## **Independent Auditors' Report**

To the Board of Directors  
Rhode Island Infrastructure Bank  
Providence, Rhode Island

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Rhode Island Infrastructure Bank (the Bank), a component unit of the State of Rhode Island and Providence Plantations, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Rhode Island Infrastructure Bank's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Infrastructure Bank as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rhode Island Infrastructure Bank's basic financial statements. The supplementary information listed on the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information for the years ended June 30, 2020 and 2019 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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. In our opinion, the supplementary information schedules for the years ended June 30, 2020 and 2019 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020 on our consideration of the Rhode Island Infrastructure Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Rhode Island Infrastructure Bank'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 Rhode Island Infrastructure Bank's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

Cranston, Rhode Island  
September 17, 2020

## Management's Discussion and Analysis

### INTRODUCTION

The following is Management's Discussion and Analysis of the financial condition and results of operations of Rhode Island Infrastructure Bank (the "Bank"). This commentary should be read in conjunction with the Bank's Financial Report including the companion Notes to financial statements for the fiscal years ending June 30, 2020 and June 30, 2019.

As outlined in greater detail in the financial statements, the Bank was established in 1989 as a quasi-public corporation. The Bank is governed by a Board of Directors consisting of five members, four of whom are members of the public appointed by the Governor, with the advice and consent of the State Senate. The Rhode Island State General Treasurer, or such officer's designee, who shall be a subordinate within the General Treasurer's department, serves as an ex-officio member.

Consistent with the Bank's mission of serving as Rhode Island's central hub for financing infrastructure improvements for municipalities, businesses, and homeowners, the Board and Management are focused on delivering innovative financing solutions for an array of infrastructure-based projects. In addition to the two state revolving funds, clean- and drinking water programs, the Bank also supports municipal road and bridge, energy efficiency and renewable energy, brownfield remediation, and water quality protection financing.

During FY2020, the Bank launched two climate change resilience programs. The Stormwater Project Accelerator program and the Municipal Resilience Program. The stormwater program provides upfront capital for stormwater infrastructure projects that will ultimately be funded upon completion through other sources such as state, local and Federal reimbursement grants. The Municipal Resilience Program provides direct support to communities to identify projects and strategies to improve resilience to hazards related to a changing climate and severe weather events. The latter program also enables municipalities to apply for dedicated action grants to implement identified projects for which the Bank has committed \$2 million to support.

### IMPACT OF CORONAVIRUS (COVID-19)

Early in 2020, the global outbreak of COVID-19 was declared a pandemic by the World Health Organization. In response to this pandemic, the President of the United States declared a National Emergency and Governor Raimondo of Rhode Island declared a State of Emergency. As the pandemic continued throughout the spring and summer, the Governor has subsequently extended the State of Emergency several times, most recently on September 2, 2020. In accordance with Executive Orders issued by the Governor, the Bank transitioned its staff to working remotely. The mid-March transition was seamless, and the Bank was able to continue its normal business operations with no service disruption to its clients.

In addition, the Bank remains in regular communication with its borrowers and continues to assess with them any potential financial impact that may result from the COVID-19 pandemic. While the Bank has not experienced any non-payment issues, the potential loss of tax and other revenues resulting from COVID-19 could adversely impact such loan repayments. The repayment of outstanding bonds and other indebtedness under the Bank's various loan programs, is dependent on the timely receipt of loan repayments from the Bank's borrowers.

The Bank continues to closely monitor the COVID-19 pandemic in coordination with guidance from the Centers for Disease Control and Prevention, the Rhode Island Department of Health, and the Rhode Island Emergency Management Agency. It is expected that the information received through these monitoring efforts will help guide the Bank in making appropriate and timely decisions relative to its operating activities going forward.

## Management's Discussion and Analysis

### OVERVIEW OF THE FINANCIAL STATEMENTS

As noted above, Management's Discussion and Analysis is intended to serve as an introduction to the Bank's financial statements. The Bank's three financial statements include:

1. **Statement of Net Position:** The statement of net position presents information on the Bank's assets (plus deferred outflows) and liabilities (plus deferred inflows), with the difference between the two amounts as net position. Over time, increases or decreases in the Bank's net position can serve as a broad indicator of whether the financial position of the Bank is improving or deteriorating.
2. **Statement of Revenues, Expenses and Changes in Net Position:** This statement presents the Bank's operating revenues and expenses, nonoperating revenues and expenses, and changes in net position for the fiscal year.
3. **Statement of Cash Flows:** The Bank's statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating activities, capital and related financing, non-capital financing activities, and investing activities.

All assets and liabilities and changes in net position are reported upon the occurrence of the underlying event giving rise to that asset or liability and the resulting change in net position regardless of the timing of when the cash is received or paid. This reporting is consistent with the flow of financial resources measurement focus and the accrual basis of accounting for governmental agencies. Consequently, certain revenues and expenses reported in the Statement of Revenues, Expenses and Changes in Net Position will result in cash flow impacts in future periods.

### FINANCIAL HIGHLIGHTS

#### Statement of Net Position – Condensed

	2020	2019	2018
Current assets	\$ 454,980,989	\$ 486,813,954	\$ 465,005,699
Noncurrent assets	1,205,474,891	1,252,646,608	1,201,190,665
Total assets	1,660,455,880	1,739,460,562	1,666,196,364
Deferred outflows of resources (a)	5,975,498	5,378,818	6,489,463
Current liabilities	189,471,627	254,811,433	247,018,749
Noncurrent liabilities	724,908,764	777,166,506	771,214,463
Total liabilities	914,380,391	1,031,977,939	1,018,233,212
Deferred inflows of resources (a)	2,342,473	734,416	716,253
Net investment in capital assets	176,435	269,647	384,721
Restricted for program purposes	723,081,858	662,135,008	603,540,701
Unrestricted	26,450,221	49,722,370	49,810,940
Total net position	\$ 749,708,514	\$ 712,127,025	\$ 653,736,362

- (a) In conjunction with refunding certain above-market rate bonds, the difference between the newly issued bond(s) and the net carrying amount of the refunded bond(s) is(are) recorded as an amount deferred on refunding – either as an outflow or inflow. Please see Note 1, "Summary of Significant Accounting Policies" for more information.

## Management's Discussion and Analysis

---

### Statement of Net Position – as of fiscal periods ending June 30, 2020 and June 30, 2019

- Total assets for the period ending June 30, 2020 amounted to \$1.660 billion, a decrease of \$79.0 million, or 4.5%, from the previous year end when total assets amounted to \$1.739 billion. The decrease is mainly attributable to cash and loans outstanding, which declined \$21.9 million and \$46.6 million, respectively, in FY 2020.
- Total investments amounted to \$60.0 million at June 30, 2020, down \$24.3 million from \$84.3 million at the end of prior fiscal year end. The market continued to present significant challenges for fixed income investors, especially in the second half of the fiscal year when the Federal Reserve took dramatic action in response to COVID-19. In turn, market rates fell dramatically across the yield curve. While management was able to make strategic fixed income purchases earlier in the year, with the market turmoil surrounding COVID-19, some of these positions were liquidated to mitigate any potential basis or risk credit.
- Loans outstanding amounted to \$1.297 billion at June 30, 2020, a decrease of 3.5% from \$1.344 billion at June 30, 2019. While loan originations amounted to \$53.8 million in FY 2020, principal repayments on existing loans equaled \$92.9 million during the same period. It is noteworthy that the closing of two new drinking water loans originated in FY 2020 and aggregating \$23.2 million was postponed to July 2020 due to COVID-19 related issues.
- Net investment in capital assets decreased to \$176,435 at June 30, 2020 from \$269,647 at June 30, 2019, as depreciation amounted to \$146,563 and new capital assets were a modest \$53,277 during 2020.
- Project costs payable (which are committed loan proceeds that have yet to be disbursed and shown in current liabilities) decreased markedly in FY 2020. In addition to working more closely and proactively with our borrower base, new systems and procedures have been deployed which served to increase processing efficiencies and accelerate the payment of funds to borrowers. Such liabilities declined \$64.1 million and amounted to \$112.4 million at June 30, 2020 compared to \$176.5 million at the prior year-end.
- Bonds payable amounted to \$793.4 million at year-end 2020, a decrease of \$52.5 million from \$846.0 million at the prior year-end. Despite the challenging COVID-19 market, the Bank successfully issued \$12.8 million of bonds under the Municipal Road and Bridge program in late April which supported \$32.5 million lending to three municipalities. Additionally, to leverage a highly favorable debt issuance environment, management identified opportunities in late 2019 to reduce the cost of existing debt and provide additional capital to its customers to help finance infrastructure projects. Spanning both the clean- and drinking water programs, the Bank refunded \$138.1 million of its bonds and provided an upfront cash payment of \$7.8 million of resulting savings to 26 municipalities and utilities. Over the last six years, the Bank has provided \$32.8 million in savings to borrowers by refinancing existing debt at lower interest rates.
- As a result of the required \$21.8 million intergovernmental transfer made to the State, the Bank's unrestricted net position declined \$23.3 million from the prior year-end and amounted to \$26.5 million. It is also noteworthy that the Bank's unrestricted cash position declined as a result of this transfer from \$26.2 million at June 30, 2019 to \$4.3 million at June 30, 2020.
- Overall, the Bank's financial position improved in 2020. The total net position amounted to \$749.7 million at fiscal year-end 2020 compared to \$712.1 million at June 30, 2019, an increase of \$37.6 million. For the end of FY 2019, the net position increased \$58.4 million from FY 2018, which amounted to \$653.7 million. In each of the years, increases were substantially related to non-operating grant income which is utilized to increase the capital of certain lending programs.

**Management's Discussion and Analysis**
**Statement of Revenues, Expenses and Changes in Net Position – Condensed**

	2020	2019	2018
Interest income – loans	\$ 23,981,078	\$ 24,640,810	\$ 24,698,553
Interest income – investments	6,253,156	9,084,762	5,493,509
Other operating income	6,051,766	6,996,449	6,286,730
Grant income – operating	1,371,633	2,582,228	2,471,194
Total operating revenues	37,657,633	43,304,249	38,949,986
Interest expense	21,334,595	22,244,946	22,915,654
Other operating expenses:			
Principal forgiveness	2,654,317	2,133,647	1,909,903
Consulting fees to partner agencies	3,817,475	4,118,416	2,121,685
General administrative	3,730,289	3,608,355	3,244,014
Professional fees	986,283	1,150,832	1,150,249
Total operating expenses	32,522,959	33,256,196	31,341,505
Operating income	5,134,674	10,048,053	7,608,481
Grant income – non-operating	54,236,815	52,342,610	37,285,326
Less; intergovernmental transactions	21,790,000	4,000,000	3,500,000
Change in net position	37,581,489	58,390,663	41,393,807
Net position, beginning of year	712,127,025	653,736,362	612,342,555
Net position, end of year	\$ 749,708,514	\$ 712,127,025	\$ 653,736,362

Statement of Revenues, Expenses and Changes in Net Position – for the fiscal years ending June 30, 2020 and June 30, 2019

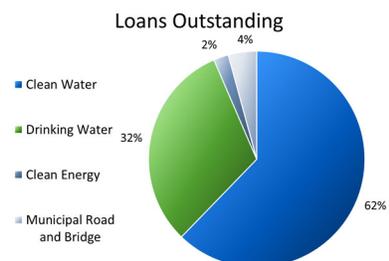
- The Bank's operating revenues amounted to \$37.7 million in FY 2020 versus \$43.3 million for FY 2019, a decrease of \$5.6 million or 13%. As discussed below, a decrease in investment income due to a decline in market interest rates represented half of the total decrease in operating revenues.
- Interest income on loans declined by \$659,732 from the prior year and amounted to \$24.0 million in FY 2020, largely owing to the decrease in loans outstanding, together with the amortization of the capitalized refunding credits paid to borrowers. In connection with the refunding described earlier, the refunding savings were paid to related borrowers in the form of an upfront cash payment. Those payments were capitalized and are being amortized over the average life of the new debt issued.
- Interest income on the Bank's investments fell appreciably to \$6.3 million in FY 2020 versus \$9.1 million in FY 2019. Market rates declined across the yield curve due to the COVID-19 pandemic. During the first half of the fiscal year, the 3-month and 2-year Treasuries declined 66 and 20 basis points, respectively, with each yielding 55 basis points at December 31, 2019. Rates continued to decline significantly, and those same yields averaged 13 and 21 basis points, respectively, from mid-March through the end of June. With the majority of the Bank's investable assets in short-duration instruments, interest income declined with the broader decline in market rates.

## Management's Discussion and Analysis

- Other operating income, which consists of loan origination and servicing fees was \$6.1 million in FY 2020 compared to \$7.0 million a year earlier, a decline of \$944,683 or 14%. The decrease is entirely attributable to loan origination fees, which reflect lower originations in FY 2020 compared to a year ago. While it did not materially impact this year's results, the Bank determined that it could support a reduction in its loan servicing fee from 50 basis points per annum on the unpaid principal balance to 30 basis points effective for loans originated after December 31, 2019.
- Grant income – operating amounted to \$1.4 million in FY 2020, a decrease of \$1.2 million from FY 2019. Such income represents drinking water capital grant drawdowns from EPA for further payment to the partner agency for their oversight of the program.
- Reflecting the combined impact of previously refunded debt and lower average outstanding balances, interest expense, net of premium amortization, decreased \$910,351 and amounted to \$21.3 million for FY 2020 compared to \$22.2 million in the year ago period.
- Principal forgiveness on customer loans increased \$520,670 as capital grants from EPA (which have a principal forgiveness component) increased appreciably in 2019 and were utilized in 2020. As noted last year, the Bank originated two loans which provided more than \$3 million in principal forgiveness to communities impacted by contaminated drinking-water wells.
- Consulting fees to partner agencies decreased \$300,941, or 7%, and amounted to \$3.8 million compared to \$4.1 million in 2019.
- The Bank's general administrative expenses increased a modest 3% and amounted to \$3.7 million compared to \$3.6 million in the prior fiscal year. Increases in marketing, risk management expense, and headcount to support new infrastructure lending programs as described in the introduction, were partially offset by lower debt issuance costs.
- Professional fees, which include legal, correspondent and trustee fees, audit services, and financial advisory fees, declined \$164,549, or 14%, and amounted to \$986,283 in FY 2020 compared to \$1.2 million in the year earlier.
- Grant income – non-operating amounted to \$54.2 million in 2020 compared to \$52.3 million for the prior fiscal year. Capital grant drawdowns from EPA are recorded under this caption and make up most of such income. In addition to an increase in capitalization grants received from EPA, the Bank also received \$9.9 million in State Water Pollution Abatement funds and \$17.8 million in capital for the Municipal Road and Bridge program, of which \$12.8 million was transferred back to the state.
- As noted earlier, intergovernmental transactions amounted to \$21.8 million in FY 2020 and included \$9.0 million of unrestricted operating capital and \$12.8 million of capital from the Municipal Road and Bridge program. The total of all funds transferred to the state over the last three years equals \$29.3 million.

## LENDING ACTIVITY

During FY 2020 the Bank originated \$53.8 million in new loans. In addition, the Bank facilitated the origination of \$58.2 million of C-PACE loans which are arranged with third-party lenders, were originated). At fiscal year-end 2020, total loans outstanding amounted to \$1.297 billion and the chart to the right shows the distribution of those loans over the Bank's various lending programs.



**Management's Discussion and Analysis**

Sector	2020	2019	2018
Clean Water	\$ 5,162,500	\$ 40,765,000	\$ 31,086,500
Stormwater Infrastructure	2,059,176	10,300,00	0
Drinking Water	11,680,000	70,642,496	20,050,000
Municipal Road and Bridge	32,500,000	24,000,000	17,449,000
Clean Energy*	60,619,045	6,053,584	12,452,503
<b>Total</b>	<b>\$ 112,020,721</b>	<b>\$ 151,761,080</b>	<b>\$ 81,038,003</b>

\*Included in the caption are C-PACE loans. Such lending amounted to \$58.2 million, \$2.6 million and \$1.7 million in 2020, 2019, and 2018, respectively.

As shown in the table above, originations in the Bank's Municipal Road and Bridge amounted to \$32.5 million of the \$53.8, or 63%, of the total Bank-funded originations. With the 2020 originations, the Municipal Road and Bridge Program has provided financing for over \$100 million in loans to 19 municipalities across the state. Across all segments, new loan originations included Providence Public Building Authority (\$20.0 million), City of Warwick (\$10.0 million), Town of Cumberland (\$6.5 million), Providence Water Company (\$3.0 million) and Smithfield Water Supply Board (\$2.7 million). Overall, originations funded a variety of important infrastructure-based projects.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Bank's financial activity. If you have questions about this report or need additional financial information, please contact us at: 235 Promenade Street, Suite 119, Providence, Rhode Island 02908, telephone number (401) 453-4430 or email us at [info@riib.org](mailto:info@riib.org).



Rhode Island Infrastructure Bank (A Component Unit of the State of Rhode Island and Providence Plantations)

**Statements of Net Position – June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets:		
Unrestricted:		
Cash, cash equivalents and investments	\$ 4,330,604	\$ 26,196,135
Restricted:		
Cash and cash equivalents	285,464,555	271,145,536
Investments	60,019,409	84,299,052
Total restricted cash, cash equivalents and investments	<u>345,483,964</u>	<u>355,444,588</u>
Other current assets:		
Unrestricted:		
Prepaid expenses, other assets and other receivables	215,677	218,362
Restricted:		
Service fees receivable	1,869,967	1,839,608
Loans receivable	92,115,890	91,665,408
Accrued interest receivable:		
Loans	8,419,676	8,514,703
Investments	2,545,211	2,935,150
Total current assets	<u>454,980,989</u>	<u>486,813,954</u>
Noncurrent assets:		
Unrestricted:		
Loans receivable	83,483,005	90,710,006
Capital assets - property and equipment, net	176,435	269,647
Total unrestricted noncurrent assets	<u>83,659,440</u>	<u>90,979,653</u>
Restricted:		
Loans receivable	1,121,815,451	1,161,666,955
Total noncurrent assets	<u>1,205,474,891</u>	<u>1,252,646,608</u>
Total assets	<u>1,660,455,880</u>	<u>1,739,460,562</u>
Deferred Outflows of Resources	5,975,498	5,378,818
<b>Liabilities</b>		
Current liabilities:		
Project costs payable	112,401,685	176,468,877
Bonds payable	69,598,427	70,041,672
Accrued interest payable	6,626,338	7,302,390
Accounts payable and accrued expenses	412,673	611,922
Accrued arbitrage rebate	432,504	386,572
Total current liabilities	<u>189,471,627</u>	<u>254,811,433</u>
Noncurrent liabilities:		
Bonds payable	723,844,544	775,917,831
Accrued arbitrage rebate	1,064,220	1,248,675
Total noncurrent liabilities	<u>724,908,764</u>	<u>777,166,506</u>
Total liabilities	914,380,391	1,031,977,939
Deferred Inflows of Resources	2,342,473	734,416
Net position		
Net investments in capital assets	176,435	269,647
Restricted for program purposes	723,081,858	662,135,008
Unrestricted	26,450,221	49,722,370
Total net position	<u>\$ 749,708,514</u>	<u>\$ 712,127,025</u>

See notes to financial statements.



Rhode Island Infrastructure Bank (A Component Unit of the State of Rhode Island and Providence Plantations)

**Statements of Revenues, Expenses, and Changes in Net Position – Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
Operating revenues:		
Interest income - loans	\$ 23,981,078	\$ 24,640,810
Interest income - Investments	6,253,156	9,084,762
Loan servicing fees	5,555,699	5,506,824
Loan origination fees	496,067	1,489,625
Grant income - program administration	1,371,633	2,582,228
Total operating revenues	<u>37,657,633</u>	<u>43,304,249</u>
Operating expenses:		
Interest expense, net of premium amortization	21,334,595	22,244,946
Program administration, partner agencies	3,817,475	4,118,416
Principal forgiveness	2,654,317	2,133,647
Compensation and benefits	1,957,270	1,660,530
Debt issuance	925,253	1,302,147
Professional services	307,042	534,625
Legal	191,978	247,323
Correspondent and trustee	319,443	245,518
Information technology	143,627	147,619
Marketing	152,415	123,891
Audit and accounting	59,845	71,533
Financial advisory	107,975	51,833
Loan origination service	150,678	-
Occupancy and office expense	176,140	170,727
Depreciation	146,489	141,377
Insurance	48,939	31,778
Business and travel	12,691	19,367
Dues and subscriptions	14,957	6,731
Seminars	1,830	4,188
Total operating expenses	<u>32,522,959</u>	<u>33,256,196</u>
Operating income	5,134,674	10,048,053
Non-operating revenue:		
Grant income and other contributed capital	54,236,815	52,342,610
Non-operating expenses:		
Intergovernmental transactions	<u>21,790,000</u>	<u>4,000,000</u>
Change in net position	37,581,489	58,390,663
Net position, beginning of the year	<u>712,127,025</u>	<u>653,736,362</u>
Net position, end of the year	<u>\$ 749,708,514</u>	<u>\$ 712,127,025</u>

See notes to financial statements.



Rhode Island Infrastructure Bank (A Component Unit of the State of Rhode Island and Providence Plantations)

**Statements of Cash Flows – Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Loan repayments	\$ 92,955,020	\$ 86,623,322
Operating grants	1,371,633	2,582,228
Origination fees	496,067	1,489,625
Loan servicing fees	5,525,340	5,515,545
Investment income	6,643,095	8,293,846
Loan disbursements	(125,425,748)	(129,536,395)
Payments for goods and services	(5,697,135)	(5,255,778)
Bond issuance costs	(925,253)	(1,302,147)
Payments for personnel-related costs	(1,960,391)	(1,257,857)
Net cash used for operating activities	<u>(27,017,372)</u>	<u>(32,847,611)</u>
Cash flows from capital and related financing activities:		
Purchases of property and equipment	(53,277)	(34,879)
Cash flows from noncapital financing activities:		
Proceeds from bond issuance	30,797,329	91,696,938
Repayment of bond principal	(55,553,214)	(70,279,410)
Refunding credits paid to borrowers	(8,408,641)	-
Payments on notes payable	-	(23,345,000)
Non-operating grants	54,236,815	52,342,602
Intergovernmental transactions	(21,790,000)	(4,000,000)
Interest paid on bonds	(27,893,679)	(22,511,017)
Proceeds from termination of interest rate cap	-	1,215,000
Net cash provided by noncapital financing activities	<u>(28,611,390)</u>	<u>25,119,113</u>
Cash flows from investing activities:		
Interest income - loans	24,512,541	24,501,152
Arbitrage rebate paid to U.S. Treasury	(507,430)	(92,395)
Proceeds from (purchases of) investments, net	24,130,416	(9,395,225)
Net cash provided by investing activities	<u>48,135,527</u>	<u>15,013,532</u>
Cash and cash equivalents, beginning of the year	<u>297,341,671</u>	<u>290,091,516</u>
Cash and cash equivalents, end of the year	<u>\$ 289,795,159</u>	<u>\$ 297,341,671</u>

See notes to financial statements.



Rhode Island Infrastructure Bank (A Component Unit of the State of Rhode Island and Providence Plantations)

**Statements of Cash Flows – Years Ended June 30, 2020 and 2019; continued**

	<u>2020</u>	<u>2019</u>
Operating Income	\$ 5,134,674	\$ 10,048,053
Adjustments		
Depreciation	146,489	141,377
Amortization of bond premiums and discounts, net	19,789,442	8,529,289
Increase in investments receivable	389,939	(790,915)
Interest income - loans	(23,981,078)	(24,640,810)
Interest expense	1,545,153	13,715,615
Loan principal forgiveness	2,654,317	2,133,647
Net disbursements of loans receivable	(32,469,351)	(42,913,074)
Increase in prepaid expenses	2,685	1,151,280
Increase in accounts payable	(199,283)	(230,795)
(Increase) decrease in accounts receivable - service fees	(30,359)	8,722
Net cash used by operating activities	<u>\$ (27,017,372)</u>	<u>\$ (32,847,611)</u>
Supplementary cash flow information:		
Noncash transactions:		
Increase in loans receivable issued related to project costs payable	\$ 14,157,295	\$ 15,041,303
Increase in fair value of investments	\$ 3,016,803	\$ 3,166,031
Noncash activity related to refunding bonds	\$ 145,356,976	\$ 9,519,212

See notes to financial statements.

## Notes to Financial Statements

### Note 1. Summary of Significant Accounting Policies

**Organization:** Rhode Island Infrastructure Bank (Bank) was established in 1989 by the State of Rhode Island (State) General Assembly, under Chapter 46-12.2 of the Rhode Island General Laws (1986) as amended. While the Bank is a body politic and corporate and public instrumentality of the State, it has a distinct legal existence separate from the State and is not considered a department of State government. For financial reporting purposes, the Bank is considered a component unit of the State.

In accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No.14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement 14*, and GASB Statement No. 61, *the Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, the financial statements must present the Bank and its component units, which, for the periods included here, there were none in existence. As noted above, however, the Bank is considered a component unit of the State and, accordingly, its financial statements are incorporated with and into the financial statements of the State.

The Bank is governed by a Board of Directors (Board) consisting of five members, four of whom are members of the public appointed by the Governor, with the advice and consent of the state senate. The General Treasurer, or such officer's designee, who shall be a subordinate within the General Treasurer's department, shall serve as an ex-officio member. While it appoints a voting majority of the Bank's governing board, the state bears no responsibility for the Bank's debt.

**Description of business:** The Bank is the central hub for financing infrastructure improvements for municipalities, businesses, and homeowners in the State. The Bank manages programs that finance infrastructure projects including clean water, drinking water, transportation, energy efficiency and renewable energy, brownfield remediation, and stormwater and climate resiliency. The Bank actively supports and finances infrastructure investments through the origination of loans and mobilization of public and private capital. Projects financed through the Bank serve to help build and maintain a strong system of infrastructure which boosts economic productivity in both the short- and long-term while enhancing the state's environment.

Pursuant to an operating agreement between the Environmental Protection Agency (EPA) and the Bank, the Bank manages the state's Clean Water and Drinking Water State Revolving Fund (SRF) programs, CWSRF and DWSRF, respectively. The SRF programs, which were authorized by Federal legislation (the Water Quality Act of 1987 for the CWSRF and the Safe Drinking Water Act of 1996 for the DWSRF), were established to provide a perpetual source of capital for water infrastructure that protects public health and the environment. SRFs provide eligible borrowers with below market loans and other forms of low-cost financing to build, repair and improve wastewater (e.g., sewage treatment and stormwater management) and drinking water infrastructure.

The SRF programs are "revolving" in nature because the revenue received by the Bank from borrower debt service payments is greater than the debt service the Bank owes on its bonds and these excess funds, together with residual amounts released from reserve funds as the Bank's debt is retired, are used to originate new loans to borrowers that are pledged as a source of payment and security, for new SRF bonds or for other eligible purposes.

In addition, since the SRFs were established, Congress has provided an annual federal grant, called a "capitalization grant," to add to the available capital of the SRFs. States are required to match 20% of the capitalization grant with state funds. Federal and state contributions, as well as revolved funds, are limited to specific uses by laws and regulations, the operating agreement noted above, and a capitalization grant agreement with the EPA. Because of these limitations on use, these funds are classified as "restricted" on the statements of net position.

The Bank's SRF programs are leveraged by issuing bonds to provide additional funds to finance program-eligible projects. Federal and state grants and other monies available to the Bank are pledged to secure the bonds by either funding reserves or financing loans pledged to the bonds. Earnings on these pledged assets are used to pay a portion of the debt service on the related bonds, thereby allowing for a reduction in the borrowers' loan repayment obligation. Generally, the Bank lends to borrowers at 67% and

**Notes to Financial Statements**
**Note 1. Summary of Significant Accounting Policies (continued)**

75% of the current market rate for the CWSRF and DWSRF, respectively. In addition to providing low-cost financing, including interim financing, for eligible projects, the Bank's SRF programs primary activities include the issuance of debt, the investment of program funds, and the management and coordination of the programs. Through June 30, 2020, the Bank has originated approximately \$1.357 billion and \$550.3 million in CWSRF and DWSRF loans, respectively.

In addition to the CWSRF and DWSRF, the Bank also manages the following programs:

<b>Program</b>	<b>Summary</b>
<b>Brownfields Revolving Loan Fund (Brownfields RLF)</b>	The Fund provides financing for the remediation of properties contaminated with hazardous substances. The Rhode Island Department of Environmental Management (DEM), in partnership with the Rhode Island Commerce Corporation (RICC), is responsible for producing a project priority list (PPL) of eligible sites for the Bank to provide financing. In June 2016, the Bank was awarded an initial grant of \$820,000 from the EPA.
<b>Clean Water and Stormwater Infrastructure Fund (CWSWIF)</b>	The Fund provides financial assistance to eligible borrowers to develop water pollution control abatement projects. In addition, the CWSWIF provides upfront capital to municipalities and organizations who have received reimbursement grants for design and construction of green stormwater infrastructure projects. To date, the Bank has originated \$12.4 million in CWSWIF loans.
<b>Commercial – Property Assessed Clean Energy (C-PACE)</b>	C-PACE provides financing for a broad array of energy efficiency and renewable energy projects (and related improvements) in commercial and industrial properties. As the Bank does not directly provide financing for C-PACE loans, property owners are free to arrange financing directly with one of the Bank's third-party capital providers. The program produced its first round of loans during the spring of 2017 and has now issued \$64.3 million in C-PACE loans for a variety of projects.
<b>Community Septic System Loan Program (CSSLP)</b>	Included in the CWSRF program, CSSLP provides discounted financing to communities to address nonpoint source pollution abatement issues with end loans being offered to residents with cesspools or substandard septic systems. The DEM is responsible for producing a PPL of eligible communities for the Bank to provide financing. Revolved capital from CWSRF provides funding for this program. Since the inception of the program, the Bank has originated \$19.7 million in CSSLP loans.

**Notes to Financial Statements**
**Note 1. Summary of Significant Accounting Policies (continued)**

<b>Program</b>	<b>Summary</b>
<b>Efficient Buildings Fund (EBF)</b>	The Fund provides financing to municipalities and quasi-public agencies for renewable energy and energy efficiency improvements. The Rhode Island Office of Energy Resources is responsible for producing a PPL of eligible projects for the Bank to provide financing. Bank capital is supplemented by allocated rate-payer funds and Regional Greenhouse Gas Initiative (RGGI) proceeds. To date, the Bank has funded \$33.7 million in EBF projects.
<b>Municipal Road and Bridge Revolving Fund (MRB)</b>	The Fund provides financing to municipalities for transportation-based infrastructure projects. The Rhode Island Department of Transportation is responsible for producing a PPL of eligible projects for the Bank to provide financing. Funding for the program is provided by the State through legislative appropriations and premiums received on state bond issuances. To date, the Bank has originated \$107.2 million in MRB loans.
<b>Rhode Island Water Pollution Control Revolving Fund (including the Facility Plan Loan Program (FPLP) and the Sewer Tie-In Loan Fund (STILF))</b>	The Fund provides discounted financing for water pollution abatement projects that do not meet the requirements of the CWSRF. In addition, under the FPLP, the Fund also provides financing to municipalities for the completion of water pollution abatement project facility plans, and amendments or updates to such plans. The Fund also supports the STILF program which, like CSSLP, allows communities to borrow funds to address nonpoint source wastewater pollution abatement issues with end loans being offered to residents to connect to the local sewer systems. These programs are funded through capitalization grants from state general obligation bond issues. Between the two programs, the Bank has originated \$59 million in such loans.
<b>Water Quality Protection Charge (WQPC) Fund</b>	The WQPC Fund provides financing for the protection of watershed lands to help ensure water quality. This Fund accounts for water quality protection charges received from various Rhode Island water suppliers. The WQPC provides funding to water suppliers for watershed protection land acquisition, water pipe replacement, and other related projects. To date, the Bank has received requests for \$621,500 in WQPC grants.

The Bank does not possess the power to raise or collect taxes of any kind or to establish any generally applicable fees and charges, other than loan origination and servicing fees charged directly to those borrowers that receive financing from the Bank. The Bank, at its discretion, may also charge cost of issuance fees to borrowers.

## Notes to Financial Statements

---

### Note 1. Summary of Significant Accounting Policies (continued)

**Basis of accounting:** The accompanying basic financial statements of the Bank have been prepared in conformance with generally accepted accounting principles (GAAP) as prescribed by the GASB. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Bank is engaged only in “business-type” activities and its operations are financed and operated in a manner like a non-governmental business, where the intent is that the costs of providing services is financed through user charges. The financial statements of the Bank are prepared using the flow of financial resources measurement focus (which shows the extent to which financial resources obtained during a period are sufficient to cover expenses incurred during that period against financial resources) and the accrual basis of accounting as specified by the GASB requirements for a special purpose entity engaged solely in business-type activities.

**Revenue recognition:** Operating income emanates through the origination and servicing of loans to eligible borrowers and includes revenues (i.e., interest income on loans and related investments) and expenses incurred in loan-related business activities and other program management expenses. All other revenues and expenses are reported as nonoperating revenues and expenses.

Funding from Federal capitalization grants and state matching grants are reported as nonoperating revenue. Federal capitalization grant revenue is recognized in accordance with funding availability schedules contained within the individual grant agreements. Revenue recognition associated with these grants is based on the standard principles of eligibility, including timing requirements. The Bank recognizes grant revenue upon acceptance of its request for drawdowns by the grantor agency (EPA) and satisfaction of qualifying commitments and all other grant requirements.

The Bank’s Federal capitalization grants, beginning with the American Recovery and Reinvestment Act of 2009 (ARRA) grant, required that a portion of the grant funds be provided as additional subsidization in the form of principal forgiveness, grants, or negative interest loans. The Bank provides the additional subsidization in the form of principal forgiveness, which is recorded as an operating expense.

**Fund accounting:** To ensure compliance with the limitations and restrictions placed on the use of resources available to the Bank, the accounts of the Bank are maintained in individual funds – essentially by program as described above. For the presentation of the Bank’s financial position and results of operations, these funds are presented on a consolidated basis.

**Cash and cash equivalents:** The Bank’s cash equivalents include cash deposits at financial institutions and institutional money market accounts. The Bank’s policy is to treat all highly liquid investments with original maturities of three months or less when purchased as cash and cash equivalents.

**Investments:** Investments with maturity dates of greater than one year at the time of purchase are reported at fair value using quoted market prices. Fair value is defined by GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), as 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.

As more fully disclosed in Footnote 3 “Investments,” the Bank’s investments as of June 30, 2020 and 2019 consisted of U.S. Treasury obligations, U.S. agency obligations (e.g., FannieMae, FreddieMac, and the Federal Home Loan Bank), municipal bonds, and GICs. The Bank’s various indentures or depository and administrative payment agreements (DAPAs) governing its outstanding bond issues restrict the Bank’s ability to invest the proceeds of bonds issued. In addition to those listed above, permitted investments under either an indenture or DAPA, include, for example, repurchase agreements, certificates of deposit, money market funds, and commercial paper – each subject to specific ratings and/or other restrictions. Management actively manages its investment portfolio with a focus on asset allocation, diversification, and duration within the parameters of the permitted investments.

## Notes to Financial Statements

---

### Note 1. Summary of Significant Accounting Policies (continued)

In accordance with Section 35-10.1-7 of the General Laws of the State, dealing with the collateralization of public deposits, all certificates of deposits with maturities of greater than 60 days and all deposits in institutions that do not meet its minimum capital standards as required by its Federal regulator must be collateralized. The Bank did not have any deposits in fiscal year 2020 and 2019 which required collateralization.

**Investment income:** All investment income, including changes in the fair value of investments, is reported as revenue in the accompanying statements of revenue, expenses and changes in net position except for the guaranteed investment contracts (GIC) that is reported at contract value. Contract value represents contributions made under the contract plus earnings, less withdrawals and administrative expense.

**Property and equipment:** Property and equipment are stated at cost. The Bank's threshold for capitalizing any individual item is \$5,000. Depreciation is determined using a straight-line basis over the estimated useful life of the asset per the following schedule:

Asset Category	Estimated Useful Life
Computer equipment and software	3 years
Equipment, furniture, and fixtures	3 – 5 years
Leasehold improvements	7 – 20 years

**Bond issuance costs:** Bond issuance costs are recorded as operating expenses as incurred.

**Allowance for loan losses:** Management reviews loan receivable balances and borrowers on a continual basis for possible uncollectible amounts. In the event management determines a specific need for an allowance, provision for loss will then be provided. Should a borrower default on a loan, potential remedies are contained in the loan agreement which is backed by the full taxing power of the borrowing municipality in the form of a general obligation pledge or in the full revenue collecting ability of the Bank's revenue borrowers. Further, the Indenture of Trust (Indenture) as it relates to the Local Interest Subsidy Trust (LIST) serves as a debt service reserve fund. An allowance for loan losses has not been established at either June 30, 2020 or June 30, 2019 since historical collection experience has shown amounts to be fully collectible when due.

**Deferred inflows and outflows of resources:** A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statements as revenues and expenses until the period to which they relate. Deferred inflows and outflows of resources of the Bank consist entirely of deferred refunding costs.

The Bank has refunded certain bond obligations which had the effect of reducing aggregate debt service. The difference between the reacquisition price and the net carrying amount of the refunded bonds is recorded as an amount deferred on refunding. The deferred amount on refunding is amortized over the remaining life of the refunded bonds, or the life of the new bonds, whichever is shorter. The amortization amount is a component of interest expense.

**Accrued arbitrage rebate:** The Bank has bonds outstanding which are subject to arbitrage limitations. The term "arbitrage rebate" refers to the required payment to the U.S. Treasury Department (Treasury) of earnings received on applicable tax-exempt bond proceeds that are invested at a higher yield than the yield of the tax-exempt bond issue. The Bank's ultimate rebate of arbitrage earnings on these issues is contingent on numerous factors, but principally yields on invested proceeds. The amount the Bank will be required to remit to the Treasury could differ materially from the estimated liability – even in the near term.

## Notes to Financial Statements

---

### Note 1. Summary of Significant Accounting Policies (continued)

Based on calculations that were performed as of June 30, 2020 and 2019, the Bank had accrued arbitrage rebate liabilities totaling \$1,496,724 and \$1,635,247, respectively. During 2020 and 2019, the Bank paid to the Treasury \$507,356 and \$92,395, respectively. The rebate obligations are generally computed and adjusted, as applicable, on an annual basis in accordance with regulations promulgated by the Treasury.

Required rebates are generally due and payable in five-year intervals during the life of debt issues, with rebates due no later than 60 days after the retirement of the debt issues. Actual calculation and payment dates may be accelerated as a result of refundings/defeasances. Arbitrage rebate expense is recorded as a reduction in interest income – investments.

**Loan origination fees:** The Bank assesses loan origination fees at the time of loan closing and recognizes such revenue in the period received.

**Project costs payable:** Project costs payable represents the liability of amounts loaned to borrowers that have not been requisitioned. At June 30, 2020 and 2019, undrawn funds amounted to \$112,401,685 and \$176,468,877 respectively. Included in these amounts is \$6,916,739 and \$38,726,640 related to Narragansett Bay Commission (NBC), the Bank's largest borrower, at June 30, 2020 and 2019, respectively.

**Bond premium:** Bond premiums, included in long-term debt, are amortized using the effective interest method over the respective life of the associated bond issues. Amortization of bond premiums, which are credited to interest expense, amounted to \$7,498,211 and \$8,378,636 for fiscal years 2020 and 2019, respectively.

**Compensated absences:** The Bank permits employees to receive compensation for unused sick leave benefits, up to a maximum number of five days. Such compensation is paid annually. The liability for unused sick leave benefits at both period ends were di minimis and as such not recognized.

**Net position:** Net investment in capital assets represents capital assets, net of accumulated depreciation. Net position of the Bank is classified as restricted when external constraints are imposed by debt agreements, grantors, contributors, or laws or regulations of governments or constraints imposed by law through constitutional provisions or enabling legislation. The Bank's net position is restricted by debt covenants and grantor restrictions. Unrestricted net position has no external restrictions and is available for the operations of the Bank. Unrestricted net position may be designated by actions of the Board.

**Operating revenues and expenses:** Substantially all revenues and expenses, including interest received on investments and loans and interest paid on bonds, are considered operating items since the Bank issues bonds to finance loans for specific projects. All other revenues and expenses not meeting these criteria are reported as nonoperating revenue and expenses. In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, federal EPA capitalization grants and state grants are shown below operating income (loss) on the statements of revenue, expenses and changes in net position.

**Restricted assets:** Restricted assets of the Bank consist of cash and cash equivalents, investments designated primarily for borrower construction drawdowns (and any interest earned on such investments), borrower interest rate subsidies, and arbitrage rebate liabilities. In each instance the preceding relates to the CWSRF, DWSRF, CWSWIF, Rhode Island Water Pollution Control Revolving Fund, EBF (including rate payer funds and RGGI proceeds), C-PACE, MRB, WQPC, and the Brownfields RLF programs. Certain loans receivable in the CWSRF and DWSRF provide security for the related bonds. Loan payments received are restricted for payment of bond debt service.

**Intergovernmental transactions:** Such amounts represent compulsory payments made to the State as part of its budget requirements.

## Notes to Financial Statements

---

### Note 1. Summary of Significant Accounting Policies (continued)

**Resource use:** When both restricted and unrestricted resources are available for use, it is the Bank's policy to use restricted resources first, then unrestricted resources as they are needed.

**Recent pronouncements:** The GASB has issued the following standards that were effective during the current reporting period or will be effective in future periods:

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. While the Statement was effective for reporting periods beginning after June 15, 2019, it had no effect on the Bank's financial statements.

In January 2018, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is designed to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement was effective for reporting periods beginning after December 15, 2019 and had no impact on the Bank's financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement was established to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources 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 Statement, 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, thereby enhancing the relevance and consistency of information about governments' leasing activities. While the requirements of this Statement became effective for reporting periods beginning after June 15, 2021, the applicability to the Bank's financial statements is de minimis and as such a lease liability was not recorded. Please refer to Note 9 for further information on the Bank's operating lease.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement became effective for reporting periods beginning after June 15, 2019 and had no impact on the Bank's financial statements.

## Notes to Financial Statements

---

### Note 1. Summary of Significant Accounting Policies (continued)

In June 2018, GASB issued Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, 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 Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement became effective for reporting periods beginning after December 15, 2020 and had no impact on the Bank's financial statements.

In August 2018, GASB issued Statement No. 90 *Majority Equity Interests*. The primary objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transaction presented in flows statements of the component unit in that circumstance will include only transactions that occurred subsequent to the acquisition. The requirements of this Statement became effective for reporting periods beginning after December 15, 2019 and had no impact on the financial statements.

In May 2019, GASB issued Statement No. 91 – *Conduit Debt Obligations*. Once effective, GASB 91 will improve existing standards for government issuers by eliminating diversity in practice associated by providing a single method to report conduit debt obligations and related commitments. The GASB's existing standards, Interpretation No. 2, *Disclosure of Conduit Debt Obligations*, which allowed government issuers either to recognize conduit debt obligations as their own debt or to disclose them, which adversely affects the comparability of financial statement information.

While with the adoption of Statement 91 government issuers will no longer report conduit debt obligations as liabilities, issuers will be required to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Certain issuers may need to recognize a liability related to commitments they make or voluntarily provide associated with conduit debt if qualitative factors indicate that it is more likely than not that it will support one or more debt service

## Notes to Financial Statements

---

### Note 1. Summary of Significant Accounting Policies (continued)

payments for a conduit debt obligation. Irrespective, the issuer is required to disclose the same general information as noted above. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 and GASB encourages earlier application. Management is currently evaluating the impact this Statement will have on the Bank's financial statements.

In January of 2020, GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. The requirements of this Statement had no impact on the Bank's financial statements.

In March of 2020, GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. This statement addresses the issue raised about how the London Interbank Offered Rate (LIBOR) was determined and its expected cessation by the end of 2021. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022 (June 30, 2023 or December 31, 2023).

## Notes to Financial Statements

---

### Note 1. Summary of Significant Accounting Policies (continued)

In March of 2020, GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

In May of 2020, GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In May of 2020, GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This statement addresses cloud computing and other subscription-based forms of software applications and data storage. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

In June of 2020, GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. The requirements of this Statement had no impact on the Bank's financial statements.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income tax:** The Bank is a component unit of the State and is therefore, generally exempt from Federal income taxes under Section 115 of the Internal Revenue Code.

## Notes to Financial Statements

---

### Note 1. Summary of Significant Accounting Policies (continued)

**Reclassification of prior year presentation:** Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

**Impact of Coronavirus:** Beginning in December 2019, the global outbreak of a respiratory illness due to a novel coronavirus (known as COVID-19) has since been declared a pandemic by the World Health Organization. In response to this pandemic, the President of the United States has declared a National Emergency under the Federal Stafford Act. Similarly, the Governor of Rhode Island has declared a State of Emergency as of March 9, 2020 pursuant to Executive Order 20-02, the Rhode Island Constitution and the Rhode Island General Laws, including but not limited to Chapter 30-15. The Governor has subsequently extended the State of Emergency until September 2, 2020. In accordance with subsequent Executive Orders issued by the Governor, the Bank has directed all employees to work remotely. The Bank has made this transition seamlessly and continues its normal business operations with no service disruption to its clients.

The Bank is closely monitoring the COVID-19 pandemic in coordination with guidance from the Centers for Disease Control and Prevention, the Rhode Island Department of Health, and the Rhode Island Emergency Management Agency. It is expected that the information received through these monitoring efforts will help guide the Bank in making appropriate and timely decisions relative to its operating activities.

On March 16, 2020, the State's Public Utilities Commission issued an Order (the "Order") prohibiting water, sewer, natural gas and electricity utilities from terminating service to residential and nonresidential customers and has since extended the Order to remain in effect until November 1, 2020. Although the Bank does not anticipate that the Order will adversely impact its programs, particularly the CWSRF and the DWSRF, the impact is uncertain at this time.

On March 27, 2020, President Trump signed into law the \$2 trillion Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), providing economic relief to businesses, states and municipalities, and individuals affected by COVID-19. Although the scope of the CARES Act is wide-ranging, at this time, the Bank cannot predict the impact of CARES Act funding on the financial condition of the State and its local governments and utilities, including those that make up the borrower base for the Bank's existing loan programs. Current COVID-19 mitigation efforts have resulted in additional costs and financial strain at the state and local level and altered the behavior of businesses and individuals, with a corresponding negative impact on state and local economies.

The Bank remains in regular communication with the local governments and utilities that make up the borrower base for the Bank's existing loan programs and continues to assess with them any potential financial impact that may result from the COVID-19 pandemic. To date, the Bank has experienced no non-payment issues with respect to its existing loan programs. No assurances can be given, however, that the continued spread of COVID-19 will not materially impact the national, State and local economies. The repayment of outstanding bonds and other indebtedness under the Bank's various programs is dependent on the timely receipt of loan repayments from the Bank's borrowers. Accordingly, the potential loss to local governments and utilities of tax and other revenues resulting from COVID-19 mitigation efforts could materially adversely impact such loan repayments, including the receipt of Borrower Bond Payments, which are the Bank's primary source of repayment of the Bonds.

**Notes to Financial Statements**
**Note 2. Cash and Cash Equivalents**

At June 30, 2020 and 2019, the carrying amount of the Bank's cash deposits was \$19,462,522 and \$44,905,357, respectively, of which \$278,572 was covered by the Federal Depository Insurance Corporation and \$19,212,522 and \$44,655,357, respectively, was uninsured and collateralized by securities held by the pledging institution in the Bank's name. The difference between the carrying amount and the depository balance is attributable to outstanding reconciling items (primarily outstanding checks) at year-end. Pursuant to GASB 79, *Certain External Investment Pools and Pool Participants*, the Bank's institutional money market accounts represent qualifying external investment pools that measures for financial reporting purposes all its investments at amortized cost.

Cash and cash equivalents, including restricted amounts, consisted of the following at year-end:

Description	2020	2019
Deposits with financial institutions	\$ 19,462,521	\$ 44,905,357
Institutional money market accounts – government portfolio	270,332,638	252,436,314
Cash and cash equivalents	<u>\$ 289,795,159</u>	<u>\$ 297,341,671</u>

Description	2020	2019
Unrestricted:		
Deposits with financial institutions	\$ 3,989,130	\$ 9,599,861
Institutional money market accounts – government portfolio	341,474	16,596,274
Subtotal	<u>4,330,604</u>	<u>26,196,135</u>
Restricted:		
Deposits with financial institutions	15,473,391	35,305,496
Institutional money market accounts – government portfolio	269,991,164	235,840,040
Subtotal	<u>285,464,555</u>	<u>271,145,536</u>
Cash and cash equivalents	<u>\$ 289,795,159</u>	<u>\$ 297,341,671</u>

**Unrestricted cash:** Cash and cash equivalents of \$4,330,604 and \$26,196,135 as of June 30, 2020 and 2019, respectively are classified as unrestricted. While classified as unrestricted, those assets are subject to use only within the proper purpose of the Bank as established through its enabling legislation discussed in Note 1 and the directives and programs approved by the Board.

**Custodial credit risk - Cash and Cash Equivalents:** Custodial credit risk is the risk that in the event of insolvency, the Bank's deposits may not be returned in full. The Bank does not have a formal deposit policy for custodial credit risk and therefore, does not limit the amount of its deposits with its depositories. The Bank mitigates custodial credit risk by (i) ensuring that cash deposits that exceed federal depository insurance are collateralized and (ii) investing in institutional money market accounts – government portfolio that are "AAA" rated.

For fiscal year end 2020 and 2019, institutional money market accounts consisted of the following:

Issuer	2020	2019
Ocean State Investment Pool	\$ -	\$ 15,619,916
First American Funds – Government Obligations	250,759,861	236,816,398
First American Funds – U.S. Treasury	19,572,777	-
Total	<u>\$ 270,332,638</u>	<u>\$ 252,436,314</u>

**Notes to Financial Statements**
**Note 2. Cash and Cash Equivalents (continued)**

The OSIP is offered by The State of Rhode Island and managed by FIAM LLC (FIAM) a Fidelity Investments company. While OSIP is unrated, investments are required to be invested in only the “highest quality securities” defined as being rated in one of the highest categories by at least two Nationally Recognized Statistical Rating Organizations. Credit quality represents ratings assigned at the security level or ratings assigned to the entities that issue the securities. OSIP uses ratings from Moody’s Investors Services, Inc.

Where Moody’s ratings are not available, S&P ratings have been used. If a security has two ratings, the security is considered to be in the lower category. If a security has more than two ratings, the security is considered to be in the highest category of ratings as determined by at least two ratings. Repurchase Agreements have been classified by FIAM and approved by the Rhode Island State General Treasurer as “P1.” There are no participant withdrawal limitations.

First American Funds was assigned the highest credit ratings by Standard & Poor’s, Moody’s, and Fitch.

**Note 3. Investments**

The Bank’s investments consisted of the following at June 30, 2020:

2020	Amount	Maturity Date(s)	Interest Rate(s)	Credit Ratings Moody’s/S&P
US agency and Treasury securities:				
Federal National Mortgage Association	\$ 791,997	2023 – 2026	1.25% - 2.00%	AAA/AA+
Federal Home Loan Mortgage Corp	11,155,039	2020 – 2028	1.75% - 2.35%	AAA/AA+
Federal Home Loan Bank	4,517,637	2021 – 2023	4.75% - 5.63%	AAA/AA+
Treasury Bonds and Notes	17,472,538	2020 – 2022	1.37% - 2.25%	AAA/AAA
Subtotal	33,937,211			
Municipal bonds:				
Oregon State	3,640,863	2021 – 2023	4.87% - 5.02%	AA2/AA
Guaranteed investment contracts <sup>1</sup> :				
FSA Capital Management <sup>2</sup>	3,486,554	2024	4.71%	A2/AA
FSA Capital Management <sup>2</sup>	5,310,321	2025	4.67%	A2/AA
FSA Capital Management <sup>2</sup>	3,289,620	2027	4.79%	A2/AA
Citigroup Financial Products <sup>3</sup>	6,593,360	2027	4.81%	A3/BBB+
Mass Mutual Life Insurance Company	3,761,480	2029	4.50%	Aa3/AA+
Subtotal	22,441,335			
Total investments	\$ 60,019,409			

<sup>1</sup> Credit ratings reflect the rating of the issuer.

<sup>2</sup> Guaranteed by Assured Guaranty Municipal Corporation.

<sup>3</sup> Guaranteed by Citigroup, Inc. As of June 30, 2020, Citigroup’s rating is below the minimum rating requirement as disclosed in Note 1 “Summary of Significant Accounting Policies”. Management has determined that the current ratings and outlook do not warrant subsequent action.

**Notes to Financial Statements**
**Note 3. Investments (continued)**

The Bank's investments consisted of the following at June 30, 2019:

2019	Amount	Maturity Date(s)	Interest Rate(s)	Credit Ratings Moody's/S&P
US agency and Treasury securities:				
Federal Farm Credit Banks	\$ 1,300,043	2019	2.27%	AAA/AA+
Federal National Mortgage Association	3,725,914	2019 – 2026	1.79% - 2.21%	AAA/AA+
Federal Home Loan Mortgage Corp	12,551,502	2019 – 2028	1.75% - 2.35%	AAA/AA+
Federal Home Loan Bank	8,073,632	2019 – 2023	1.79% - 2.11%	AAA/AA+
Treasury Bonds and Notes	22,493,777	2019 – 2022	1.71% - 2.32%	AAA/AAA
Subtotal	48,144,868			
Municipal bonds:				
Oregon State	5,088,494	2020 – 2023	2.58% - 4.91%	AA2/AA
Guaranteed investment contracts <sup>1</sup> :				
Bayern LB <sup>2</sup>	2,601,228	2020	5.33%	A2/NR
Bayern LB <sup>2</sup>	1,242,512	2020	3.75%	A2/NR
FSA Capital Management <sup>3</sup>	4,167,338	2024	4.71%	A2/AA
FSA Capital Management <sup>3</sup>	6,469,703	2025	4.67%	A2/AA
FSA Capital Management <sup>3</sup>	3,685,236	2027	4.79%	A2/AA
FSA Capital Management <sup>3</sup>	553,599	2028	5.06%	A2/AA
Citigroup Financial Products <sup>4</sup>	8,042,682	2027	4.81%	A3/BBB+
Mass Mutual Life Insurance Company	4,303,392	2029	4.50%	Aa3/AA+
Subtotal	31,065,690			
Total investments	\$ 84,299,052			

<sup>1</sup> Credit ratings reflect the rating of the issuer.

<sup>2</sup> Guaranteed by the Free State of Bavaria which was rated AAA/AAA.

<sup>3</sup> Guaranteed by Assured Guaranty Municipal Corporation.

<sup>4</sup> Guaranteed by Citigroup, Inc. Rating was below the minimum rating – see disclosure for 2020.

**Custodial credit risk - Investments:** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Bank will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Bank requires that all investment agreements be collateralized either upon execution of such agreement or upon the happening of certain events, and always thereafter, by securities or other obligations issued or guaranteed by the United States, by certain Federal agencies having a market value of not less than 100% of the amount currently on deposit or in accordance with their respective agreement. The Bank has a policy which requires the monthly monitoring of custodial credit risk, including the review of institutional credit ratings.

**Credit risk:** Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The risk is evidenced by a rating issued by a nationally recognized statistical rating organization, which regularly rate such obligations. Most of the Bank's investments are in Treasury, agency securities, municipals, or GICs. Securities issued by the U.S. Treasury are all backed by the full faith and credit of the Federal government.

The Bank has GICs with multiple providers who maintain the contributed investments. GIC providers must meet the following ratings from S&P and Moody's: domestic banks rated at least AA/Aa2; U.S. branches of foreign banks rated at least AA/Aa2; insurance companies (or corporations whose obligations are

**Notes to Financial Statements**
**Note 3. Investments (continued)**

guaranteed by an insurance company, in the form of an insurance policy, or by an insurance holding company) rated AAA/Aaa. As discussed in Note 1, the GICs are reported at contract value. The providers are contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Bank. In accordance with GASB 72, the fair value of these investments is measured at such contract value outside of the fair value hierarchy. The Bank's GICs totaled \$22,441,335 and \$31,065,690 as of June 30, 2020 and 2019, respectively. There are no reserves against contract value for credit risk of the provider or otherwise. The crediting interest rates are based on a formula agreed upon by each provider.

**Interest rate risk:** Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship. Such changes usually affect securities market value inversely. The Bank manages its exposure to interest rate risk by matching the duration of its investments to anticipated obligations.

At June 30, 2020 and 2019, maturities of the Bank's investment by sector were as follows:

Sector – 2020	Total Fair Value	Years			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. agency securities	\$ 16,464,673	\$ 4,191,686	\$ 9,924,127	\$ 2,348,860	\$ -
U.S. Treasury securities	17,472,538	15,437,459	2,035,079	-	-
Municipal bonds	3,640,863	1,498,812	2,142,051	-	-
Guaranteed investment contracts	22,441,335	-	8,796,875	13,644,460	-
	<u>\$ 60,019,409</u>	<u>\$ 21,127,957</u>	<u>\$ 22,898,132</u>	<u>\$ 15,993,320</u>	<u>\$ -</u>

Sector – 2019	Total Fair Value	Years			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. agency securities	\$ 25,651,091	\$ 9,953,934	\$ 9,692,451	\$ 6,004,706	\$ -
U.S. Treasury securities	22,493,776	19,577,517	2,916,259	-	-
Municipal bonds	5,088,495	1,408,248	3,680,247	-	-
Guaranteed investment contracts	31,065,690	-	3,843,739	22,364,961	4,856,990
	<u>\$ 84,299,052</u>	<u>\$ 30,939,699</u>	<u>\$ 20,132,696</u>	<u>\$ 28,369,667</u>	<u>\$ 4,856,990</u>

**Fair value measurement:** The Bank's investments are recorded at fair value as of June 30, 2020 and 2019, pursuant to the provisions of GASB No. 31, *Certain Investments and External Investment Pools* (GASB 31), and GASB 72. GASB 31 established accounting and financial reporting standards for certain investments to be reported at fair value and for external investment pools. GASB No. 72 addresses accounting and financial reporting issues related to fair value measurements. The Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1:** Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that the Bank can access at the measurement date.
- Level 2:** Investments with inputs, other than quoted prices included in Level 1, that are observable for an asset, either directly or indirectly.

**Notes to Financial Statements**
**Note 3. Investments (continued)**

**Level 3:** Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

The Bank's investments within the fair value hierarchy (which do not include the GICs) are summarized below as of June 30, 2020 and 2019:

2020	Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value
Investment Sector			
U.S. agency securities	\$ -	\$ 16,464,673	\$ 16,464,673
U.S. Treasury securities	17,472,538	-	17,472,538
Municipal bonds	-	3,640,863	3,640,863
Total investments	\$ 17,472,538	\$ 20,105,536	\$ 37,578,074

2019	Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value
Investment Sector			
U.S. agency securities	\$ -	\$ 25,651,091	\$ 25,651,091
U.S. Treasury securities	22,493,776	-	22,493,776
Municipal bonds	-	5,088,495	5,088,495
Total investments	\$ 22,493,776	\$ 30,739,586	\$ 53,233,362

The Bank had no investments that were categorized as Level 3 at either June 30, 2020 or June 30, 2019 and therefore that information is not presented in the above tables. Certain investments that are measured at fair value using the net asset value (NAV) per share as a practical expedient have not been classified in the fair value hierarchy.

**Concentration of credit risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the Bank's investment in a single issuer. Excluding U.S. Treasury securities, the issuers where investments exceeded 5% of the Bank's total investments at either period end are:

Issuer	Percentage of Total Investments	
	2020	2019
Treasury Bonds and Notes	29%	27%
FSA Capital Management	20%	18%
Federal Home Loan Mortgage Corp	19%	15%
Citigroup Financial Products	11%	10%
Federal Home Loan Bank	8%	10%
Oregon State	6%	6%
Mass Mutual Life Insurance Company	6%	5%
Bayern LB	0%	5%

**Notes to Financial Statements**
**Note 4. Loans Receivable**

At June 30, 2020 and 2019, the Bank had loans outstanding of 1,297,414,346 and \$1,344,042,369, respectively, including all unused outstanding loan commitments (project costs payable).

Borrowers are obligated to repay the full balance of loan agreements; however, funds are disbursed by the Bank in accordance with the loan agreements as costs are incurred for the projects for which the loans are intended. The Bank disburses funds to the borrowers and/or vendors after receipt of a request for disbursement, which is accompanied by supporting documentation. The Bank is obligated to disburse funds only up to the value of the loan agreement and is not responsible for any excess costs incurred by the borrower. The borrower, in turn, is obligated to make principal and interest payments in accordance with the repayment schedules per the loan agreement even if funds have not been fully disbursed by the Bank at the time of first payment. Loan terms and conditions do vary but loans are generally repaid over 20 years with either level principal or level total payments. Loan amounts may include capitalized interest expense incurred by the borrower during the construction period.

As noted in the "Allowance for loan losses" caption in Note 1, the Bank has various LIST funds, which are restricted by the indenture between the trustee and the Bank and may be used to make the required bond payments in the event of default by a borrower.

At June 30, 2020, the Bank's top three borrowers had loans receivable of \$574,839,622 representing approximately 44% of total loans receivable, compared to 46% of total loans receivable at June 30, 2019.

**Principal forgiveness loans:** The Bank has received ARRA and non-ARRA capitalization grants which can be used to originate loans with some of its principal forgiven. The Bank's historical capitalization grants available for principal forgiveness loans for CWSRF are summarized below:

Capitalization Grant	Capitalization Grant Award	Principal Forgiveness Component	Principal Forgiveness Loans Issued as of FY2020
2009-2015	\$ 87,122,600	\$ 17,664,330	\$ 17,664,330
2016	8,962,000	896,200	896,200
2017	8,892,000	889,200	889,200
2018	10,777,000	1,077,700	1,077,700
2019	10,669,000	1,066,900	-
	<u>\$ 126,422,600</u>	<u>\$ 21,594,330</u>	<u>\$ 20,527,430</u>

The above schedule includes \$12,396,592 in principal forgiveness loans issued to NBC.

The Bank's historical capitalization grants available for principal forgiveness loans for DWSRF are summarized below:

Capitalization Grant	Capitalization Grant Award	Principal Forgiveness Component	Principal Forgiveness Loans Issued as of FY2020
2009-2015	\$ 77,519,000	\$ 23,652,900	\$ 23,652,900
2016	8,312,000	1,662,400	831,423
2017	8,241,000	1,648,200	1,648,200
2018	11,107,000	2,221,400	1,320,824
2019	11,004,000	2,200,000	-
	<u>\$ 116,183,000</u>	<u>\$ 31,384,900</u>	<u>\$ 27,453,347</u>

**Notes to Financial Statements**
**Note 4. Loans Receivable (continued)**

Loans made to eligible borrowers under the CWSRF and DWSRF programs may be forgiven if certain continuing criteria are met, including that the borrower continues to make debt service payments, continues to operate the project in compliance with laws and regulations, and does not dispose of or discontinue the project. For purposes of the basic financial statements, the Bank recognizes principal forgiveness expense as the related loans are repaid. The total amount forgiven under these programs in fiscal years 2020 and 2019 was \$2,654,317 and \$2,133,647, respectively. The amounts are included in loan principal forgiveness in the statements of revenues, expenses, and changes in net position.

**Note 5. Bonds Payable**

Since its inception, the Bank has issued revenue bonds to investors to finance infrastructure projects. The bonds are limited obligations of the Bank and repayment is made by a combination of revenue from the loans, debt service funds, and recycled capital.

In addition, from time to time the Bank issues conduit bonds. The term conduit bonds refers to certain limited-obligation revenue bonds issued by the Bank for the express purpose of providing capital financing for a specific third party. Although conduit debt obligations bear the name of the Bank and are included in its financial statements, it has no obligation for the debt beyond the resources provided by a loan with the third party on whose behalf the conduit bonds are issued. As of June 30, 2020 and 2019, there were seven series of conduit bonds outstanding, with an aggregate principal amount payable of \$62,919,000 and \$70,146,000 respectively.

The Bank had the following revenue bonds outstanding at June 30, 2020:

Clean Water Program	2020	2019
1999 Series A Bonds, dated January 1, 1999, with serial bonds of \$19,590,000 at rates varying from 3.7% to 5.25% due annually from October 1, 2002 through October 1, 2016 and term bonds of \$3,765,000 at 4.75% due October 1, 2018 and \$2,470,000 at 4.75% due October 1, 2020. <i>On May 6, 2010 and December 18, 2019, the Bank advance refunded \$4,990,000 and \$1,185,000, respectively, of the outstanding bonds.</i>	\$ -	\$ 2,470,000
1999 Series C Bonds, dated August 1, 1999, with serial bonds of \$24,010,000 at rates varying from 4.15% to 5.50% due annually from October 1, 2001 through October 1, 2019. <i>On May 6, 2010, the Bank advance refunded \$4,985,000 of the outstanding bonds.</i>	-	865,000
2000 Series A Bonds, dated December 1, 2000 with serial bonds of \$26,550,000 at rates varying from 4.50% to 5.125% due annually from October 1, 2001 through October 1, 2020. <i>On May 6, 2010, the Bank advance refunded \$7,430,000 of the outstanding bonds.</i>	825,000	1,945,000

**Notes to Financial Statements**


---

**Note 5. Bonds Payable (continued)**

2002 Series A Bonds, dated April 1, 2002 with serial bonds of \$29,305,000 at rates varying from 3.00% to 5.50% due annually from October 1, 2002 through October 1, 2022. <i>On May 6, 2010, the Bank advance refunded \$7,505,000 of the outstanding bonds.</i>	2,855,000	3,790,000
2002 Series B Bonds, dated October 1, 2002, with serial bonds of \$76,035,000 at rates varying from 2.0% to 5.0% due annually from October 1, 2004 through October 1, 2022. <i>On May 6, 2010, the Bank advance refunded \$25,260,000 of the outstanding bonds.</i>	7,325,000	8,090,000
2006 Series A Bonds, dated December 21, 2006, with serial bonds of \$57,795,000 at rates varying from 3.40% to 5.00% due annually from October 1, 2007 through October 1, 2027. <i>On October 6, 2015, the Bank advance refunded \$27,085,000 of the outstanding bonds.</i>	5,855,000	6,595,000
2009 Series A Bonds, dated October 6, 2009, with serial bonds of \$41,555,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2011 through October 1, 2019.	-	2,540,000
2010 Series A Refunding Bonds, dated May 6, 2010, with serial bonds of \$77,140,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2010 through October 1, 2023. <i>On December 18, 2019, the Bank advance refunded \$10,735,000 of the outstanding bonds.</i>	7,750,000	26,320,000
2010 Series B Bonds, dated June 24, 2010, with serial bonds of \$30,145,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2012 through October 1, 2030. <i>On June 28, 2017 and December 18, 2019, the Bank advance refunded \$17,480,000 and \$960,000, respectively, of the outstanding bonds.</i>	2,110,000	4,705,000
2011 Series A Bonds, dated March 29, 2011, with serial bonds of \$40,200,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2012 through October 1, 2032. <i>On June 28, 2017, the Bank advance refunded \$27,105,000 of the outstanding bonds.</i>	1,675,000	3,280,000
2012 Series A Bonds, dated June 28, 2012, with serial bonds of \$25,620,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2014 through October 1, 2033. <i>On December 18, 2019, the Bank advance refunded \$10,340,000 of the outstanding bonds.</i>	8,045,000	19,725,000

**Notes to Financial Statements**


---

**Note 5. Bonds Payable (continued)**

2012 Series B Refunding Bonds, dated November 8, 2012, with serial bonds of \$65,860,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2013 through October 1, 2025.	30,385,000	36,665,000
2013 Series A Bonds, dated June 6, 2013, with serial bonds of \$52,070,000 at rates varying from 1.50% to 5.00% due annually from October 1, 2015 through October 1, 2034. On December 18, 2019, the Bank advance refunded \$40,225,000 of the outstanding bonds.	6,210,000	47,790,000
2014 Series A Bonds, dated February 20, 2014, with serial bonds of \$55,925,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2015 through October 1, 2034. On December 18, 2019, the Bank advance refunded \$31,335,000 of the outstanding bonds.	14,730,000	48,185,000
2015 Series A Bonds, dated July 30, 2015, with serial bonds of \$56,275,000 at rates varying from 3% to 5% due annually from October 1, 2017 through October 1, 2044. On December 18, 2019, the Bank advance refunded \$2,880,000 of the outstanding bonds.	48,570,000	53,135,000
2015 Series B and 2015 Series C Refunding Bonds, dated October 6, 2015, with serial bonds of \$24,345,000 at rates varying from 2% to 5% due annually from October 1, 2016 through October 1, 2026; and serial bonds of \$23,355,000 at rates varying from 1.75% to 5% due annually from October 1, 2018 through October 1, 2027, respectively. The Bank's defeasance of the 2005A and 2006A bonds resulted in economic present value savings of \$5,259,859 or 10%.	32,470,000	36,905,000
2016 Series A Refunding Bonds, dated June 2, 2016, with serial bonds of \$49,060,000 at rates varying from 1.75% to 5% due annually from October 1, 2018 through October 1, 2030. The Bank's defeasance of the 2007A and 2009A bonds resulted in economic present value savings of \$6,074,803 or 11%.	45,395,000	47,265,000
2016 Series B Bonds, dated June 2, 2016, with serial bonds of \$18,790,000 at rates varying from 2% to 5% due annually from October 1, 2017 through October 1, 2037.	17,375,000	18,040,000
2017 Series A Bonds, dated April 13, 2017, with serial bonds of \$28,130,000 at rates varying from 3% to 5% due annually from October 1, 2018 through October 1, 2036.	23,905,000	26,035,000

**Notes to Financial Statements**


---

**Note 5. Bonds Payable (continued)**

2017 Series B Bonds, dated June 28, 2017, with serial bonds of \$41,120,000 at rates varying from 3% to 5% due annually from October 1, 2021 through October 1, 2032. *The Bank's defeasance of the 2010B and 2011A bonds resulted in economic present value savings of \$4,655,796 or 10%.*

41,120,000                      41,120,000

2018 Series A Bonds, dated April 25, 2018, with serial bonds of \$17,715,000 at rates varying from 3% to 4% due annually from October 1, 2025 through October 1, 2037.

17,715,000                      17,715,000

2019 Series A Bonds, dated December 18, 2019, with serial bonds of \$112,870,000 at rates varying from 4% to 5% due annually from October 1, 2020 through October 1, 2034. *The Bank's defeasance of the 1999A, 2010A, 2010B, 2012A, 2013A, 2014A, and 2015A bonds resulted in economic present value savings of \$6,414,291 or 7%.*

112,870,000                      -

Drinking Water Program	2020	2019
2007 Series A Bonds, dated March 7, 2007, with serial bonds of \$5,135,000 at rates varying from 4.00% to 4.125% due annually from October 1, 2008 through October 1, 2019.	-	525,000
2009 Series A Bonds, dated November 19, 2009, with serial bonds of \$9,935,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2011 through October 1, 2030. On December 18, 2019, the Bank advance refunded \$8,050,000 of the outstanding bonds.	-	8,205,000
2012 Series A Bonds, dated June 14, 2012, with serial bonds of \$34,620,000 at rates varying from 0.55% to 5.00% due annually from October 1, 2014 through October 1, 2033. On December 18, 2019, the Bank advance refunded \$18,975,000 of the outstanding bonds.	6,940,000	27,440,000
2013 Series A Bonds, dated May 14, 2013, with serial bonds of \$35,780,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2015 through October 1, 2034. On December 18, 2019, the Bank advance refunded \$10,095,000 of the outstanding bonds.	19,870,000	31,270,000
2013 Series B Refunding Bonds, dated June 26, 2013, with serial bonds of \$38,790,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2015 through October 1, 2024.	22,300,000	26,250,000

**Notes to Financial Statements**


---

**Note 5. Bonds Payable (continued)**

2014 Series A Bonds, dated December 4, 2014, with serial bonds of \$13,090,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2016 through October 1, 2036 and term bonds of \$1,085,000 at 3.50% due October 1, 2025 and term bonds of \$3,350,000 at 5.00% due October 1, 2036. On December 18, 2019, the Bank advance refunded \$3,350,000 of the outstanding term bonds due October 1, 2036.	8,065,000	11,950,000
2015 Series A Bonds, dated December 17, 2015, with serial bonds of \$22,640,000 at rates varying from 2% to 5% due annually from October 1, 2017 through October 1, 2037.	19,810,000	20,785,000
2017 Series A Bonds, dated February 28, 2017, with serial bonds of \$23,785,000 at rates varying from 2% to 5% due annually from October 1, 2018 through October 1, 2036. <i>The Bank's defeasance of the 2008A bonds resulted in economic present value savings of \$2,608,056 or 11%.</i>	21,400,000	22,675,000
2017 Series B Bonds, dated May 10, 2017, with serial bonds of \$11,350,000 at rates varying from 2% to 5% due annually from October 1, 2019 through October 1, 2036.	10,925,000	11,350,000
2018 Series A Bonds, dated June 19, 2018, with serial bonds of \$5,000,000 at a fixed rate of 2.76% due annually from October 1, 2018 through October 1, 2022.	3,075,399	4,038,590
2019 Series A Bonds, dated June 27, 2019, with serial bonds of \$31,600,000 at rates of 4.00% and 5% due annually from October 1, 2023 through October 1, 2039.	31,600,000	31,600,000
2019 Series B Refunding Bonds, dated June 27, 2018, with serial bonds of \$10,205,000 at rates varying from 2.07% to 2.76% due annually from October 1, 2019 through October 1, 2029. <i>The Bank's defeasance of the 2005A and 2008A bonds resulted in economic present value savings of \$1,127,646 or 12%.</i>	9,735,000	10,205,000
2019 Series C Bonds, dated December 18, 2019, with serial bonds of \$6,490,000 at a rate of 5% due annually from October 1, 2023 through October 1, 2030. <i>The Bank's advanced refunding of the 2009A bonds resulted in economic present value savings of \$1,370,822 or 17%.</i>	6,490,000	-

**Notes to Financial Statements**
**Note 5. Bonds Payable (continued)**

2019 Series D Bonds, dated December 18, 2019, with serial bonds of \$112,870,000 at rates varying from 1.73% to 2.88% due annually from October 1, 2020 through October 1, 2034. *The Bank's defeasance of the 2012A, 2013A, 2014A bonds resulted in economic present value savings of \$2,683,561 or 8%.*

39,805,000 -

Municipal Road & Bridge	2020	2019
-------------------------	------	------

2018 Series A Bonds, dated June 20, 2018, with serial bonds of \$13,965,000 at rates varying from 2% to 5% due annually from October 1, 2019 through October 1, 2037.

13,290,000 13,965,000

2019 Series A Bonds, dated May 2, 2019, with serial bonds of \$15,440,000 at rates of 4% to 5% due annually from October 1, 2019 through October 1, 2035.

14,915,000 15,440,000

2020 Series A Bonds, dated April 16, 2020, with serial bonds of \$12,765,000 at rates of 4% and 5% due annually from October 1, 2021 through October 1, 2031.

12,765,000 -

Efficient Buildings Fund	2020	2019
--------------------------	------	------

2018 Series A Bonds, dated November 29, 2018, with serial bonds of \$18,310,000 at rates varying from 3% to 5% due annually from October 1, 2019 through October 1, 2033.

17,265,000 18,310,000

Conduit Bonds	2020	2019
---------------	------	------

2008 Wastewater Revenue Bonds (City of Warwick), dated April 30, 2008, with serial bonds of \$4,000,000 at 4.85% due annually from March 1, 2009 through March 1, 2028

2,050,000 2,255,000

2011 Series A Bonds, (City of Newport), dated March 31, 2011 with serial bonds of \$10,345,000 at 4.30% due annually from September 1, 2011 through September 1, 2026

5,685,000 6,360,000

2011 Series A Bonds, (City of Newport), dated September 30, 2011 with serial bonds of \$6,640,000 at 3.4% due annually from September 1, 2012 through September 1, 2027.

3,780,000 4,185,000

2012 Series A Bonds (City of Warwick), dated June 26, 2012, with serial bonds of \$2,400,000 at 3.285% due annually from August 1, 2012 through August 1, 2022.

800,000 1,051,000

2015 Series Refunding Bonds (City of Pawtucket), dated December 18, 2015, with serial bonds of \$24,265,000 at rates varying from 3.5% to 5% due annually from October 1, 2025 through October 1, 2035. *The Bank's defeasance of the 2003A and 2003B bonds resulted in economic present value savings of \$4,237,086 or 16%.*

24,265,000 24,265,000



**Notes to Financial Statements**
**Note 5. Bonds Payable (continued)**

Annual principal and interest requirements are as follows for the year ending June 30, 2020:

Years	Principal	Interest	Total
2021	\$ 57,298,867	\$ 25,434,049	\$ 82,732,916
2022	56,696,500	23,539,539	80,236,039
2023	57,725,032	21,267,576	78,992,608
2024	51,275,000	19,032,743	70,307,743
2025 - 2029	224,040,000	65,560,922	289,600,922
2030 - 2034	167,620,000	26,602,972	194,222,972
2035 - 2039	60,725,000	5,824,963	66,549,963
2040 - 2044	8,510,000	997,431	9,507,431
2045	1,545,000	29,416	1,574,416
Subtotal	685,435,399	188,289,612	873,725,011
Conduit Bonds	62,919,000	16,000,399	78,919,399
Total	\$ 748,354,399	\$ 204,290,010	\$ 952,644,409

**Advanced refunding of debt:** As described in Note 1 (please see “Deferred inflows and outflows of resources”), the Bank will occasionally refund bonds if market conditions are amenable to reducing the aggregate debt service. When a bond is refunded, the Bank deposits bond proceeds from refunding bonds with an escrow agent to provide resources for all future debt service payments on the refunded bonds. As a result, the bonds are defeased and the liability is no longer included in the Bank’s financial statements.

In prior years, the Bank defeased certain bonds in the same manner as described above. At June 30, 2020 and 2019, the Bank had \$161,785,000 and \$83,515,000 of bonds outstanding, respectively, that are defeased.

**Deferred outflows and inflows of resources:** When the Bank refunds or advance refunds its bonds, it calculates the difference between the reacquisition price and the net carrying amount of the old debt. The resulting accounting gain or loss is then amortized over the life of the refunding bonds or remaining life of the defeased bonds, whichever is lesser. The excess of the reacquisition price over the carrying value of the defeased bonds is recorded as deferred outflows of resources on the statement of net position. The excess of the carrying value of the defeased bond over the reacquisition price is recorded as deferred inflows of resources on the same.

The deferred outflows were as follows at June 30:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Ending balance – June 30, 2018	\$ 6,489,463	\$ 716,253
Additions	-	116,742
Reductions	(1,110,645)	(98,579)
Ending balance – June 30, 2019	5,378,818	734,416
Additions	1,699,379	1,825,803
Reductions	(1,102,699)	(217,746)
Ending balance – June 30, 2020	\$ 5,975,498	\$ 2,342,473

**Notes to Financial Statements**
**Note 6. Capitalization Grants**

Under Title VI of the Federal Clean Water Act of 1972, as amended by the Federal Water Quality Act of 1987 and subsequent regulations, the General Assembly of the State enacted the Clean Water Act, which established the CWSRF to be managed by the Bank. Under the CWSRF, the DEM promulgates rules and regulations pertaining to applications by borrowers seeking financial assistance for water pollution abatement projects. No project is eligible for financing by the Bank until the DEM has issued its Certificate of Approval. The Certificate of Approval specifies, among other things, the estimated project costs that are eligible for financial assistance and other terms and conditions relating to the construction and operation of projects. The DEM and the Bank operate under a Memorandum of Understanding pursuant to which the DEM has programmatic responsibilities while the Bank has financial and operational responsibilities for the CWSRF including the determination of the type and extent of financial assistance to be provided to borrowers.

The Bank receives capitalization grants from the EPA for the CWSRF. These grants are used to fund the Bank's lending activities and to reimburse the DEM for up to 4% of the capitalization grant for expenses incurred for services they provide the Bank related to these lending activities. To obtain the Federal monies, the Bank must also obtain a commitment for state matching funds of 20% of the Federal award. The following is a table of the federal and state matching funds awarded to the Bank and the balances remaining for drawdown as of June 30:

Grant Year	Award	Balance Remaining for Drawdown
2018:		
Federal award	\$ 10,777,000	\$ 262,673
State match	2,155,400	-
2019:		
Federal award	\$ 10,669,000	\$ 10,669,000
State match	2,133,800	2,133,800

For 2020, the Bank has applied and been approved for a Federal award of \$10,670,000.

In 1996, Congress amended the Safe Drinking Water Act of 1974 to provide financial support for improving the nation's public water systems. As required by the amendment, the General Assembly of the State enacted the Water Projects Revolving Loan Fund which established the DWSRF. Under the DWSRF, the Department of Health (DOH) promulgates rules and regulations pertaining to applications by borrowers seeking financial assistance for drinking water projects. No project is eligible for financing by the Bank until the DOH has issued its Certificate of Approval. The Certificate of Approval specifies, among other things, the estimated project costs that are eligible for financial assistance and other terms and conditions relating to the construction and operation of projects. The DOH and the Bank operate under a Memorandum of Understanding pursuant to which the DOH has programmatic responsibilities while the Bank has financial and operational responsibilities of the DWSRF including the determination of the type and extent of financial assistance to be provided to borrowers.

The Bank also receives capitalization grants from the EPA for the DWSRF. These grants are used to fund the Bank's lending activities and to provide funding for various improvement programs administered by the DOH – ostensibly to support water supplier's efforts to meet the minimum standards for quality outlined in the Federal Act. To obtain the Federal monies, the Bank must commit 20% of the Federal award in the form of State matching funds. The DWSRF allows the DOH to set-aside up to 31% of the annual capitalization grants in four accounts as follows: 1) 4% for program administration which is to be split between the DOH and the Bank, 2) up to 2% for technical assistance, 3) up to 10% for state program management, and 4) up to 15% for local assistance.

**Notes to Financial Statements**
**Note 6. Capitalization Grants (continued)**

The following is a table of the Federal and state matching funds awarded to the Bank and the balances remaining for drawdown as of June 30:

Grant Year	Award	Balance Remaining for Drawdown
2018:		
Federal award	\$ 11,107,000	\$ 2,248,905
State match	2,221,400	-
2019:		
Federal award	\$ 11,004,000	\$ 10,063,894
State match	2,200,800	2,200,800

For 2020, the Bank has applied for a Federal award of \$11,011,000.

In 2002, Congress approved the Small Business Liability Relief and Brownfields Revitalization Act which created financial assistance for brownfields revitalization, including grants to capitalize Brownfields RLF. In 2015, the General Assembly of the State enacted the Brownfields RLF. Under the Brownfields RLF, the DEM, in consultation with the RICC, is to develop project evaluation criteria used to rank eligible projects on a project priority list. After enactment of the Brownfields RLF, the Bank promulgated rules and regulations establishing the parameters under which project financing is provided through the program.

The Bank received a capitalization grant from the EPA for the Brownfields RLF. This grant was used to fund the Bank's lending activities. To obtain the Federal monies, the Bank must also obtain a commitment for state matching funds of 20% of the Federal award. The following is a table of the Federal awards to the Bank and the balances remaining for drawdown as of June 30:

Grant Year	Award	Balance Remaining for Drawdown
2016:		
Federal award	\$ 820,000	\$ 820,000

**Note 7. Deferred Compensation**

The Bank sponsors a deferred compensation plan for the benefit of its employees, known as the "Rhode Island Infrastructure Bank Deferred Compensation Plan" (Plan) and created in accordance with Internal Revenue Code Section 457. The Plan, available to all Bank employees – after certain tenure requirements are met – permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Board is responsible for establishing or amending the Plan's provisions and establishing or amending contribution requirements. The Bank has an obligation to provide for the prudent management of these monies and has contracted with Voya Retirement Insurance and Annuity Company to serve as the Plan administrator.

**Notes to Financial Statements**
**Note 7. Deferred Compensation (continued)**

The Bank implemented the Governmental Accounting Standards Board, Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, deferred compensation investments and the respective liability are not included in the Bank's financial statements for the years ended June 30, 2020 and 2019. The Bank currently remits to the Plan administrator an amount equal to 10% of eligible employees' compensation (gross) monthly. The Board establish the contribution percentage on an annual basis. Employees immediately vest in the employer contributions, therefore, there are no employee forfeitures. The Bank's contribution totaled \$132,817 and \$107,548 for the years ended June 30, 2020 and 2019, respectively. Employees can make contributions to the Plan up to, but not exceeding, the lesser of 33 and 1/3% of their individual compensation or \$18,000 (\$24,000 if age 50 or older). There is no additional obligation incurred by the Bank. Employee contributions to the Plan for the years ended June 30, 2020 and 2019 were \$10,812 and \$7,272, respectively.

**Note 8. Operating Lease**

On June 1, 1998, the Bank executed a seven-year lease, with renewal options, for the rental of its corporate offices. During fiscal year 2013, the Bank renewed its existing lease agreement for a period of 5 years commencing July 1, 2013 and expiring June 30, 2018. During fiscal year 2016, the Bank amended its lease, increasing the square footage of the office by 1,366 square/feet effective February 1, 2016 and extending the term to January 31, 2021. The Bank incurred rent expenses of \$114,778 and \$121,419 in 2020 and 2019, respectively. Future minimum lease payments under the operating lease amount to \$68,179.

**Note 9. Property and Equipment**

The summary of changes in property and equipment are summarized below:

	Balance at June 30, 2019	Additions	Retirements	Balance at June 30, 2020
<b>Cost:</b>				
Computer equipment and software	\$ 398,592	\$ 11,673	\$ -	\$ 410,265
Furniture and fixtures	53,583	41,604	-	95,187
Equipment	35,538	-	-	35,538
Leasehold improvements	90,415	-	-	90,415
Total cost	578,128	53,277	-	631,405
<b>Accumulated depreciation:</b>				
Computer equipment and software	(222,274)	(121,628)	-	(343,902)
Furniture and fixtures	(21,226)	(14,551)	-	(35,777)
Equipment	(26,854)	(5,789)	-	(32,643)
Leasehold improvements	(38,127)	(4,521)	-	(42,648)
Total accumulated depreciation	(308,481)	(146,489)	-	(454,970)
Net capital assets	\$ 269,647	\$ (93,212)	\$ -	\$ 176,435

**Notes to Financial Statements**
**Note 9. Property and Equipment (continued)**

	Balance at June 30, 2018	Additions	Retirements	Balance at June 30, 2019
<b>Cost:</b>				
Computer equipment and software	\$ 455,051	\$ -	\$ 56,459	\$ 398,592
Furniture and fixtures	47,874	26,303	20,594	53,583
Equipment	55,736	-	20,198	35,538
Leasehold improvements	90,415	-	-	90,415
Total cost	649,076	26,303	97,251	578,128
<b>Accumulated depreciation:</b>				
Computer equipment and software	(152,277)	(126,824)	(56,827)	(222,274)
Furniture and fixtures	(37,209)	(4,243)	(20,226)	(21,226)
Equipment	(41,262)	(5,790)	(20,198)	(26,854)
Leasehold improvements	(33,607)	(4,520)	-	(38,127)
Total accumulated depreciation	(264,355)	(141,377)	(97,251)	(308,481)
Net capital assets	\$ 384,721	\$ (115,074)	\$ -	\$ 269,647

**Note 10. Commitments and Contingencies**

The Bank receives grants from the EPA and the State to fund its loan program activities. These amounts are subject to audit and adjustment by the Federal government. Any disallowed claims, including amounts already collected may constitute a liability of the Bank. The EPA conducts annual fiscal and regulatory compliance reviews to determine that Bank activities follow EPA regulations. As of June 30, 2020 and 2019, no expenditures of the Bank have been disallowed. Management do not believe that any future disallowance of expenditures would be material. Like other areas of the country, some Rhode Island communities continue to experience budget challenges. The impact of these economic conditions on the Bank's borrowers and their ability to continue to make timely loan repayments is difficult to determine; however, the loans are secured predominantly by revenues from essential water and sewer services. Some communities, particularly smaller communities, may generally be more vulnerable to the effects of downturns in the economy. The Bank continues to monitor the financial status of its borrowers as part of an overall loan portfolio monitoring process.

**Note 11. Risk Management**

The Bank is exposed to various risks of loss related to tort; theft of, damage to, or destruction of assets; errors or omissions and injuries to employees. The Bank has purchased commercial insurance to protect itself from potential liabilities from losses or claims. To date, the Bank has not incurred any claims or losses. There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the Bank's insurance coverage during the past five years.

**Note 12. Intergovernmental Transactions**

In response to the revised appropriations act in support of the state's FY 2020 enacted budget, the Bank was required to transfer to the state \$21,790,000 by June 30, 2020. Of this amount, \$8,990,000 was transferred from the Bank (\$4,000,000 of which was transferred on March 24, 2020) while \$12,800,000 was from the MRB fund. Normally capital contributions from the state for the MRB would be restricted when received; however, the appropriations act removed the restriction.

## Notes to Financial Statements

---

### Note 13. Subsequent Events

Management has evaluated potential subsequent events through September 20, 2020, the date the financial statements were issued, the following event is noted:

- On August 17, 2020, the Bank redeemed certain currently callable bonds with a par of \$9,535,000. In conjunction with redeeming the Clean Water 2006 Series A bonds, the Bank terminated a GIC in the amount of \$6,593,360 and received a “make-whole” premium from the issuer of \$833,125, net of \$11,125 in financial advisory fees.

There were no additional items requiring adjustment of the financial statements or additional disclosure.

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS)**  
**COMBINING SCHEDULE OF NET POSITION**  
**JUNE 30, 2020**

	<u>Bank</u>	<u>Clean Water</u>	<u>RIWPCRF</u>	<u>DWSRF</u>	<u>MRBRF</u>	<u>WQPCF</u>	<u>EBF</u>	<u>Total</u>
<b>Assets</b>								
Current assets:								
Cash, cash equivalents and investments								
Unrestricted:								
Cash and cash equivalents	\$ 4,330,604	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4,330,604
Restricted:								
Cash and cash equivalents	-	115,548,131	32,211,560	47,186,873	66,976,068	4,446,092	19,095,831	285,464,555
Investments	-	39,384,077	-	17,163,970	3,471,362	-	-	60,019,409
Total restricted cash, cash equivalents and investments	-	154,932,208	32,211,560	64,350,843	70,447,430	4,446,092	19,095,831	345,483,964
Other current assets:								
Unrestricted:								
Prepaid expenses, other assets and other receivables	214,677	-	-	-	1,000	-	-	215,677
Restricted:								
Service fees receivable	1,714,808	14,452,817	(14,396,115)	-	98,457	-	-	1,869,967
Loans receivable	-	61,316,500	3,015,333	21,030,057	4,331,000	-	2,423,000	92,115,890
Accrued interest receivable:								
Loans	174,791	4,536,734	92,151	3,015,800	406,157	-	194,043	8,419,676
Investments	257	1,158,354	(966)	1,290,347	88,109	195	8,915	2,545,211
Total current assets	<u>6,435,137</u>	<u>236,396,613</u>	<u>20,921,963</u>	<u>89,687,047</u>	<u>75,372,153</u>	<u>4,446,287</u>	<u>21,721,789</u>	<u>454,980,989</u>
Noncurrent assets:								
Unrestricted:								
Loans receivable	83,483,005	-	-	-	-	-	-	83,483,005
Capital assets - property and equipment, net	176,435	-	-	-	-	-	-	176,435
Total unrestricted noncurrent assets	<u>83,659,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,659,440</u>
Restricted:								
Loans receivable	-	619,700,071	18,412,822	361,945,894	93,881,619	-	27,875,045	1,121,815,451
Total noncurrent assets	<u>83,659,440</u>	<u>619,700,071</u>	<u>18,412,822</u>	<u>361,945,894</u>	<u>93,881,619</u>	<u>-</u>	<u>27,875,045</u>	<u>1,205,474,891</u>
<b>Total assets</b>	<b><u>90,094,577</u></b>	<b><u>856,096,684</u></b>	<b><u>39,334,785</u></b>	<b><u>451,632,941</u></b>	<b><u>169,253,772</u></b>	<b><u>4,446,287</u></b>	<b><u>49,596,834</u></b>	<b><u>1,660,455,880</u></b>
<b>Deferred Outflows of Resources</b>	<b><u>-</u></b>	<b><u>4,391,621</u></b>	<b><u>-</u></b>	<b><u>1,583,877</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>5,975,498</u></b>
<b>Liabilities</b>								
Current liabilities								
Project costs payable	255,028	29,192,505	4,567,842	22,440,259	50,645,102	-	5,300,949	112,401,685
Bonds payable	7,609,000	43,499,381	-	16,125,046	1,210,000	-	1,155,000	69,598,427
Accrued interest payable	-	4,179,751	-	1,819,965	426,097	-	200,525	6,626,338
Accounts payable and accrued expenses	295,142	(8,110)	3,232	-	7,390	-	115,019	412,673
Accrued arbitrage rebate	-	432,504	-	-	-	-	-	432,504
Total current liabilities	<u>8,159,170</u>	<u>77,296,031</u>	<u>4,571,074</u>	<u>40,385,270</u>	<u>52,288,589</u>	<u>-</u>	<u>6,771,493</u>	<u>189,471,627</u>
Noncurrent liabilities:								
Bonds payable	55,310,000	401,565,101	-	204,635,361	44,799,595	-	17,534,487	723,844,544
Accrued arbitrage rebate	-	1,064,220	-	-	-	-	-	1,064,220
Total noncurrent liabilities	<u>55,310,000</u>	<u>402,629,321</u>	<u>-</u>	<u>204,635,361</u>	<u>44,799,595</u>	<u>-</u>	<u>17,534,487</u>	<u>724,908,764</u>
<b>Total liabilities</b>	<b><u>63,469,170</u></b>	<b><u>479,925,352</u></b>	<b><u>4,571,074</u></b>	<b><u>245,020,631</u></b>	<b><u>97,088,184</u></b>	<b><u>-</u></b>	<b><u>24,305,980</u></b>	<b><u>914,380,391</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>-</u></b>	<b><u>2,184,929</u></b>	<b><u>-</u></b>	<b><u>157,544</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,342,473</u></b>
<b>Net Position</b>								
Net investments in capital assets	176,435	-	-	-	-	-	-	176,435
Restricted for program purposes	(1,249)	378,378,024	34,763,711	208,038,643	72,165,588	4,446,287	25,290,854	723,081,858
Unrestricted	26,450,221	-	-	-	-	-	-	26,450,221
<b>Total net position</b>	<b><u>\$ 26,625,407</u></b>	<b><u>\$ 378,378,024</u></b>	<b><u>\$ 34,763,711</u></b>	<b><u>\$ 208,038,643</u></b>	<b><u>\$ 72,165,588</u></b>	<b><u>\$ 4,446,287</u></b>	<b><u>\$ 25,290,854</u></b>	<b><u>\$ 749,708,514</u></b>

**RHODE ISLAND INFRASTRUCTURE BANK  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS)  
COMBINING SCHEDULE OF NET POSITION  
JUNE 30, 2019**

	<u>Bank</u>	<u>Clean Water</u>	<u>RIWPCRF</u>	<u>DWSRF</u>	<u>MRBRF</u>	<u>WQPCF</u>	<u>EBF</u>	<u>Total</u>
<b>Assets</b>								
Current assets:								
Cash, cash equivalents and investments								
Unrestricted:								
Cash and cash equivalents	\$ 26,196,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	26,196,135
Restricted:								
Cash and cash equivalents	806,766	114,555,623	16,613,405	69,231,804	48,311,628	4,095,892	17,530,418	271,145,536
Investments	-	54,549,485	-	17,051,111	8,471,449	-	4,227,007	84,299,052
Total restricted cash, cash equivalents and investments	806,766	169,105,108	16,613,405	86,282,915	56,783,077	4,095,892	21,757,425	355,444,588
Other current assets:								
Unrestricted:								
Prepaid expenses, other assets and other receivables	215,576	-	-	1,786	1,000	-	-	218,362
Restricted:								
Prepaid expenses, other assets and receivables	-	10,735,839	(10,735,839)	-	-	-	-	-
Service fees receivable	1,768,730	-	-	-	70,878	-	-	1,839,608
Loans receivable	1,148,000	61,368,322	2,750,000	21,275,086	2,992,000	-	2,132,000	91,665,408
Accrued interest receivable:								
Loans	189,518	4,829,659	89,403	2,919,044	287,872	-	199,207	8,514,703
Investments	(7,404)	1,293,500	15,616	1,299,829	229,665	-	103,944	2,935,150
Total current assets	30,317,321	247,332,428	8,732,585	111,778,660	60,364,492	4,095,892	24,192,576	486,813,954
Noncurrent assets:								
Unrestricted:								
Loans receivable	90,710,006	-	-	-	-	-	-	90,710,006
Capital assets - property and equipment, net	269,647	-	-	-	-	-	-	269,647
Total unrestricted noncurrent assets	90,979,653	-	-	-	-	-	-	90,979,653
Restricted:								
Loans receivable	-	686,834,724	16,091,733	365,083,941	65,777,557	-	27,879,000	1,161,666,955
Total noncurrent assets	90,979,653	686,834,724	16,091,733	365,083,941	65,777,557	-	27,879,000	1,252,646,608
<b>Total assets</b>	<b>121,296,974</b>	<b>934,167,152</b>	<b>24,824,318</b>	<b>476,862,601</b>	<b>126,142,049</b>	<b>4,095,892</b>	<b>52,071,576</b>	<b>1,739,460,562</b>
<b>Deferred Outflows of Resources</b>								
	-	4,333,880	-	1,044,938	-	-	-	5,378,818
<b>Liabilities</b>								
Current liabilities								
Project costs payable	900,680	67,233,075	7,874,146	55,932,122	36,671,937	-	7,856,917	176,468,877
Bonds payable	7,227,000	45,738,150	-	14,235,190	1,612,004	-	1,229,328	70,041,672
Accrued interest payable	-	5,113,028	-	1,723,339	257,660	-	208,363	7,302,390
Accounts payable and accrued expenses	258,277	71,538	3,232	267,335	9,991	-	1,549	611,922
Accrued arbitrage rebate	-	386,572	-	-	-	-	-	386,572
Total current liabilities	8,385,957	118,542,363	7,877,378	72,157,986	38,551,592	-	9,296,157	254,811,433
Noncurrent liabilities:								
Bonds payable	62,919,000	453,470,216	-	209,944,278	30,802,686	-	18,781,651	775,917,831
Accrued arbitrage rebate	-	1,154,700	-	93,975	-	-	-	1,248,675
Total noncurrent liabilities	62,919,000	454,624,916	-	210,038,253	30,802,686	-	18,781,651	777,166,506
<b>Total liabilities</b>	<b>71,304,957</b>	<b>573,167,279</b>	<b>7,877,378</b>	<b>282,196,239</b>	<b>69,354,278</b>	<b>-</b>	<b>28,077,808</b>	<b>1,031,977,939</b>
<b>Deferred Inflows of Resources</b>								
	-	617,674	-	116,742	-	-	-	734,416
<b>Net Position</b>								
Net investments in capital assets								
Restricted for program purposes	269,647	-	-	-	-	-	-	269,647
Unrestricted	49,722,370	364,716,079	16,946,940	195,594,558	56,787,771	4,095,892	23,993,768	662,135,008
<b>Total net position</b>	<b>\$ 49,992,017</b>	<b>\$ 364,716,079</b>	<b>\$ 16,946,940</b>	<b>\$ 195,594,558</b>	<b>\$ 56,787,771</b>	<b>\$ 4,095,892</b>	<b>\$ 23,993,768</b>	<b>\$ 712,127,025</b>

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS)**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2020**

	<u>Bank</u>	<u>Clean Water</u>	<u>RIWPCRF</u>	<u>DWSRF</u>	<u>MRBRF</u>	<u>WQPCF</u>	<u>EBF</u>	<u>Total</u>
<b>Operating revenues:</b>								
Interest income - loans	\$ 552,315	\$ 12,961,948	\$ 276,348	\$ 8,540,969	\$ 1,070,517	\$ -	\$ 578,981	\$ 23,981,078
Interest income - Investments	489,419	3,024,248	127,221	1,603,523	738,355	44,830	225,559	6,253,155
Loan servicing fees	5,294,220	-	-	-	261,479	-	-	5,555,699
Loan origination fees	33,680	33,625	20,072	59,500	325,000	-	24,191	496,068
Grant income - program administration	50,000	-	-	1,321,633	-	-	-	1,371,633
Total operating revenues	<u>6,419,634</u>	<u>16,019,821</u>	<u>423,641</u>	<u>11,525,625</u>	<u>2,395,351</u>	<u>44,830</u>	<u>828,731</u>	<u>37,657,633</u>
<b>Operating expenses:</b>								
Interest expense, net	-	14,046,600	-	5,863,488	891,062	-	533,445	21,334,595
Program administration, partner agencies	-	538,026	-	3,279,449	-	-	-	3,817,475
Principal forgiveness	-	996,288	-	1,658,029	-	-	-	2,654,317
Personnel	1,957,270	-	-	-	-	-	-	1,957,270
Debt issuance	-	455,202	-	267,780	202,271	-	-	925,253
Professional services	274,265	-	-	9,050	-	-	23,726	307,041
Legal	191,979	-	-	-	-	-	-	191,979
Correspondent and trustee	318,799	-	644	-	-	-	-	319,443
Information technology	143,628	-	-	-	-	-	-	143,628
Marketing	151,605	-	-	810	-	-	-	152,415
Audit and accounting	59,845	-	-	-	-	-	-	59,845
Financial advisory	91,765	380	3,500	10,790	1,540	-	-	107,975
Loan origination expense	150,678	-	-	-	-	-	-	150,678
Office expense	176,140	-	-	-	-	-	-	176,140
Depreciation	146,489	-	-	-	-	-	-	146,489
Insurance	48,939	-	-	-	-	-	-	48,939
Business and travel	12,691	-	-	-	-	-	-	12,691
Dues and subscriptions	14,957	-	-	-	-	-	-	14,957
Seminars	1,830	-	-	-	-	-	-	1,830
Total operating expenses	<u>3,740,880</u>	<u>16,036,496</u>	<u>4,144</u>	<u>11,089,396</u>	<u>1,094,873</u>	<u>-</u>	<u>557,171</u>	<u>32,522,960</u>
<b>Operating income</b>	<b>2,678,754</b>	<b>(16,675)</b>	<b>419,497</b>	<b>436,229</b>	<b>1,300,478</b>	<b>44,830</b>	<b>271,560</b>	<b>5,134,673</b>
<b>Non-operating revenue:</b>								
Grant Income and other contributed capital	117,317	14,178,165	9,948,518	10,893,494	17,793,757	305,565	1,000,000	54,236,816
<b>Non-operating expenses:</b>								
Intergovernmental transactions	<u>8,990,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,800,000</u>	<u>-</u>	<u>-</u>	<u>21,790,000</u>
<b>Change in net position</b>	<b>(6,193,929)</b>	<b>14,161,490</b>	<b>10,368,015</b>	<b>11,329,723</b>	<b>6,294,235</b>	<b>350,395</b>	<b>1,271,560</b>	<b>37,581,489</b>
<b>Transfer from (to) other funds</b>	<b>(17,172,681)</b>	<b>(499,545)</b>	<b>7,448,756</b>	<b>1,114,362</b>	<b>9,083,582</b>	<b>-</b>	<b>25,526</b>	<b>-</b>
<b>Net position, beginning of the year</b>	<u>49,992,017</u>	<u>364,716,079</u>	<u>16,946,940</u>	<u>195,594,558</u>	<u>56,787,771</u>	<u>4,095,892</u>	<u>23,993,768</u>	<u>712,127,025</u>
<b>Net position, end of the year</b>	<u>\$ 26,625,407</u>	<u>\$ 378,378,024</u>	<u>\$ 34,763,711</u>	<u>\$ 208,038,643</u>	<u>\$ 72,165,588</u>	<u>\$ 4,446,287</u>	<u>\$ 25,290,854</u>	<u>\$ 749,708,514</u>

**RHODE ISLAND INFRASTRUCTURE BANK  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS)  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2019**

	<u>Bank</u>	<u>Clean Water</u>	<u>RIWPCRF</u>	<u>DWSRF</u>	<u>MRBRF</u>	<u>WQPCF</u>	<u>EBF</u>	<u>Total</u>
<b>Operating revenues:</b>								
Interest income - loans	\$ 571,254	\$ 14,032,748	\$ 248,559	\$ 8,450,875	\$ 759,111	\$ -	\$ 578,263	\$ 24,640,810
Interest income - Investments	585,231	4,985,782	125,565	2,004,248	920,795	21,921	441,220	9,084,762
Loan servicing fees	5,319,693	-	-	-	187,131	-	-	5,506,824
Loan origination fees	494,500	392,650	100,000	245,500	240,000	-	16,975	1,489,625
Grant income - program administration	-	-	-	2,582,228	-	-	-	2,582,228
Total operating revenues	<u>6,970,678</u>	<u>19,411,180</u>	<u>474,124</u>	<u>13,282,851</u>	<u>2,107,037</u>	<u>21,921</u>	<u>1,036,458</u>	<u>43,304,249</u>
<b>Operating expenses:</b>								
Interest expense, net	-	15,445,861	-	5,824,506	490,107	-	484,472	22,244,946
Program administration, partner agencies	-	349,663	-	3,768,753	-	-	-	4,118,416
Principal forgiveness	-	959,023	-	1,174,624	-	-	-	2,133,647
Personnel	1,660,530	-	-	-	-	-	-	1,660,530
Debt issuance	15,545	54,317	25,000	546,131	274,232	-	386,922	1,302,147
Professional services	496,407	-	-	-	-	-	38,218	534,625
Legal	247,323	-	-	-	-	-	-	247,323
Correspondent and trustee	245,514	-	-	4	-	-	-	245,518
Information technology	147,619	-	-	-	-	-	-	147,619
Marketing	123,891	-	-	-	-	-	-	123,891
Audit and accounting	71,533	-	-	-	-	-	-	71,533
Financial advisory	48,333	-	-	3,500	-	-	-	51,833
Office expense	170,727	-	-	-	-	-	-	170,727
Depreciation	141,377	-	-	-	-	-	-	141,377
Insurance	31,778	-	-	-	-	-	-	31,778
Business and travel	19,367	-	-	-	-	-	-	19,367
Dues and subscriptions	6,731	-	-	-	-	-	-	6,731
Seminars	4,188	-	-	-	-	-	-	4,188
Total operating expenses	<u>3,430,863</u>	<u>16,808,864</u>	<u>25,000</u>	<u>11,317,518</u>	<u>764,339</u>	<u>-</u>	<u>909,612</u>	<u>33,256,196</u>
<b>Operating income</b>	3,539,815	2,602,316	449,124	1,965,333	1,342,698	21,921	126,846	10,048,053
<b>Non-operating revenue:</b>								
Grant Income and other contributed capital	833,476	11,302,072	10,000,009	6,678,603	12,517,078	1,011,368	10,000,004	52,342,610
<b>Non-operating expenses:</b>								
Intergovernmental transactions	4,000,000	-	-	-	-	-	-	4,000,000
<b>Change in net position</b>	373,291	13,904,388	10,449,133	8,643,936	13,859,776	1,033,289	10,126,850	58,390,663
<b>Transfer from (to) other funds</b>	(576,938)	3,731,898	(3,772,075)	803,244	-	-	(186,129)	-
<b>Net position, beginning of the year</b>	<u>50,195,664</u>	<u>347,079,793</u>	<u>10,269,882</u>	<u>186,147,378</u>	<u>42,927,995</u>	<u>3,062,603</u>	<u>14,053,047</u>	<u>653,736,362</u>
<b>Net position, end of the year</b>	<u>\$ 49,992,017</u>	<u>\$ 364,716,079</u>	<u>\$ 16,946,940</u>	<u>\$ 195,594,558</u>	<u>\$ 56,787,771</u>	<u>\$ 4,095,892</u>	<u>\$ 23,993,768</u>	<u>\$ 712,127,025</u>