Rhode Island Infrastructure Bank

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

Basic Financial Report
June 30, 2017

Contents

Independent Auditor's Report

Board of Directors
Rhode Island Infrastructure Bank
Providence, Rhode Island

Report on the Financial Statements
We have audited the accompanying financial statements of Rhode Island Infrastructure Bank (the "Bank"), a component unit of the State of Rhode Island and Providence Plantations, which comprise the statements of net position as of June 30, 2017 and 2016, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility
Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audits 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 auditor's 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 auditor considers 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 opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of June 30, 2017 and 2016, and the results of operations and its cash flows 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 management's discussion and analysis on pages 3-6 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 audits 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 Supplemental information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information contained on page 38-48 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Boston, Massachusetts
October 18, 2017

RHODE ISLAND
INFRASTRUCTURE BANK

INTRODUCTION

As management of Rhode Island Infrastructure Bank (the "Bank"), we offer readers of the Bank's financial statements this narrative overview and analysis of the financial activities of the Bank as of and for the fiscal years ending June 30, 2017 and June 30, 2016. This information should be read in conjunction with the Bank's financial statements.

As outlined in greater detail in the financial statements, the Bank was established in 1989 as a quasi-public state agency. 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 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 for an array of infrastructure-based projects. In addition to the Bank's legacy drinking water, clean water (and its companion residential-based lending for the community septic system loan program and the sewer tie-in loan fund), and municipal road and bridge programs, the Bank also supports energy efficiency and renewable energy, brownfield remediation and water quality protection lending. Together, these programs improve the state's infrastructure, create jobs, promote economic development and enhance the environment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Bank's basic financial statements – which immediately follow. The Bank's three basic financial statements include:

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 – current, non-current and restricted. Over time, increases or decreases in the Bank's net position can serve as an indicator of whether the financial position of the Bank is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Position – This statement presents the Bank's operating revenues, operating expenses, nonoperating revenues, and changes in net position for the fiscal year.

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, non-capital financing, capital and investing activities.

Consistent with the accrual basis of accounting for governmental agencies, 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 resulting change in net position regardless of the timing of when the cash is received or paid. Consequently, certain revenues and expenses reported in the statement of revenues, expenses and changes in net position will result in cash flows in future periods. These basic financial statements, and the companion footnotes, are designed to provide readers with a broad overview of the Bank's finances.

Management's Discussion and Analysis (Unaudited)

FINANCIAL HIGHLIGHTS

Statement of Net Position – as of fiscal period ended June 30, 2017 and June 30, 2016

- Total assets at the period ending June 30, 2017 amounted to $1.651 billion, an increase of $31.1 million from the previous year end when total assets amounted to $1.620 billion.
- Total investments amounted to $104.7 million, up $24.0 million or 30% from $80.7 million at the end of the previous period.
- While loan originations amounted to a robust $87.3 million in fiscal year 2017, (see "Lending Activity"), amortization of existing loans tempered the overall growth in loans outstanding. At year-end 2017, loans outstanding amounted to $1.291 billion compared to $1.279 billion from the previous year-end.
- Reflecting critical investments in the Bank's facilities, systems, and technology – including core application software – net property and equipment, increased $168,631 to $294,011.
- Reflecting more efficient and quicker loan disbursements, project costs payable, which are predominantly committed loan proceeds that have yet to be disbursed, amounted to $167.0 million at the end of the fiscal year 2017, down modestly from $168.0 million a year earlier.
- Bonds payable amounted to $851.7 million at year-end 2017, a decrease of $9.2 million from $860.9 million at the end of previous period.
- Notes payable equaled $17.3 million at June 30, 2017, reflecting the issuance of a bond anticipation note to fund the first round of the Efficient Buildings Fund (EBF) loans.
- As outlined in the Statement of Revenues, Expenses and Changes in Net Position below, total net position amounted to $611.8 million at year-end 2017, an increase of $24.6 million or 4% compared to $587.8 million at June 30, 2016.

Statement of Net Position – Condensed

	2017	2016	2015
Current assets	$ 438,464,582	$ 407,528,594	$ 352,023,562
Noncurrent assets:	1,212,284,770	1,212,085,135	1,091,956,498
Total assets	1,650,749,352	1,619,613,729	1,443,980,060
Deferred outflows of resources (a)	8,086,130	7,553,041	5,859,265
Current liabilities	248,936,690	234,946,904	143,736,752
Non-current liabilities	796,560,172	803,338,092	764,437,229
Total liabilities	1,045,496,862	1,038,284,996	908,173,981
Deferred inflows of resources (a)	996,065	1,104,459	-
Net investment in capital assets	294,011	125,380	75,207
Restricted for program purposes	558,830,618	531,687,428	497,412,843
Unrestricted	53,217,926	55,964,507	44,177,294
Total net position	$ 612,342,555	$ 587,777,315	$ 541,665,344

(a) In conjunction with refunding certain above-market rate bonds, the difference between the reacquisition price and the net carrying amount of the refunded bond(s) is 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.

- For the year-end 2016 compared to 2015, the net position increased $46.1 million from fiscal year 2015 which amounted to $541.7 million. The increase is substantially related to grant income non-operating which is the capital used for certain lending programs.

RHODE ISLAND INFRASTRUCTURE BANK

Statement of Revenues, Expenses and Changes in Net Position – for the fiscal years ending June 30, 2017 and June 30, 2016

- The Bank's operating revenues amounted to $34.4 million for 2017, a decrease of $3.1 million from $37.5 million for 2016. A $787,000 increase in interest income on loans was offset by decreases in interest income from investments and other income (largely loan origination fees which track loan originations). Interest income on investments would have increased appreciably absent the impact from arbitrage rebate costs payable to the Internal Revenue Service which result from rules governing certain "excess earnings" on investments above the cost of tax-exempt bond proceeds.

- The Bank's operating expenses decreased $2.4 million in fiscal year 2017 amounting to $30.9 million for 2017, down from $33.3 million from the prior fiscal year. The decrease emanated from reduced interest expense on bonds outstanding (reflecting (i) the natural cycle of high-cost debt rolling off and lower cost debt being incurred; (ii) the impact of advanced refunding of above-market rate bonds; and, (iii) net bond premium amortization), and lower general and administrative and professional fees.

- Grant income – non-operating amounted to $21.1 million in 2017 compared to $42.0 million for the prior fiscal year, reflecting a greater than trend demand for capital to fund loans.

Statement of Revenues, Expenses and Changes in Net Position – Condensed

	2017	2016	2015
Interest income – loans receivable	$ 23,595,347	$ 22,808,815	$ 25,507,195
Interest income – investments	1,893,511	4,570,500	3,430,248
Grant income – operating	2,593,311	3,139,594	1,780,527
Other operating income	6,309,227	6,954,524	5,353,480
Total operating revenues	34,391,396	37,473,433	36,071,450
Interest expense	21,812,018	22,874,223	31,318,445
Other operating expenses:			
Consulting fees to partner agencies	3,410,220	3,309,345	2,590,814
Principal forgiveness	1,546,296	1,633,644	1,337,385
General administrative	3,392,285	4,320,608	1,275,198
Professional fees	758,379	1,182,468	759,127
Total operating expenses	30,919,198	33,320,288	37,280,969
Operating income	3,472,198	4,153,145	(1,209,519)
Grant income – non-operating	21,093,042	41,958,826	21,513,671
Change in net position	24,565,240	46,111,971	20,304,152
Net position, beginning of year	587,777,315	541,665,344	521,361,192
Net position, end of year	$ 612,342,555	$ 587,777,315	$ 541,665,344

- For the year-end 2016 compared to 2015, the net position increased $46.1 million and was favorably impacted by increases in operating revenues, a marked decrease in operating expenses and the increase in grant income – non-operating noted above.

LENDING ACTIVITY

During fiscal year 2017, the Bank originated $87.3 million in new loans, including loans to Cumberland, East Greenwich, Newport, North Kingstown, Pawtucket, Providence Water Supply Board, and West Warwick, among others. In addition, a significant borrowing by Narragansett Bay Commission (the Bank's largest customer) in 2016 served to reduce originations in 2017. As shown in the table below and noted above, 2017 origination include $18.9 million in clean energy related loans. Overall, 2017 originations spanned all our programs and funded a variety of important infrastructure-based projects. Prior year originations amounted to $191.8 million. Both 2015 and 2016 were impacted by the timing of receipt of grants, which caused 2016 to be higher than trend.

By sector, the following table recaps originations for each year:

Sector	2017	2016	2015
Clean Water	$ 42,873,000	$ 143,219,400	$ 9,600,000
Drinking Water	19,272,095	42,375,000	28,368,232
Municipal Road and Bridge	8,000,000	6,226,000	18,618,515
Clean Energy*	18,903,685	-	-
Total	$ 89,048,780	$ 191,820,400	$ 56,586,747

* Includes $1.7 million in C-PACE loans which utilize third-party capital providers.

DEBT ADMINISTRATION

As noted above, bonds outstanding amounted to $851.7 million at June 30, 2017, the details of which are presented in Note 5 to the financial statements. The Bank continues to benefit from the highest debt ratings issued from Moody's, Standard & Poor's, and Fitch. During fiscal year 2017, the Bank issued $132.1 million in bonds. Of this amount, $39.5 million represented new financing and $92.6 million refunded existing higher cost debt with lower cost debt. With regards to the refundings, retiring above-market legacy debt supported the Bank's continuing efforts to minimize the cost of infrastructure investment for our customers while producing savings that can be used to fund other important infrastructure-based initiatives. As shown below, in three rounds of refundings undertaken during fiscal year 2017, more than $8.7 million in savings were realized for our borrowers.

Barrington $96,000
Bristol $168,000
Bristol County Water Authority............... $173,000
Burrillville.. $22,000
Cranston (with Cranston-Triton) $4,421,000
East Greenwich $59,000
East Providence.................................... $947,000
Narragansett Bay Commission........... $1,289,000
Newport (2) $375,000
Providence Water Supply Board $1,118,000
Warren $57,000

Over the last two fiscal years, the Bank has provided more than $24 million in cost savings to borrowers through refinancing of debt.

REQUEST FOR INFORMATION

The 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.

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

Statements of Net Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash, cash equivalents and investments		
Unrestricted:		
Cash equivalents	**$ 30,932,108**	$ 32,010,287
Total unrestricted cash and cash equivalents	**30,932,108**	32,010,287
Restricted:		
Cash and cash equivalents	**212,472,935**	217,241,264
Investments	**104,668,101**	80,724,871
Total restricted cash, cash equivalents and investments	**317,141,036**	297,966,135
Service fees receivable	**1,774,678**	1,722,418
Loans receivable	**78,613,947**	67,056,524
Accrued interest receivable:		
Loans	**7,727,345**	7,893,300
Investments	**1,106,096**	779,708
Prepaid expenses and other receivables	**1,169,372**	100,222
Total current assets	**438,464,582**	407,528,594
Noncurrent assets:		
Loans receivable	**1,211,990,759**	1,211,959,755
Capital assets - property and equipment, net of accumulated depreciation	**294,011**	125,380
Total noncurrent assets	**1,212,284,770**	1,212,085,135
Total assets	**1,650,749,352**	1,619,613,729
Deferred outflows of resources	**8,086,130**	7,553,041
Liabilities		
Current liabilities:		
Project costs payable	**167,005,048**	167,970,026
Bonds payable	**55,972,737**	58,010,150
Note payable	**17,345,000**	-
Accrued interest payable	**7,000,419**	7,561,614
Accounts payable and accrued expenses	**635,888**	805,330
Accrued arbitrage rebate	**977,598**	599,784
Total current liabilities	**248,936,690**	234,946,904
Noncurrent liabilities:		
Bonds payable, net of current portion	**795,709,286**	802,912,780
Accrued arbitrage rebate	**850,886**	425,312
Total noncurrent liabilities	**796,560,172**	803,338,092
Total liabilities	**1,045,496,862**	1,038,284,996
Deferred inflows of resources	**996,065**	1,104,459
Net investment in capital assets	**294,011**	125,380
Restricted for program purposes:		
Water Pollution Control Revolving Fund	**327,705,004**	314,046,636
Drinking Water State Revolving Fund	**172,875,993**	164,075,650
Other programs	**58,249,621**	53,565,142
Total restricted for program purposes	**558,830,618**	531,687,428
Unrestricted	**53,217,926**	55,964,507
Total net position	**$ 612,342,555**	$ 587,777,315

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, 2017 and 2016

	2017	2016
Operating revenues:		
Investment income	**$ 1,893,511**	$ 4,570,500
Interest income - loans	**23,595,347**	22,808,815
Grant income - operating	**2,593,311**	3,139,594
Loan servicing fees	**5,259,896**	5,051,320
Loan origination fees	**1,049,331**	1,903,204
Total operating revenues	**34,391,396**	37,473,433
Operating expenses:		
Interest expense	**21,812,018**	22,874,223
Consulting fees - Department of Environment:		
Management and Department of Health	**3,410,220**	3,309,345
Bond issuance costs	**1,250,637**	2,712,613
Loan principal forgiveness	**1,546,296**	1,633,644
Employee expense	**1,199,194**	1,046,082
Office expense	**674,699**	155,417
Legal fees	**312,398**	466,913
Financial advisor fees	**177,653**	117,217
Trustee/bank fees	**175,949**	185,571
Promotional expenses	**131,771**	117,298
Accounting and auditing	**92,379**	412,767
Business and travel expense	**32,831**	7,411
Insurance expense	**28,754**	28,028
Depreciation expense	**25,632**	15,011
Dues and subscriptions	**23,696**	8,914
Miscellaneous expense	**22,230**	225,706
Seminars	**2,841**	4,128
Total operating expenses	**30,919,198**	33,320,288
Operating income	**3,472,198**	4,153,145
Non-operating revenues:		
Grant income	**21,093,042**	41,958,826
Change in net position	**24,565,240**	46,111,971
Net position, beginning of the year	**587,777,315**	541,665,344
Net position, end of the year	**$ 612,342,555**	$ 587,777,315

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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash receipts for loan repayments	**$ 74,788,970**	$ 72,394,959
Cash receipts for operating grants	**2,593,311**	3,139,594
Cash receipts for loan origination fees	**1,049,331**	1,903,204
Cash receipts for loan servicing fees	**5,207,636**	4,976,027
Cash payments for loan disbursement activities	**(105,501,725)**	(125,589,347)
Cash payments to suppliers	**(6,280,221)**	(4,562,243)
Cash payments to employees	**(1,242,986)**	(1,035,470)
Net cash used for operating activities	**(29,385,684)**	(48,773,276)
Cash flows from capital and related financing activities:		
Purchases of property and equipment	**(194,263)**	(65,184)
Cash flows from noncapital financing activities:		
Proceeds from bond issuance	**146,353,222**	245,909,203
Repayment of bond principal	**(142,008,000)**	(177,841,000)
Proceeds from note payable	**17,345,000**	-
Nonoperating grants received	**21,093,042**	48,334,257
Cash receipts for water quality protection charges	**-**	272,268
Interest paid on revenue bonds	**(22,373,213)**	(24,080,864)
Bond issuance costs	**(1,250,637)**	(2,712,613)
Net cash provided by noncapital financing activities	**19,159,414**	89,881,251
Cash flows from investing activities:		
Investment income	**1,567,123**	4,712,296
Interest income - loan program	**23,761,302**	23,375,005
Interest rebate paid to US Government	**(577,376)**	(213,376)
(Purchase) proceeds from investment activity, net	**(20,177,024)**	5,923,999
Net cash provided by investing activities	**4,574,025**	33,797,924
Net (decrease) increase in cash and cash equivalents	**(5,846,508)**	74,840,715
Cash and cash equivalents, beginning of the year	**249,251,551**	174,410,836
Cash and cash equivalents, end of the year	**$ 243,405,043**	$ 249,251,551
Displayed as:		
Cash equivalents - unrestricted	**$ 30,932,108**	$ 32,010,287
Cash equivalents - restricted	**212,472,935**	217,241,264
	$ 243,405,043	$ 249,251,551
Reconciliation of operating income to net cash used for operating activities:		
Operating income	**$ 3,472,198**	$ 4,153,145
Adjustments:		
Depreciation	**25,632**	15,011
Amortization of bond premium and discounts, net	**10,163,336**	9,326,152
Investment income	**(1,893,511)**	(4,570,500)
Interest income - loans	**(23,595,347)**	(22,808,815)
Interest expense	**11,648,682**	13,548,071
Bond issuance costs	**1,250,637**	2,712,613
Loan principal forgiveness	**1,546,296**	1,633,644
Increase in loans receivable, net	**(30,712,755)**	(53,194,388)
(Increase) decrease in prepaid expenses	**(1,069,150)**	4,460
(Decrease) increase in accounts payable and accrued expenses	**(169,442)**	482,624
Increase in accounts receivable - service fees	**(52,260)**	(75,293)
Net cash used for operating activities	**$ (29,385,684)**	$ (48,773,276)
Supplemental cash flow information:		
Noncash transactions:		
Increase (decrease) in loans receivable issued related to project costs payable	**$ 19,124,328**	$ (61,581,250)
Increase in fair value of investments	**$ 4,630,659**	$ 771,087

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Organization: Rhode Island Clean Water Finance Agency (Agency) 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, as a body politic and corporate and public instrumentality of the State having distinct legal existence separate from the State which does not constitute a department of the State government. Following the enactment of Rhode Island Public Law Chapter 15-141, signed into law by the Governor on June 30, 2015, the name of the Rhode Island Clean Water Finance Agency was changed to the Rhode Island Infrastructure Bank (Bank), which became effective on September 1, 2015.

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. The Bank has no component units. The Bank, however, is considered a component unit of the State and, accordingly, its financial statements are incorporated 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. The State is not responsible for the Bank's debt even though it appoints a voting majority of the Bank's governing board.

Description of business: The Bank is the central hub for financing infrastructure improvements for municipalities, businesses and homeowners in Rhode Island. The Bank manages programs that finance infrastructure projects in the areas of water and sewer, road and bridge, energy efficiency and renewable energy, brownfield remediation and stormwater and climate resiliency. The Bank supports these investments through the issuance of bonds, origination of loans and mobilization of sources of public and private capital. The infrastructure improvements financed through the Bank create jobs, promote economic development and enhance the 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 – provide low-cost financing to cities, towns, and other eligible borrowers primarily for the construction and improvement of drinking water and wastewater infrastructure.

SRF program capitalization grants are issued by the EPA to the Bank, for which the State is required to provide 20% in matching funds. The Bank's program is leveraged by issuing bonds to provide additional funds for loans. Federal and State grants and other monies available to the Bank are pledged to secure bonds by either financing reserve funds or pledged loans. Earnings on these pledged assets are used to pay a portion of the debt service on the related bonds, thereby reducing the borrowers' loan repayment obligation. Generally, the Bank lends to borrowers at 67% and 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, 2017, the Bank has originated $1.3 billion and $448.0 million in CWSRF and DWSRF, respectively.

The SRF programs are "revolving" because as borrowers pay down the principal balances of their loans and as the Bank pays principal on the related SRF bonds, proportional amounts are released from the reserves and/or loans pledged to secure the bonds. As these funds are received by the Bank they 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. Funds pertaining to the SRF programs are limited to specific uses by laws and regulations, the operating agreement noted above, and a grant agreement with the EPA. Because of these limitations on use, these funds are classified as "restricted" on the statements of net position.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Program	Summary
Brownfields Revolving Loan Fund (Brownfields RLF)	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. The program is set to start making loans in fiscal year 2018.
Commercial – Property Assessed Clean Energy (C-PACE)	In partnership with third-party capital providers, C-PACE provides financing for a broad array of energy efficiency and renewable energy projects (and related improvements) in commercial and industrial properties. The program produced its first round of loans during the spring of 2017 – aggregating to $1.7 million
Community Septic System Loan Program (CSSLP)	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 Rhode Island 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 $15.1 million in CSSLP loans.
Efficient Buildings Fund (EBF)	The Fund provides financing to municipalities and quasi-public agencies for renewable energy and energy efficiency improvements. The Rhode Island Office of Energy Resources (OER) 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. In the first round of financing, which was completed in the current fiscal year, the Bank funded $17.2 million in projects.
Municipal Road and Bridge Revolving Fund	The Fund provides discounted 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 $32.8 million in such loans.

Note 1. Summary of Significant Accounting Policies (Continued)

Program	Summary
Rhode Island Water Pollution Control Revolving Fund (including the Facility Plan Loan Program (FPLP) and the Sewer Tie-In Loan Fund (STILF))	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. To date, the Bank has originated $58.8 million in such loans.
Water Quality Protection Charge (WQPC) Fund	The 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. This program is being developed to provide low-cost financing to water suppliers for water shed protection land acquisition, water pipe replacement, and other related projects.

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 the benefit of the Bank's financing programs. The Bank, at its discretion, may also charge cost of issuance fees to borrowers.

Basis of accounting: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Bank is engaged only in business-type activities. The Bank's operations are financed and operated in a manner like a non-governmental business, where the intent is that the costs of providing goods or services is financed through user charges. The financial statements of the Bank are prepared using the economic resources measurement focus 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 revenues, including interest income, and expenses are generated through the issuance of loans to eligible borrowers within the State. 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 their request for drawdowns by the grantor agency and when qualifying commitments and all other grant requirements have been satisfied.

Note 1. Summary of Significant Accounting Policies (Continued)

The Bank's recent federal capitalization grants, beginning with the American Recovery and Reinvestment Act of 2009 (ARRA) grant received in 2009, 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. For the presentation of the Bank's financial position and results of operations, these funds are consolidated.

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 price. The Bank's investments are reported at fair value using quoted market price. Fair value is defined by GASB Statement No. 72, Fair Value Measurement and Application, 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. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumptions.

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 contract that is reported at contract value. Contract value represents contributions made under the contract plus accrued interest.

The Bank's investments as of June 30, 2017 and 2016 consisted of U.S. Treasury obligations, U.S. agency obligations (e.g., FannieMae, FreddieMac, and the Federal Home Loan Bank), municipal bonds, U.S. guaranteed securities in the form of repurchase agreements, and guaranteed investment contracts. The Bank's various indentures governing its outstanding bond issues restrict the Bank's ability to invest the proceeds of bonds issued thereunder (the indentured funds). Permitted investments under the indentures include, for example, obligations of the United States government or certain agencies thereof, guaranteed investment contracts, repurchase agreements, certificates of deposit, money market funds, commercial paper, and notes or bonds of any State, subject to specific ratings or other restrictions.

The Bank actively manages its investment portfolio, including Guaranteed Investment Contract (GIC) providers, their credit ratings, and maturity dates.

GIC providers are limited to entities rated at least AA and Aa2 from Standard & Poor's (S&P) and Moody's, respectively, or the equivalent for financial strength rating or claims paying ability. The GIC provider 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 guaranteed by an insurance company (in the form of an insurance policy) or by an insurance holding company) rated AAA/Aaa.

Note 1. Summary of Significant Accounting Policies (Continued)

Should the GIC provider's rating be suspended, withdrawn or downgraded below AA– by S&P or Aa3 by Moody's during the term of the GIC agreement, the provider must notify the trustee and, within fifteen (15) days of receipt of notice from the trustee: (i) provide to the trustee, or other mutually agreed upon third party custodian, collateral which will be valued and held such that the provider maintains the applicable minimum rating for the duration and purpose of the investment, or (ii) at the request of the trustee, assign the GIC agreement to an eligible substitute provider, or (iii) at the request of the trustee, repay the amount on deposit, plus accrued interest to the trustee.

In accordance with Section 35-10.1-7 of the General Laws of the State of Rhode Island, 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 2017 and 2016 which required collateralization.

Investment income: Interest earned on investments is recognized as income in the fund in which the investments are held. Unrealized gains and losses from the changes in fair value are recognized as investment income on the statement of revenues, expenses, and changes in net position.

Property and equipment: Property and equipment are stated at cost. Depreciation is determined using a straight-line basis over the estimated useful life of the capitalized 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

Depreciation expense for the fiscal year 2017 and 2016 totaled $25,632 and $15,011, respectively. During the current fiscal, the Bank increased its capitalization threshold for any individual item with a total acquisition cost to greater than $5,000 from $500 in prior years.

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

Allowance for loan losses: Management reviews loan receivable balances on a periodic 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, the remedy is found 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 June 30, 2017 and 2016 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(s) to which they relate. Deferred outflows of resources of the Bank consist of deferred refunding costs.

Note 1. Summary of Significant Accounting Policies (Continued)

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 excess 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, including future yields on invested proceeds. The amount the Bank will be required to remit to Treasury could differ materially from the estimated liability – even in the near term.

Based on calculations that were performed as of June 30, 2017 and 2016, the Bank had accrued arbitrage rebate liabilities totaling $1,828,484 and $1,025,096, respectively. During 2017 and 2016 the Bank paid to the Treasury $577,376 and $213,376 in arbitrage rebate liabilities, respectively. Included in the 2017 expense is $76,548 which is related to an amended payment of rebatable arbitrage due as of June 5, 2013. The rebate obligations are generally computed and adjusted, as applicable, on a periodic 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. Arbitrage rebate expense is presented as a reduction in the amount of interest income from investments.

Loan origination fees: The Bank generally assesses loan origination fees at the time of loan closing. Loan origination fees are recognized as revenue in the period received.

Project costs payable: Project costs payable represents the liability of amounts loaned to borrowers that have not been requisitioned by the borrowers for their projects as of year-end, and totaled $167,005,048 and $167,970,026 at June 30, 2017 and 2016, respectively. Included in these amounts is $42,258,211 and $52,116,820 payable to Narragansett Bay Commission (NBC), the Bank’s largest borrower, at June 30, 2017 and 2016, 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. Net amortization of bond premiums and discounts, which are charged against interest expense, totaled $10,163,336 and $9,326,152 for fiscal years 2017 and 2016, respectively.

Amount deferred on refunding: The Bank has refunded certain bond obligations 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 on bonds, and the unamortized balances are recorded as deferred outflows or inflows.

Compensated absences: The Bank has a policy which allows employees to accumulate unused vacation and sick leave benefits up to a certain maximum number of days. Compensated absences are recognized as current salary costs when incurred and are recorded in accounts payable and accrued expenses in the statement of net position. The balance of accrued vacation and sick leave was $111,855 and $142,724 at June 30, 2017 and 2016, respectively and is included in accounts payable and accrued expenses.

Note 1. Summary of Significant Accounting Policies (Continued)

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, and investments designated primarily for borrower construction drawdowns – and any interest earned on such investments – borrower interest rate subsidies, and arbitrage rebate liabilities related to the CWSRF, Rhode Island Water Pollution Control Revolving Fund, DWSRF, EBF (including rate payer funds and RGGI proceeds), Municipal Road and Bridge Revolving Fund, the WQPC Program, and the Brownfields RLF. 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.

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 June, 2015, the GASB issued GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). Among other things, Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. This Statement is effective for fiscal years beginning after June 15, 2017. The Bank is currently evaluating the effect that the Statement will have on the financial statements.

In August, 2015, the GASB issued GASB No. 77, *Tax Abatement Disclosures*. This Statement requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The Bank does not have taxing authority and does not issue tax abatements, therefore this pronouncement will not have an effect on the financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

In January, 2016, the GASB issued GASB No. 80 *Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14*. The Statement clarifies the display requirements in GASB Statement No. 14, The Financial Reporting Entity, by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, such as, for example, public hospitals, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements. This Statement is effective for financial statement periods beginning after June 15, 2016. This pronouncement will have no effect on the Bank's financial statements.

In March, 2016, the GASB issued GASB No. 81 *Irrevocable Split-Interest Agreements*. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB 81 requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement is effective for financial statement periods beginning after December 15, 2016. This pronouncement will have no effect on the Bank's financial statements.

In March, 2016, the GASB issued GASB No. 82 *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The Statement addresses, among other things, presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation relate to GASB 67, 68, and 73. This Statement is effective for financial statement periods beginning after June 15, 2017. This pronouncement will have no effect on the Bank's financial statements.

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. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is permitted. This pronouncement will have no effect on the Bank's financial statements.

In January 2017, 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 is effective for reporting periods beginning after December 15, 2018. Earlier application is permitted. The Bank is currently evaluating the effect that the Statement will have on the financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements and includes a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier adoption is permitted. The Bank is currently evaluating the effect that the Statement will have on the financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier adoption is permitted. The Bank is currently evaluating the effect that the Statement will have on the 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier adoption is permitted. The Bank is currently evaluating the effect that the Statement will have on the 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.

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.

Note 2. Cash and Cash Equivalents

At June 30, 2017 and 2016, the carrying amount of the Bank's cash deposits was $22,992,973 and $13,973,169, respectively. The depository balance was $24,550,615 at June 30, 2017, of which $250,000 was covered by the Federal Depository Insurance Corporation (FDIC) and $24,300,615 was uninsured and collateralized by securities held by the pledging institution's trust department 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 of its investments at amortized cost.

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

Description	2017	2016
Cash on hand	$ 100	$ 100
Deposits with financial institutions	22,992,973	13,973,169
Institutional money market accounts – government portfolio	220,411,970	235,278,282
	$ 243,405,043	$ 249,251,551

Description	2017	2016
Unrestricted:		
Cash on hand	$ 100	$ 100
Deposits with financial institutions	7,502,493	3,156,791
Institutional money market accounts – government portfolio	23,429,515	28,853,396
	30,932,108	32,010,287
Restricted:		
Cash on hand	-	-
Deposits with financial institutions	15,490,480	10,816,378
Institutional money market accounts – government portfolio	196,982,455	206,424,886
	212,472,935	217,241,264
	$ 243,405,043	$ 249,251,551

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the Bank's deposits may not be returned. The Bank does not have a formal deposit policy for custodial credit risk and therefore, does not limit the amount of deposit custodial credit risk. The Bank mitigates custodial credit risk by ensuring that cash deposits that exceed federal depository insurance are collateralized and by investing in institutional money market accounts – government portfolio that are "AAA" rated.

Note 3. Investments

Fair value measurement: The Bank's investments are recorded at fair value as of June 30, 2017 and 2016, pursuant to the provisions of GASB No. 31, *Certain Investments and External Investment Pools,* and GASB No. 72, *Fair Value Measurement and Application.* GASB No. 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.

Note 3. Investments (Continued)

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.

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 are summarized below as of June 30,

2017 Investment Sector	Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
U.S. agencies	$	$ 52,932,354	$ -	$ 52,932,354
U.S. treasuries	4,077,585	-	-	4,077,585
Municipal bonds	-	9,683,564	-	9,683,564
Collateralized repurchase agreements (a)	-	-	-	-
Guaranteed investment contracts (b)	-	-	-	-
Total investments	$ 4,077,585	$ 62,615,918	$ -	$ 66,693,503

2016 Investment Sector	Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
U.S. agencies	$	$ 24,548,569	$ -	$ 24,548,569
U.S. treasuries	1,339,985	-	-	1,339,985
Municipal bonds	-	11,304,244	-	11,304,244
Collateralized repurchase agreements (a)	-	-	-	-
Guaranteed investment contracts (b)	-	-	-	-
Total investments	$ 1,339,985	$ 35,852,813	$ -	$ $37,192,798

(a) In accordance with GASB 72, 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. The Bank's collateralized repurchase agreements are measured at the NAV and totaled $2,524,841 and $3,334,690, as of June 30, 2017 and June 30, 2016, respectively.

Note 3. Investments (Continued)

(b) The Bank has guaranteed investment contract (GIC) with multiple providers who maintain the contributed investments. These amounts are credited with earnings on the underlying investments and charged for withdrawals and expenses. The providers are contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Bank. The contract value represents contributions made under the contract, plus earnings, less withdrawals and administrative expenses. In accordance with GASB No. 72, the fair value of these investments are measured at such contract value outside of the fair value hierarchy. As of June 30, 2017, the Bank's guaranteed investment contracts totaled $35,449,757 and $40,197,383, as of June 30, 2017 and June 30, 2016, 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 with each provider. Such interest rates are reviewed on a regular basis.

The Bank utilizes the market approach for valuing its investments. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The Bank's investments consisted of the following at June 30, 2017:

Description	Amount	Maturity Date(s)	Interest Rate(s)	Credit Ratings Moody's/S&P
US agency and Treasury securities:				
Federal Farm Credit Banks	$ 864,395	2017	0.65%	AAA/AA+
Federal National Mortgage Association	3,969,440	2017 – 2026	0.88% - 2.00%	AAA/AA+
Federal Home Loan Mortgage Corp	24,220,581	2017 – 2028	0.75% - 4.88%	AAA/AA+
Federal Home Loan Bank	23,877,938	2017 – 2023	0.75% - 5.62%	AAA/AA+
Treasury Bonds and Notes	4,077,585	2017 – 2021	0.75% - 2.88%	AAA/AAA
Subtotal	57,009,939			
Municipal bonds:				
Texas – College Student Loan Refunding	1,204,416	2017	5.00%	AAA/AAA
Washington State	788,479	2019	4.50%	AA2/N/R
Oregon State	7,690,669	2018 – 2023	4.78% - 5.44%	AA2/AA
Subtotal	9,683,564			
Collateralized repurchase agreements:				
Portigon (a)	2,524,841	2019	6.28%	Aaa/AAA
Subtotal	2,524,841			
Guaranteed investment contracts:				
Bayern LB (b)	2,601,228	2020	5.33%	Aaa/AAA
Bayern LB (b)	1,242,512	2020	3.75%	Aaa/AAA
FSA Capital Management (c)	5,499,798	2024	4.71%	A2/AA
FSA Capital Management (c)	8,658,256	2025	4.67%	A2/AA
FSA Capital Management (c)	4,451,750	2027	4.79%	A2/AA
FSA Capital Management (c)	650,141	2028	5.06%	A2/AA
Citigroup Financial Products (d)	8,042,682	2027	4.81%	Baa1/A
Mass Mutual Life Insurance Company	4,303,390	2029	4.50%	Aa2/AA+
Subtotal	35,449,757			
Total investments	$ 104,668,101			

Note 3. Investments (Continued)

(a) The Bank has agreed to an early redemption of this GIC which will occur on, or about, October 1, 2017. Please see "Subsequent Events" for more information.
(b) Guaranteed by the Free State of Bavaria.
(c) Guaranteed by Assured Guaranty Municipal Corporation.
(d) Guaranteed by Citigroup, Inc. As of June 30, 2017, Citigroup's rating is below the minimum rating requirements as disclosed in Note 1. Management determined the downgrade did not warrant subsequent action.

The Bank's investments consisted of the following at June 30, 2016:

Description	Amount	Maturity Date(s)	Interest Rate(s)	Credit Ratings Moody's/S&P
US agency and Treasury securities:				
Federal National Mortgage Association	$ 2,252,075	2016 – 2026	1.75% - 6.12%	AAA/AA+
Federal Home Loan Mortgage Corp	14,325,635	2016 – 2028	1.00% - 6.875%	AAA/AA+
Federal Home Loan Bank	7,970,859	2016 – 2023	4.75% - 5.625%	AAA/AA+
Treasury Bonds and Notes	1,339,985	2016 – 2021	1.00% - 3.25%	AAA/AAA
Subtotal	25,888,554			
Municipal bonds:				
Texas – College Student Loan Refunding	1,258,116	2017	5.00%	AAA/AAA
Washington State	820,492	2019	4.50%	AA2/N/R
Oregon State	9,225,636	2017 – 2023	4.535% - 5.435%	AA2/AA
Subtotal	11,304,244			
Collateralized repurchase agreements:				
Portigon (a)	3,334,690	2019	4.71%	Aaa/AAA
Subtotal	3,334,690			
Guaranteed investment contracts:				
Bayern LB (b)	161,932	2016	5.00% - 5.60%	Aaa/AAA
Bayern LB (b)	5,372,776	2020	5.33%	Aaa/AAA
FSA Capital Management (c)	6,136,448	2024	4.71%	A2/AA
FSA Capital Management (c)	9,693,135	2025	4.67%	A2/AA
FSA Capital Management (c)	4,821,564	2027	4.79%	A2/AA
FSA Capital Management (c)	696,021	2028	5.06%	A2/AA
Citigroup Financial Products (d)	8,753,444	2027	4.80%	Baa1/A
Mass Mutual Life Insurance Company	4,562,063	2029	4.498%	Aa2/AA+
Subtotal	40,197,383			
Total investments	$ 80,724,871			

(a) The Bank has agreed to an early redemption of this GIC which will occur on, or about, October 1, 2017. Please see "Subsequent Events" for more information.
(b) Guaranteed by the Free State of Bavaria.
(c) Guaranteed by Assured Guaranty Municipal Corporation.
(d) Guaranteed by Citigroup, Inc. As of June 30, 2017, Citigroup's rating is below the minimum rating requirements as disclosed in Note 1. Management determined the downgrade did not warrant subsequent action.

Note 3. Investments (Continued)

Custodial credit risk: 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 GICs or in Treasury or agency securities. Securities issued by the U.S. Treasury are all backed by the full faith and credit of the Federal government. The GICs either have collateral requirements in place upon execution of the investment agreement, or have triggered collateral requirements under which, upon a rating downgrade below a specified level, the counterparty is typically required to do one of three actions: 1) post collateral to a level sufficient to maintain an AA rating, 2) assign the investment contract to a new counterparty that has at least a AA rating, or 3) provide credit enhancement to maintain a rating on the investment contract of at least AA.

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 inversely. The Bank manages its exposure to interest rate risk by matching the asset duration to its obligations.

At June 30, 2017 and 2016 maturities of the Bank's investment were as follows:

Investment Sector – 2017	Total Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. agency securities	$ 52,932,354	$ 32,425,152	$ 14,438,810	$ 4,961,068	$ 1,107,324
U.S. Treasury securities	4,077,585	3,416,728	660,857	-	-
Municipal bonds	9,683,564	2,476,943	7,206,621	-	-
Collateralized repurchase agreements	2,524,841	-	2,524,841	-	-
Guaranteed investment contracts*	35,449,757	-	3,843,739	14,158,054	17,447,964
	$ 104,668,101	$ 38,318,823	$ 28,674,868	$ 19,119,122	$ 18,555,288

*The Bank has agreed to an early redemption of this agreement.

Investment Sector – 2016	Total Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. agency securities	$ 24,548,569	$ 1,260,114	$ 14,798,770	$ 7,337,943	$ 1,151,742
U.S. Treasury securities	1,339,985	635,603	95,302	609,080	-
Municipal bonds	11,304,244	1,218,001	7,535,400	497,131	2,053,712
Collateralized repurchase agreements	3,334,690	-	3,334,690	-	-
Guaranteed investment contracts	40,197,383	161,932	5,372,776	15,829,583	18,833,092
	$ 80,724,871	$ 3,275,650	$ 31,136,938	$ 24,273,737	$ 22,038,546

Note 3. Investments (Continued)

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 are as follows at June 30, 2017 are:

Issuer	Percentage of Total Investments
Federal Home Loan Mortgage Corp	23%
Federal Home Loan Bank	23%
FSA Capital Management	18%
Oregon State	7%
Citigroup Financial Products	8%

Note 4. Loans Receivable

At June 30, 2017 and 2016, the Bank had loans outstanding, of $1,290,604,706 and $1,279,016,279, respectively, including all unused outstanding loan commitments.

The 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 vendor after receipt of an official 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 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 Footnote 1, the Bank has established a LIST fund, which is 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, 2017, the Bank had loans receivable of $532,109,993 with three borrowers representing approximately 41% of total loans receivable, compared to 54% of total loans receivable at June 30, 2017.

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 was awarded ARRA capitalization grants for use in its CWSRF and DWSFR programs, including construction of wastewater treatment facilities, drinking water facilities and associated infrastructure, green infrastructure, nonpoint source projects, estuary projects and program administration. While the ARRA capitalization grants did not require a state match component, they stipulated that the Bank must have committed loans to recipients with signed construction contracts by February 17, 2010. This requirement was met in 2010.

Note 4. Loans Receivable (Continued)

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 FY2017
2009 (ARRA)	$ 26,314,600	$ 13,157,300	$ 13,157,300
2010	13,681,000	2,048,980	2,048,980
2011	9,915,000	918,782	918,782
2012	9,486,000	527,198	527,198
2013	8,955,000	500,000	500,000
2014	9,410,000	512,070	512,070
2015	9,361,000	-	-
2016	8,603,520	896,200	896,200
	$ 95,726,120	$ 18,560,530	$ 18,560,530

The above schedule includes $11,396,592 in principal forgiveness loans issued to NBC, the Bank's largest borrower.

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 FY2017
2009 (ARRA)	$ 19,500,000	$ 9,750,000	$ 9,750,000
2010	13,573,000	4,071,900	4,071,900
2011	9,418,000	2,825,400	2,825,400
2012	8,975,000	1,795,000	1,795,000
2013	8,421,000	1,684,200	1,684,200
2014	8,845,000	1,769,000	1,435,780
2015	8,787,000	1,757,400	1,531,507
2016	8,312,000	1,662,400	1,210,152
	$ 85,831,000	$ 25,315,300	$ 24,303,939

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. The Bank has loans outstanding totaling $35,428,151 and $34,867,277 at June 30, 2017 and 2016, respectively that upon fulfillment of these requirements by the borrower, could be forgiven at some future point. 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 2017 and 2016 was $1,546,296 and $1,633,644, respectively. The amounts are included in loan principal forgiveness in the statement 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 water pollution abatement and safe drinking water 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. The bonds do not constitute an indebtedness of the State or any of its subdivisions and none of its revenues are pledged. The Bank has no taxing power.

In addition, from time to time the Bank has issued certain 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, 2017 and 2016, there were seven series of conduit bonds outstanding, with an aggregate principal amount payable of $75,679,000 and $78,267,000 respectively.

The Bank had the following CWSRF and DWSRF revenue bonds outstanding at June 30,

Clean Water Program	2017	2016
1995 Series A Bonds, dated December 15, 1995, at rates varying from 4.15% to 7.00% due annually from October 1, 1997 through October 1, 2016. *On May 6, 2010, the Bank advance refunded $415,000 of the outstanding bonds.*	$ -	$ 240,000
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. *On May 6, 2010, the Bank advance refunded $4,990,000 of the outstanding bonds.*	5,375,000	5,800,000
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. *On May 6, 2010, the Bank advance refunded $4,985,000 of the outstanding bonds.*	2,550,000	3,365,000
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. *On May 6, 2010, the Bank advance refunded $7,430,000 of the outstanding bonds.*	3,110,000	3,820,000
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. *On May 6, 2010, the Bank advance refunded $7,505,000 of the outstanding bonds.*	5,400,000	6,185,000
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. *On May 6, 2010, the Bank advance refunded $25,260,000 of the outstanding bonds.*	9,940,000	10,630,000
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. *On October 6, 2015, the Bank advance refunded $27,085,000 of the outstanding bonds.*	8,045,000	11,040,000

Note 5. Bonds Payable (Continued)

2007 Series A Bonds, dated December 12, 2007 with serial bonds of \$39,740,000 at rates varying from 4.00% to 5.00% due annually from October 1, 2009 through October 1, 2028. *On June 2, 2016, the Bank advance refunded \$24,740,000 of the outstanding bonds.*	2,070,000	4,080,000
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, 2030.	5,760,000	6,760,000
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	43,760,000	51,725,000
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. *On June 28, 2017, the Bank advance refunded \$17,480,000 of the outstanding bonds. The remaining bonds are due October 1, 2017 through October 1, 2030.*	8,815,000	27,955,000
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. *On June 28, 2017, the Bank advance refunded \$27,105,000 of the outstanding bonds. The remaining bonds are due October 1, 2017 through October 1, 2020.*	6,290,000	34,820,000
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.	22,225,000	23,400,000
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.	47,700,000	55,665,000
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.	50,250,000	51,310,000
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.	52,175,000	54,080,000
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.	56,275,000	56,275,000
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%.*	45,560,000	47,700,000

Note 5. Bonds Payable (Continued)

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%.*	49,060,000	49,060,000
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.	18,790,000	18,790,000
2017 Series A Bonds, dated April 13, 2017, with serial bonds of $28,130,000 at rates varying from 2% to 5% due annually from October 1, 2018 through October 1, 2036.	28,130,000	-
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 10.4%.*	41,120,000	-

Drinking Water Program	2017	2016
2005 Series A Bonds, dated March 23, 2005, with serial bonds of $42,960,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2006 through October 1, 2027. On June 26, 2013, the Bank advance refunded $17,280,000 of the outstanding bonds. The remaining bonds are due October 1, 2013 through October 1, 2015 and October 1, 2025 through October 1, 2027.	5,620,000	5,620,000
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.	1,705,000	2,350,000
2008 Series A Bonds, dated June 5, 2008, with serial bonds of $36,350,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2010 through October 1, 2029. *On February 28, 2017, the Bank advance refunded $24,330,000 of the outstanding bonds. The remaining bonds are due October 1, 2017 through October 1, 2029.*	5,190,000	30,515,000
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.	8,780,000	8,990,000
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.	30,240,000	31,515,000
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.	33,500,000	34,675,000
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	33,620,000	37,080,000
	13,015,000	13,090,000

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.		
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.	22,640,000	22,640,000
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. *The Bank's defeasance of the 2008A bonds resulted in economic present value savings of $2,608,056 or 10.7%.*	23,785,000	-
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.	11,350,000	-

Conduit Bonds	2017	2016
1997 Series Bonds (Cranston-Triton), dated August 1, 1997. The Series 1997 Bonds mature on September 1, 2022, with sinking fund payments due on September 1, 1999, and September 1, 2018 through September 1, 2022, inclusive. Interest of 5.8% is due annually on March 1, and September 1. *On February 28, 2017, the Bank advance refunded $27,705,000 of the outstanding bonds.*	-	28,490,000
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	2,645,000	2,825,000
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	7,625,000	8,220,000
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.	1,529,000	1,757,000
2013 Series A Revenue Bonds (Town of Coventry), dated September 3, 2013 with serial bonds of $8,225,000 at 4.25% due annually from September 1, 2014 through September 1, 2028	6,960,000	7,400,000
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	4,950,000	5,310,000
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

Note 5. Bonds Payable (Continued)

2017 Series Bonds (Cranston-Triton), dated January 31, 2017 with serial bonds of $27,705,000 at 4.30% due annually from September 1, 2017 through September 1, 2022. *The Bank's defeasance of the 1997 bonds resulted in economic present value savings of $1,127,085 or 4.0%.*	27,705,000	-
Subtotal	777,524,000	787,442,000
Add bond premium (discount), net of amortization	74,158,023	73,480,930
Total bonds payable	$851,682,023	$860,922,930

Long-term liability activity for the year ended June 30, was as follows:

2017	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long term debt:					
Revenue bonds	$ 787,442,000	$ 132,090,000	$ 142,008,000	$ 777,524,000	$55,972,737
Plus bond premium, net of amortization	73,480,930	14,263,222	13,586,129	74,158,023	-
Total long-term debt	$ 860,922,930	$146,353,222	$ 155,594,129	$ 851,682,023	$ 55,972,737

2016	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long term debt:					
Revenue bonds	$ 746,553,000	$218,730,000	$177,841,000	$ 787,442,000	$58,010,150
Plus bond premium, net of amortization	60,512,770	27,179,203	14,211,043	73,480,930	-
Total long-term debt	$ 807,065,770	$245,909,203	$192,052,043	$ 860,922,930	$58,010,150

Annual principal and interest requirements are as follows for the year ending June 30, 2017:

Years	Principal	Interest	Total
2018	$ 46,380,000	$ 31,021,471	$ 77,401,471
2019	50,165,000	29,384,856	79,549,856
2020	52,160,000	27,150,816	79,310,816
2021	51,305,000	24,870,172	76,175,172
2022	49,735,000	21,395,728	71,130,728
2023 - 2027	213,815,000	75,493,653	289,308,653
2028 - 2032	154,305,000	33,038,772	187,343,772
2033 - 2037	72,870,000	7,351,547	80,221,547
2038 - 2042	6,690,000	1,624,425	8,314,425
2043 - 2044	4,420,000	287,951	4,707,951
Subtotal	701,845,000	251,619,391	953,464,391
Conduit Bonds	75,679,000	22,842,835	98,521,835
Total	$ 777,524,000	$ 274,462,226	$ 1,051,986,226

Note 5. Bonds Payable (Continued)

Advanced refunding of debt: As described in Note 1 (please see "Amount deferred on refunding"), from time to time the Bank has refunded certain above-market rate bond obligations to reduce 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 condition. The balances of bonds defeased in 2017 and still outstanding are as follows:

Description	Redemption Date	Defeased Bonds in FY17
2008 Series A Drinking Water	February 28, 2017	$ 24,330,000
2010 Series B Clean Water	June 28, 2017	17,480,000
2011 Series A Clean Water	June 28, 2017	27,105,000
Total		$ 68,915,000

In prior years, the Bank defeased certain bonds in the same manner as described above. At June 30, 2017, $123,200,000 of bonds outstanding are considered defeased (inclusive of the bonds defeased in 2017).

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 Outflows of Resources	Deferred Inflows of Resources
Beginning balance – June 30, 2015	$ 5,859,265	$ -
Additions	2,591,800	1,182,084
Reductions	(898,024)	(77,625)
Ending balance – June 30, 2016	7,553,041	1,104,459
Additions	1,571,390	-
Reductions	(1,038,301)	(108,394)
Ending balance – June 30, 2017	$ 8,086,130	$ 996,065

Note 6. Notes Payable

From time to time, the Bank utilizes short-term borrowing to provide interim financing to borrowers. On July 8, 2016, the Bank issued a short-term revenue bond anticipation note to Webster Bank, N.A. for $17,345,000. The note was issued to fund the first round of the EBF loans originated at the same time and to allow the Bank to combine other projects into one larger issue in a future bond issue. The note has a maturity date of December 1, 2017 and annual interest rate of 1.226% (tax-exempt). Interest is payable at maturity.

Note 6. Notes Payable (Continued)

In conjunction with the issuing the bond anticipation note, the Bank purchased an interest rate cap (Cap) from the Bank of America (BOA) with a notional amount of $28,158,000. The purpose of the Cap is to limit the Bank's exposure to long-term interest rates for the period that extends from the execution date of the cap until the Bank can sell bonds to reimburse itself for bond anticipation note. It is currently anticipated that bonds shall be sold in October 2017, which is the effective date of the cap.

While it is more likely than not that the interest rate cap satisfies the criteria for effectiveness, the Bank has elected to not apply hedge accounting. As such, changes in fair value are recorded in the income statement. The interest rate cap has a positive fair value at June 30, 2017, and it is recorded as other asset on the statement of net position. As exchange-traded instruments that have a directly quotable price are not available for over-the-counter derivatives identical to this transaction, the interest rate cap is required to be valued using Level 2 inputs. A pricing service measured the fair value of the Cap using internally developed models that used readily observable market parameters that are actively quoted and can be validated using external sources as their inputs.

The key terms of the Cap are as follows:

Notional Amount	Trade Date	Effective Date	Maturity Date	Terms	Fair Value
$ 28,158,000	July 27, 2016	October 1, 2017	October 1, 2032	Weekly weighted average SIFMA Municipal Swap Rate exceeding strike rate (1.15%)	$ 1,002,186

Under the terms of the cap agreement, BOA will make annual floating payments to the Bank on any floating rate payment dates when the weekly weighted average of the SIFMA Municipal Swap Index exceeds the predetermined strike rates. In exchange for receiving any floating amount payments from BOA, the Bank made a one-time fixed payment to BOA in an amount of $917,000 on the trade date.

The Bank has policies in place to evaluate the credit worthiness of a swap counterparty to determine if the counterparty should be required to post collateral for the occurrence of certain events or provide certain credit enhancements prior to executing the agreement. In addition to credit risk, the Bank also considered other key risks associated with the cap and the cap agreement.

Note 7. 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.

Note 7. Capitalization Grants (Continued)

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
2014:		
Federal award	$ 9,410,000	$ -
State match	$ 1,882,000	$ -
2015:		
Federal award	$ 9,361,000	$ 7,340,147
State match	$ 1,872,200	$ -
2016:		
Federal award	$ 8,962,000	$ 8,360,663
State match	$ 1,792,400	$ -

For 2017, the Bank has applied and been approved for a Federal award of $8,892,000.

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.

Note 7. Capitalization Grants (Continued)

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. 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
2014:		
Federal award	$ 8,845,000	$ -
State match	$ 1,769,000	$ -
2015:		
Federal award	$ 8,787,000	$ 3,222,162
State match	$ 1,757,000	$ -
2016:		
Federal award	$ 8,312,000	$ 7,848,633
State match	$ 1,662,400	$ -

For 2017, the Bank has applied for a Federal award of $8,241,000.

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 8. 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, 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.

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 were removed from the Bank’s financial statements for the years ended June 30, 2017 and 2016.

The Bank currently remits to the plan administrator an amount equal to 10% of employee compensation (gross) on a monthly basis – after certain tenure requirements are met. The Board shall annually establish the contribution percentage. Employees immediately vest in the employer contributions, therefore, there are no employee forfeitures. The Bank’s contribution totaled $72,787 and $51,903 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 were $81,939 and $32,565, respectively.

Note 9. Operating Lease

On June 1, 1998, the Bank entered into 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 effective February 1, 2016 and extending the term to January 31, 2021. The Bank incurred rent expense of $122,615 and $89,875 in 2017 and 2016, respectively. Future minimum lease payments under the operating lease are as follows:

Year Ending June 30:	Amount
2018	$ 110,137
2019	112,340
2020	114,587
2021	116,879
	$ 453,943

Note 10. Property and Equipment

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

	Balance at June 30, 2016	Additions	Retirements	Balance at June 30, 2017
Cost				
Computer equipment and software	$ 84,017	$ 180,624	$ -	$ 264,641
Furniture and fixtures	34,665	13,209	-	47,874
Equipment	62,424	-	(6,688)	55,736
Leasehold improvements	89,985	430	-	90,415
Total cost	271,091	194,263	(6,688)	458,666
Accumulated depreciation				
Computer equipment and software	(55,170)	(12,146)	-	(67,316)
Furniture and fixtures	(29,340)	(3,440)	-	(32,780)
Equipment	(36,370)	(5,790)	6,688	(35,472)
Leasehold improvements	(24,831)	(4,256)	-	(29,087)
Total accumulated depreciation	(145,711)	(25,632)	6,688	(164,655)
Net capital assets	$ 125,380	$ 168,631	$ -	$ 294,011

	Balance at June 30, 2015	Additions	Retirements	Balance at June 30, 2016
Cost				
Computer equipment and software	$ 57,927	$ 26,090	$ -	$ 84,017
Furniture and fixtures	34,665	-	-	34,665
Equipment	33,476	28,948	-	62,424
Leasehold improvements	79,839	10,146	-	89,985
Total cost	205,907	65,184	-	271,091
Accumulated depreciation				
Computer equipment and software	(49,845)	(5,325)	-	(55,170)
Furniture and fixtures	(26,747)	(2,593)	-	(29,340)
Equipment	(33,269)	(3,101)	-	(36,370)
Leasehold improvements	(20,839)	(3,992)	-	(24,831)
Total accumulated depreciation	(130,700)	(15,011)	-	(145,711)
Net capital assets	$ 75,207	$ 50,173	$ -	$ 125,380

Note 11. Commitments and Contingencies

Capitalization grants: 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 are in compliance with EPA regulations. As of June 30, 2017, and 2016, no expenditures of the Bank have been disallowed. Bank officials believe that any future disallowance of expenditures would not be material.

Note 12. 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 three years.

Note 13. Significant Concentrations

Current economic conditions: Now a decade removed from the financial crisis, the United States economy has been recovering slowly if not unevenly since the depths of the recession. In recent quarters however, the economic outlook is looking increasingly healthy according to the most economic indicators. For example, gross domestic product is expected to remain between the 2 and 3% while unemployment has been steadily improving and inflation has been benign.

Existing collateralized investments and counterparty financial institutions are being closely monitored to ensure contractual obligations are being met and contingency plans have been developed, should action be required. Interest rates continue to be at or near historic lows and long-term investments which reduces the Bank's loan capacity for funding new loans, while maintaining the same rate of loan interest subsidy. Separately, the Bank continually monitors market conditions for the economic feasibility of refunding bonds with above market rates.

Like other areas of the country, Rhode Island communities are experiencing 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 14. Subsequent Events

Management has evaluated potential subsequent events through October 18, 2017, the date the financial statements were issued, the following two events are noted:

(a) As outlined in Note 3, the Bank has agreed to an early termination of the repurchase agreement issued by Portigon. Pursuant to the termination agreement, on the date of execution (expected to occur in October 2017), Portigon will release invested funds in the amount of $2,524,841 from the repurchase agreement and $235,000 as compensation to the Bank. The Bank will also be compensated for expenses incurred in the early termination.

(b) As part of the fiscal year 2018 budget passed by the General Assembly, and signed by the Governor on August 3, 2017, the Bank is obligated to transfer to the State Controller $3.5 million by June 30, 2018.

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, 2017

	OPERATING	WPCRF	RIWPCRF	DWSRF	MRBRF	WQPCP	EBF	Total
Assets								
Current assets:								
Cash, cash equivalents and investments								
Unrestricted:								
Cash equivalents	$ 30,932,108	$ -	$ -	$ -	$ -	$ -	$ -	$ 30,932,108
Total unrestricted cash and cash equivalents	30,932,108	-	-	-	-	-	-	30,932,108
Restricted:								
Cash and cash equivalents	330,224	121,336,001	2,670,833	55,984,857	16,049,546	2,132,750	13,968,724	212,472,935
Investments	62	85,584,136	-	19,083,903	-	-	-	104,668,101
Total restricted cash, cash equivalents and investments	330,286	206,920,137	2,670,833	75,068,760	16,049,546	2,132,750	13,968,724	317,141,036
Service fees receivable	1,249,114	-	-	-	525,564	-	-	1,774,678
Loans receivable	3,670,692	55,183,123	274,252	18,042,880	1,443,000	-	-	78,613,947
Accrued interest receivable:								
Loans	(140,117)	4,796,150	121,352	2,726,725	120,652	-	102,583	7,727,345
Investments	(4,671)	811,173	-	297,880	-	-	1,714	1,106,096
Prepaid expenses and other receivables	1,167,586	3,720,310	(3,720,310)	1,786	-	-	-	1,169,372
Total current assets	37,204,998	271,430,893	(653,873)	96,138,031	18,138,762	2,132,750	14,073,021	438,464,582
Noncurrent assets:								
Loans receivable	95,956,313	738,939,555	13,824,460	316,586,916	29,500,515	-	17,183,000	1,211,990,759
Capital assets - property and equipment, net of accumulated depreciation	294,011	-	-	-	-	-	-	294,011
Total noncurrent assets	96,250,324	738,939,555	13,824,460	316,586,916	29,500,515	-	17,183,000	1,212,284,770
Total assets	133,455,322	1,010,370,448	13,170,587	412,724,947	47,639,277	2,132,750	31,256,021	1,650,749,352
Deferred outflows of resources	486,023	6,187,471	-	1,412,636	-	-	-	8,086,130
Liabilities								
Current liabilities:								
Project costs payable	3,029,599	111,509,487	451,560	33,931,636	11,887,585	-	6,195,181	167,005,048
Bonds payable	1,611,657	43,012,536	-	11,348,544	-	-	-	55,972,737
Note payable	-	-	-	-	-	-	17,345,000	17,345,000
Accrued interest payable	(79,205)	5,089,942	-	1,936,520	-	-	53,162	7,000,419
Accounts payable and accrued expenses	619,362	-	-	-	-	-	16,526	635,888
Accrued arbitrage rebate	-	977,598	-	-	-	-	-	977,598
Total current liabilities	5,181,413	160,589,563	451,560	47,216,700	11,887,585	-	23,609,869	248,936,690
Noncurrent liabilities:								
Bonds payable, net of current portion	75,066,762	526,839,359	-	193,803,165	-	-	-	795,709,286
Accrued arbitrage rebate	-	609,161	-	241,725	-	-	-	850,886
Total noncurrent liabilities	75,066,762	527,448,520	-	194,044,890	-	-	-	796,560,172
Total liabilities	80,248,175	688,038,083	451,560	241,261,590	11,887,585	-	23,609,869	1,045,496,862
Deferred inflows of resources	181,233	814,832	-	-	-	-	-	996,065
Net position:								
Net investments in capital assets	294,011	-	-	-	-	-	-	294,011
Restricted for program purposes	-	327,705,004	12,719,027	172,875,993	35,751,692	2,132,750	7,646,152	558,830,618
Unrestricted	53,217,926	-	-	-	-	-	-	53,217,926
Total net position	$ 53,511,937	$ 327,705,004	$ 12,719,027	$ 172,875,993	$ 35,751,692	$ 2,132,750	$ 7,646,152	$ 612,342,555

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

Combining Schedule of Net Position
June 30, 2016

	OPERATING	WPCRF	RIWPCRF	DWSRF	MRBRF	WQPCP	EBF	Total
Assets								
Current assets:								
Cash, cash equivalents and investments								
Unrestricted:								
Cash equivalents	$ 27,463,090	$ -	$ -	$ -	$ -	$ 1,242,897	$ 3,304,300	$ 32,010,287
Total unrestricted cash and cash equivalents	27,463,090	-	-	-	-	1,242,897	3,304,300	32,010,287
Restricted:								
Cash and cash equivalents	-	141,041,396	4,347,588	59,374,259	12,478,021	-	-	217,241,264
Investments	14	59,652,191	-	21,072,666	-	-	-	80,724,871
Total restricted cash, cash equivalents and investments	14	200,693,587	4,347,588	80,446,925	12,478,021	-	-	297,966,135
Service fees receivable	1,722,418	-	-	-	-	-	-	1,722,418
Loans receivable	1,143,000	51,378,312	14,535,212	-	-	-	-	67,056,524
Accrued interest receivable:								
Loans	401,020	4,621,563	144,946	2,638,796	86,975	-	-	7,893,300
Investments	(312)	575,302	-	204,718	-	-	-	779,708
Prepaid expenses and other receivables	98,436	-	-	1,786	-	-	-	100,222
Total current assets	30,827,666	257,268,764	19,027,746	83,292,225	12,564,996	1,242,897	3,304,300	407,528,594
Noncurrent assets:								
Loans receivable	102,021,005	752,831,877	2,224,396	330,795,962	24,086,515	-	-	1,211,959,755
Capital assets - property and equipment, net of accumulated depreciation	125,380	-	-	-	-	-	-	125,380
Total noncurrent assets	102,146,385	752,831,877	2,224,396	330,795,962	24,086,515	-	-	1,212,085,135
Total assets	132,974,051	1,010,100,641	21,252,142	414,088,187	36,651,511	1,242,897	3,304,300	1,619,613,729
Deferred outflows of resources	512,343	5,694,517	6,333	1,346,181	-	-	-	7,559,374
Liabilities								
Current liabilities:								
Project costs payable	3,900,524	111,506,968	458,630	43,676,826	8,427,078	-	-	167,970,026
Bonds payable	1,838,299	46,666,737	-	9,505,114	-	-	-	58,010,150
Accrued interest payable	230,030	5,312,256	-	2,019,328	-	-	-	7,561,614
Accounts payable and accrued expenses	805,330	-	-	-	-	-	-	805,330
Accrued arbitrage rebate	-	599,784	-	-	-	-	-	599,784
Total current liabilities	6,774,183	164,085,745	458,630	55,201,268	8,427,078	-	-	234,946,904
Noncurrent liabilities:								
Bonds payable, net of current portion	70,431,276	536,346,313	-	196,135,191	-	-	-	802,912,780
Accrued arbitrage rebate	-	403,053	-	22,259	-	-	-	425,312
Total noncurrent liabilities	70,431,276	536,749,366	-	196,157,450	-	-	-	803,338,092
Total liabilities	77,205,459	700,835,111	458,630	251,358,718	8,427,078	-	-	1,038,284,996
Deferred inflows of resources	191,048	913,411	-	-	-	-	-	1,104,459
Net position:								
Net investments in capital assets	125,380	-	-	-	-	-	-	125,380
Restricted for program purposes	-	314,046,636	20,793,512	164,075,650	28,224,433	1,242,897	3,304,300	531,687,428
Unrestricted	55,964,507	-	-	-	-	-	-	55,964,507
Total net position	$ 56,089,887	$ 314,046,636	$ 20,793,512	$ 164,075,650	$ 28,224,433	$ 1,242,897	$ 3,304,300	$ 587,777,315

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, 2017

	OPERATING	WPCRF	RIWPCRF	DWSRF	MRBRF	WQPCP	EBF	Total
Operating revenues:								
Investment income	$ 157,559	$ 972,547	$ 7,237	$ 689,430	$ 33,792	$ -	$ 32,946	$ 1,893,511
Interest income - loans	425,306	13,965,466	375,915	8,104,801	422,093	-	301,766	23,595,347
Grant income - operating	2,593,311	-	-	-	-	-	-	2,593,311
Loan servicing fees	4,734,332	-	-	-	525,564	-	-	5,259,896
Loan origination fees	1,049,331	-	-	-	-	-	-	1,049,331
Total operating revenues	8,959,839	14,938,013	383,152	8,794,231	981,449	-	334,712	34,391,396
Operating expenses:								
Interest expense	32,636	17,720,250	-	3,704,161	-	-	354,971	21,812,018
Consulting fees - D.E.M. and D.O.H.	2,630,330	779,890	-	-	-	-	-	3,410,220
Bond issuance costs	-	767,815	-	482,822	-	-	-	1,250,637
Loan principal forgiveness	799	680,683	-	864,764	50	-	-	1,546,296
Employee expense	1,199,194	-	-	-	-	-	-	1,199,194
Legal fees	312,398	-	-	-	-	-	-	312,398
Accounting and auditing	62,590	-	-	-	-	-	29,789	92,379
Trustee/bank fees	175,949	-	-	-	-	-	-	175,949
Office expense	674,699	-	-	-	-	-	-	674,699
Promotional expenses	131,771	-	-	-	-	-	-	131,771
Financial advisor fees	110,802	-	-	-	-	-	66,851	177,653
Insurance expense	28,754	-	-	-	-	-	-	28,754
Depreciation expense	25,632	-	-	-	-	-	-	25,632
Dues and subscriptions	23,696	-	-	-	-	-	-	23,696
Business and travel expense	32,831	-	-	-	-	-	-	32,831
Seminars	2,841	-	-	-	-	-	-	2,841
Miscellaneous expense	22,230	-	-	-	-	-	-	22,230
Total operating expenses	5,467,152	19,948,638	-	5,051,747	50	-	451,611	30,919,198
Operating income (loss)	3,492,687	(5,010,625)	383,152	3,742,484	981,399	-	(116,899)	3,472,198
Non-operating revenues:								
Grant income - non-operating	29,263	4,648,128	6,333	3,245,644	6,625,860	889,854	4,537,986	19,983,068
Change in net position	3,521,950	(362,497)	389,485	6,988,128	7,607,259	889,854	4,421,087	23,455,266
Transfer from (to) other funds	(6,099,900)	14,020,865	(9,573,944)	1,812,215	(80,000)	(1)	(79,235)	-
Net position, beginning of year	56,089,887	314,046,636	12,606,774	164,075,650	28,224,433	1,242,897	3,304,300	579,590,577
Net position, end of year	$ 53,511,937	$ 327,705,004	$ 3,422,315	$ 172,875,993	$ 35,751,692	$ 2,132,750	$ 7,646,152	$ 603,045,843

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, 2016

	OPERATING	WPCRF	RIWPCRF	DWSRF	MRBRF	WQPCP	EBF	Total
Operating revenues:								
Investment income	$ 56,176	$ 3,394,316	$ 2,356	$ 1,105,821	$ 11,831	$ -	$ -	$ 4,570,500
Interest income - loans	569,975	13,817,171	449,678	7,685,779	286,212	-	-	22,808,815
Grant income - operating	2,795,499	344,095	-	-	-	-	-	3,139,594
Loan servicing fees	5,051,320	-	-	-	-	-	-	5,051,320
Loan origination fees	1,903,204	-	-	-	-	-	-	1,903,204
Total operating revenues	10,376,174	17,555,582	452,034	8,791,600	298,043	-	-	37,473,433
Operating expenses:								
Interest expense	(7,125,743)	22,212,930	-	7,787,036	-	-	-	22,874,223
Consulting fees - D.E.M. and D.O.H.	2,681,121	628,224	-	-	-	-	-	3,309,345
Bond issuance costs	527,691	1,864,495	-	320,427	-	-	-	2,712,613
Loan principal forgiveness	-	598,394	-	1,035,250	-	-	-	1,633,644
Employee expense	1,046,082	-	-	-	-	-	-	1,046,082
Legal fees	466,913	-	-	-	-	-	-	466,913
Accounting and auditing	217,067	-	-	-	-	-	195,700	412,767
Trustee/bank fees	185,571	-	-	-	-	-	-	185,571
Office expense	155,417	-	-	-	-	-	-	155,417
Promotional expenses	117,298	-	-	-	-	-	-	117,298
Financial advisor fees	117,217	-	-	-	-	-	-	117,217
Insurance expense	28,028	-	-	-	-	-	-	28,028
Depreciation expense	15,011	-	-	-	-	-	-	15,011
Dues and subscriptions	8,914	-	-	-	-	-	-	8,914
Business and travel expense	7,411	-	-	-	-	-	-	7,411
Seminars	4,128	-	-	-	-	-	-	4,128
Miscellaneous expense	225,706	-	-	-	-	-	-	225,706
Total operating expenses	(1,322,168)	25,304,043	-	9,142,713	-	-	195,700	33,320,288
Operating income (loss)	11,698,342	(7,748,461)	452,034	(351,113)	298,043	-	(195,700)	4,153,145
Non-operating revenues:								
Grant income - non-operating	174,575	12,833,965	6,333	13,784,413	2,649,013	823,789	3,500,000	33,772,088
Change in net position	11,872,917	5,085,504	458,367	13,433,300	2,947,056	823,789	3,304,300	37,925,233
Transfer from (to) other funds	440,123	7,693,458	(11,475,115)	3,531,719	(190,185)	-	-	-
Net position, beginning of year	43,776,847	301,267,674	23,623,522	147,110,631	25,467,562	419,108	-	541,665,344
Net position, end of year	$ 56,089,887	$ 314,046,636	$ 12,606,774	$ 164,075,650	$ 28,224,433	$ 1,242,897	$ 3,304,300	$ 579,590,577

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

Schedule of Municipal Road and Bridge Revolving Fund -
Outstanding Loan Balances By Community
Year Ended June 30, 2016

Borrower	Total Loans Receivable	Project Costs Disbursed	Project Costs Payable
Bristol	$ 1,647,000	$ 1,599,792	$ 47,208
Burrillville	612,000	347,774	264,226
Coventry	1,118,000	1,051,009	66,991
Cranston	1,755,000	102,517	1,652,483
Cumberland	458,000	324,899	133,101
East Greenwich	6,731,500	1,790,250	4,941,250
East Providence	991,000	991,000	-
Hopkinton	225,000	157,104	67,896
New Shoreham	520,000	161,429	358,571
Newport	1,215,000	1,215,000	-
Pawtucket	14,552,429	10,171,940	4,380,489
Warwick	1,468,000	1,008,700	459,300
West Warwick	134,515	134,515	-
Total	$ 31,427,444	$ 19,055,929	$ 12,371,515

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

State Required Statements of Net Position
June 30, 2017 and 2016

		2017		2016
Assets				
Current assets:				
Cash and cash equivalents	$	30,932,108	$	32,010,287
Investments		-		-
Receivables (net)		10,608,119		10,395,426
Restricted assets:		-		-
Cash and cash equivalents		212,472,935		217,241,264
Investments		104,668,101		80,724,871
Receivables (net)		78,613,947		67,056,524
Other assets		1,169,372		100,222
Due from primary government		-		-
Due from other component units		-		-
Due from other governments		-		-
Inventories		-		-
Other assets		-		-
Total current assets		438,464,582		407,528,594
Noncurrent assets:				
Investments		-		-
Receivables (net)		-		-
Restricted assets:				
Cash and cash equivalents		-		-
Investments		-		-
Receivables (net)		1,211,990,759		1,211,959,755
Other assets		-		-
Due from other component units		-		-
Capital assets - nondepreciable		-		-
Capital assets - depreciable (net)		294,011		125,380
Other assets, net of amortization		-		-
Total noncurrent assets		1,212,284,770		1,212,085,135
Total assets		1,650,749,352		1,619,613,729
Deferred outflows or resources:				
Hedging instruments		-		-
Deferred loss on refunding of debt		8,086,130		7,553,041
Deferred pension amounts		-		-
Other deferred outflows or resources		-		-
Total deferred outflows of resources		8,086,130		7,553,041
Liabilities				
Current liabilities:				
Cash overdraft		-		-
Accounts payable		516,799		562,957
Due to primary government		-		-
Due to other component units		-		-
Due to other governments		-		-
Unearned revenue		-		-
Other current liabilities		192,447,154		176,373,797
Current portion of long-term debt		55,972,737		58,010,150
Total current liabilities		248,936,690		234,946,904
Noncurrent liabilities:				
Due to primary government		-		-
Due to other component units		-		-
Due to other governments		-		-
Net pension liability		-		-
Net OPEB obligation		-		-
Unearned revenue		-		-
Notes payable		-		-
Loans payable		-		-
Obligations under capital leases		-		-
Compensated absences		-		-
Bonds payable		795,709,286		802,912,780
Other liabilities		850,886		425,312
Total noncurrent liabilities		796,560,172		803,338,092
Total liabilities		1,045,496,862		1,038,284,996
Deferred inflows of resources:				
Deferred gain on refunding of debt		996,065		1,104,459
Deferred pension amounts		-		-
Total deferred inflows of resources		996,065		1,104,459
Net position:				
Net investment in capital assets		294,011		125,380
Restricted for:				
Debt		-		-
Other		558,830,618		531,687,428
Unrestricted		53,217,926		55,964,507
Total net position	$	612,342,555	$	587,777,315

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

State Required Statements of Activities
Years Ended June 30, 2017 and 2016

	2017	2016
Expenses	$ 30,919,198	$ 33,320,288
Program revenues:		
Charges for services	6,309,227	6,954,524
Operating grants and contributions	2,593,311	3,139,593
Capital grants and contributions	21,093,042	41,958,826
Total program revenues	29,995,580	52,052,943
Net (expenses) revenues	(923,618)	18,732,655
General revenue:		
Interest and investment earnings	25,488,858	27,379,316
Miscellaneous revenue	-	-
Total general revenues	25,488,858	27,379,316
Special items	-	-
Extraordinary items	-	-
Change in net position	24,565,240	46,111,971
Total net position - beginning	587,777,315	541,665,344
Total net position - ending	$ 612,342,555	$ 587,777,315

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

State Required Schedule of Debt Service to Maturity (Bonds Only)
Long Term Debt

Fiscal Year Ending June 30	Long Term Debt	
	Principal	Interest
2018	$ 48,330,000	$ 33,905,626
2019	54,458,000	32,132,159
2020	65,896,000	30,165,188
2021	59,373,000	26,889,311
2022	59,567,000	23,084,926
2023 - 2027	228,700,000	82,068,803
2028 - 2032	167,135,000	36,141,812
2033 - 2037	82,955,000	8,162,025
2038 - 2042	6,690,000	1,624,425
2043 - 2047	4,420,000	287,950
	$ 777,524,000	$ 274,462,225

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

State Required Schedule of Changes in Long-Term Debt
Year Ended June 30, 2017

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Bonds payable	$ 787,442,000	$ 132,090,000	$ 142,008,000	$ 777,524,000	$ 55,972,737	$ 721,551,263
Net unamortized premium/discount	73,480,930	14,263,222	13,586,129	74,158,023	-	74,158,023
Bonds payable	860,922,930	146,353,222	155,594,129	851,682,023	55,972,737	795,709,286
Notes payable	-	-	-	-	-	-
Loans payable	-	-	-	-	-	-
Obligations under capital leases	-	-	-	-	-	-
Net OPEB obligation	-	-	-	-	-	-
Net pension liability	-	-	-	-	-	-
Due to primary government	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-
Due to other governments and agencies	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Compensated absences	-	-	-	-	-	-
Reported as other liabilities:						
Arbitrage rebate	1,025,096	226,012	577,376	1,828,484	977,598	850,886
Pollution remediation	-	-	-	-	-	-
Items not listed above	-	-	-	-	-	-
Other liabilities	1,025,096	226,012	577,376	1,828,484	977,598	850,886
	$ 861,948,026	$ 146,579,234	$ 156,171,505	$ 853,510,507	$ 56,950,335	$ 796,560,172

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

State Required Schedule of Changes in Long-Term Debt
Year Ended June 30, 2016

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Bonds payable	$ 746,553,000	$ 218,730,000	$ 177,841,000	$ 787,442,000	$ 44,603,000	$ 742,839,000
Net unamortized premium/discount	60,512,770	27,179,203	14,211,043	73,480,930	13,407,150	60,073,780
Bonds payable	807,065,770	245,909,203	192,052,043	860,922,930	58,010,150	802,912,780
Notes payable	-	-	-	-	-	-
Loans payable	-	-	-	-	-	-
Obligations under capital leases	-	-	-	-	-	-
Net OPEB obligation	-	-	-	-	-	-
Net pension liability	-	-	-	-	-	-
Due to primary government	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-
Due to other governments and agencies	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Compensated absences	-	-	-	-	-	-
Reported as other liabilities:						
Arbitrage rebate	1,387,459	-	362,363	1,025,096	599,784	425,312
Pollution remediation	-	-	-	-	-	-
Items not listed above	-	-	-	-	-	-
Other liabilities	1,387,459	-	362,363	1,025,096	599,784	425,312
	$ 808,453,229	$ 245,909,203	$ 192,414,406	$ 861,948,026	$ 58,609,934	$ 803,338,092

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

State Required Schedule of Travel and Entertainment
Years Ended June 30, 2017 and 2016

	2017	2016
Transportation	$ 2,186	$ 1,015
Lodging	3,071	3,411
	$ 5,257	$ 4,426