Rhode Island Infrastructure Bank

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

Basic Financial Report
June 30, 2018

Contents

Independent Auditor's Report

Board of Directors
Rhode Island Infrastructure Bank

Report on the Financial Statements
We have audited the accompanying financial statements of the business type activities and each major fund 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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Bank’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2018 and 2017, and the changes in financial position 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 3-7 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 39-49 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
September 26, 2018

Management's Discussion and Analysis
Year Ended June 30, 2018 and 2017
(Unaudited)

INTRODUCTION

As management of Rhode Island Infrastructure Bank (the Bank), we offer readers of the Bank's financial statements this discussion and analysis of the financial condition and performance of the Bank. The discussion should be read in conjunction with the Bank's basic financial statements including the companion notes to the financial statements for the fiscal years ending June 30, 2018 and June 30, 2017.

As outlined in greater detail in the financial statements, the Bank was established in 1989 as a quasi-public state corporation. The Bank is governed by a Board of Directors consisting of five members, four of whom are members of the public appointed by the Governor, with the advice and consent of the State Senate. The 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 clean water (and its companion residential-based lending for the community septic system loan program and the sewer tie-in loan fund), drinking water, and municipal road and bridge programs, the Bank also supports energy efficiency and renewable energy, brownfield remediation and water quality protection financing. Together, these programs improve the state's infrastructure, create jobs, promote economic development and enhance the environment.

OVERVIEW OF THE FINANCIAL STATEMENTS

As noted above, managements' discussion and analysis are 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.

FINANCIAL HIGHLIGHTS

Statement of Net Position – Condensed

	2018	2017	2016
Current assets	$ 465,005,699	$ 438,464,582	$ 407,528,594
Noncurrent assets:	1,201,190,665	1,212,284,770	1,212,085,135
Total assets	1,666,196,364	1,650,749,352	1,619,613,729
Deferred outflows of resources (a)	6,489,463	8,086,130	7,553,041
Current liabilities	247,018,749	248,943,343	234,946,904
Non-current liabilities	771,214,463	796,553,519	803,338,092
Total liabilities	1,018,233,212	1,045,496,862	1,038,284,996
Deferred inflows of resources (a)	716,253	996,065	1,104,459
Net investment in capital assets	384,721	294,011	125,380
Restricted for program purposes	603,540,701	558,830,618	531,687,428
Unrestricted	49,810,940	53,217,926	55,964,507
Total net position	$ 653,736,362	$ 612,342,555	$ 587,777,315

(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(are) recorded as an amount deferred on refunding – either as a deferred outflow or inflow. Please see Note 1, "Summary of Significant Accounting Policies" for more information.

Statement of Net Position – as of fiscal period ended June 30, 2018 and June 30, 2017

- Total assets at the period ending June 30, 2018 amounted to $1.666 billion, an increase of $15.5 million from the previous year end when total assets amounted to $1.651 billion.

- Total investments amounted to $75.9 million, down $28.8 million from $104.7 million at the end of the previous period. A significant portion of this reduction was attributable to investments held in construction proceed fund accounts which matured and were subsequently disbursed for project payments. Because of a more rigorous investment strategy, meant to better match the duration of investments to the expected duration of disbursements, income from all investments (exclusive of arbitrage rebate and changes in unrealized gain or loss) increased by $1.8 million.

- While loan originations amounted to $79.3 million in fiscal year 2018, (see "Lending Activity" below), amortization of existing loans tempered the overall growth in loans outstanding. At year-end 2018, loans outstanding amounted to $1.286 billion compared to $1.291 billion from the previous year-end. For the second consecutive year, our largest customer temporarily postponed projects which would have utilized our funding programs – we expect this to reverse itself over the coming years. The absence of this customer was partially offset by new business generation.

- Reflecting investments in the Bank's facilities, systems, and technology – including core application software – net investment in capital assets, increased to $384,721 from $294,011 at June 30, 2017.

- Because of the Bank's proactive customer engagement efforts, which resulted in more efficient and quicker loan disbursements, project costs payable (which are predominantly committed loan proceeds that have yet to be disbursed) decreased $14.8 million and amounted to $152.2 million at year-end, down from $167.0 million the prior year. Notwithstanding those efforts, lower loan originations than past years also impacted project costs payable.

Statement of Net Position – as of fiscal period ended June 30, 2018 and June 30, 2017 (Continued)

- Bonds payable amounted to $833.1 million at year-end 2018, a decrease of $18.6 million from $851.7 million at the end of previous period. The decrease is a result of a combination of slightly lower loan originations, and the impact of funding some loans through notes payable (see next caption).

- Notes payable equaled $23.3 million at June 30, 2018, a $6.0 million increase from a year earlier and reflecting the issuance of a second bond anticipation note to fund the first round of the Efficient Buildings Fund (EBF) loans.

- Notwithstanding the earnings recorded in the fiscal year, because of a required $3.5 million transfer to the State Controller, unrestricted capital fell $3.4 million to $49.8 million from $53.2 million at the prior year. As noted in the Bank's Basic Financial Report (see Subsequent Events) as part of the fiscal year 2019 budget passed signed into law, the Bank is obligated to transfer another $4.0 million to the State Controller by June 30, 2019.

- As outlined in the Statement of Revenues, Expenses and Changes in Net Position below, total net position amounted to $653.7 million at year-end 2018, an increase of $41.4 million compared to $612.3 million at June 30, 2017.

- For the year-end 2017 compared to 2016, the net position increased $24.6 million from fiscal year 2016 which amounted to $612.3 million. The increase is substantially related to non-operating grant income which is the capital used for certain lending programs.

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

	2018	2017	2016
Interest income – loans receivable	$ 24,698,552	$ 23,595,347	$ 22,808,815
Interest income – investments	5,711,883	1,893,511	4,570,500
Grant income – operating	2,471,194	2,593,311	3,139,594
Other operating income	6,286,730	6,309,227	6,954,524
Total operating revenues	39,168,359	34,391,396	37,473,433
Interest expense	23,133,362	21,812,018	22,874,223
Other operating expenses:			
Consulting fees to partner agencies	2,333,571	3,410,220	3,309,345
Principal forgiveness	1,909,902	1,545,447	1,633,644
General administrative	2,912,323	3,392,285	4,506,179
Professional fees	1,270,063	759,228	996,897
Total operating expenses	31,559,221	30,919,198	33,320,288
Operating income	7,609,138	3,472,198	4,153,145
Grant income – non-operating	37,284,669	21,093,042	41,958,826
Intergovernmental transfer	(3,500,000)	-	-
Change in net position	41,393,807	24,565,240	46,111,971
Net position, beginning of year	612,342,555	587,777,315	541,665,344
Net position, end of year	$ 653,736,362	$ 612,342,555	$ 587,777,315

Statement of Revenues, Expenses and Changes in Net Position – for the fiscal years ending June 30, 2018 and June 30, 2017

- The Bank's operating revenues amounted to $39.2 million for 2018, an increase of $4.8 million from $34.4 million for 2017. A $3.8 million increase in investment income was the main driver for the increase. Total loan-related income (interest income together with loan origination and servicing fees) increased a modest $355,843 and amounted to $30.3 million in fiscal year 2018 compared to $29.9 million a year earlier.

- Largely reflecting reduced premium amortization on bonds payable, interest expense increased $1.3 million and amounted to $23.1 million compared to $21.8 million in the prior year.

- Non-operating expenses declined $713,043 as increased principal forgiveness was more than offset by reduced consulting fees paid to partner agencies.

- As noted above, in conjunction with the State of Rhode Island fiscal year 2018 budget becoming law on August 3, 2017, the Bank was mandated to transfer $3.5 million to the State Controller by June 30, 2018. This transfer is included as an intergovernmental transfer in the statement of revenues, expenses and changes in net position.

- For the year-end 2017 compared to 2016, the net position increased $24.6 million, $21.1 million of which emanated from grant income – non-operating. Elsewhere, operating revenues fell by $3.1 million while interest expense and total operating expenses fell by $1.1 million and $2.4 million, respectively.

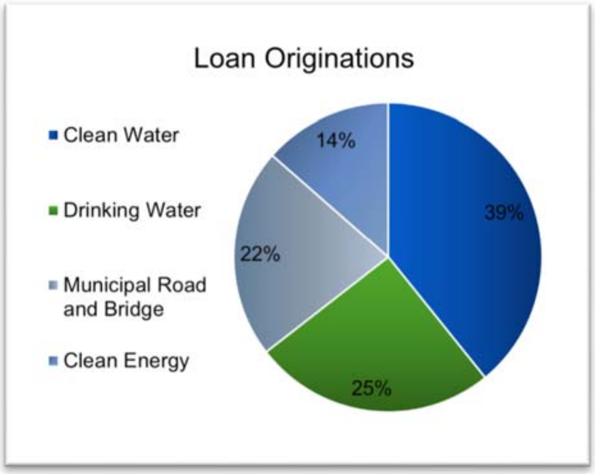
LENDING ACTIVITY

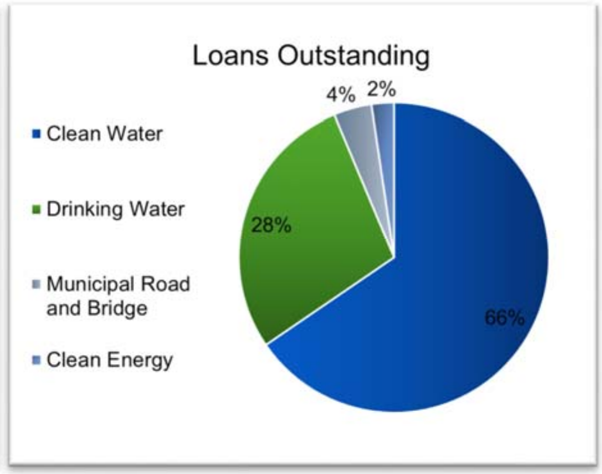
As shown in the table below, during fiscal year 2018 the Bank originated more than $81 million in new loans (inclusive of C-PACE lending), including loans to Bristol, Cumberland, East Providence, Middletown, Providence Public Building Authority, Warren, West Warwick, and Woonsocket, among others. In addition, the Bank originated a first-of-its-kind loan for $1.0 million to Providence Water Supply Board for the replacement of private-side lead supply lines. Overall, originations were well diversified by lending program and funded a variety of important infrastructure-based projects. Year-over-year (2018 compared to 2017), clean water originations were down as one of the Bank's larger customers was out of the market, as referred to earlier. While drinking water originations were up modestly in the fiscal year, they were nevertheless in line with the near-term demand trend. The increase in municipal road and bridge originations reflects the beginning of bond leveraging for the program while the decrease in Clean Energy-based originations was influenced by the process by which certain clients obtain authorization to borrow. In the aggregate, originations in 2017 and 2016 amounted to $89.0 million and $191.8 million, respectively. 2016 was favorably impacted by the timing of bond issuances, which caused approximately $65 million in loans that would have closed in 2015 to shift to 2016.

Sector	2018	2017	2016
Clean Water	$ 31,086,500	$ 42,873,000	$ 143,219,400
Drinking Water	20,050,000	19,272,095	42,375,000
Municipal Road and Bridge	17,449,000	8,000,000	6,226,000
Clean Energy*	12,452,503	18,903,685	-
Total	$ 81,038,003	$ 89,048,780	$ 191,820,400

*Both 2017 and 2018 include $1.7 million in C-PACE loans which utilize third-party capital providers.

The charts below summarize originations for 2018 and outstanding loans at June 30, 2018 – each by program:





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, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash, cash equivalents and investments		
Unrestricted:		
Cash equivalents	**$ 26,872,936**	$ 30,932,108
Total unrestricted cash and cash equivalents	**26,872,936**	30,932,108
Restricted:		
Cash and cash equivalents	**263,218,580**	212,472,935
Investments	**75,894,887**	104,668,101
Total restricted cash, cash equivalents and investments	**339,113,467**	317,141,036
Other current assets:		
Unrestricted:		
Prepaid expenses, other assets and other receivables	**164,373**	1,167,586
Restricted:		
Prepaid expenses, other assets and other receivables	**1,205,268**	1,786
Service fees receivable	**1,848,329**	1,774,678
Loans receivable	**85,282,047**	78,613,947
Accrued interest receivable:		
Loans	**8,375,045**	7,727,345
Investments	**2,144,234**	1,106,096
Total current assets	**465,005,699**	438,464,582
Noncurrent assets:		
Unrestricted:		
Loans receivable	**95,441,005**	95,956,313
Capital assets - property and equipment, net of accumulated depreciation	**384,721**	294,011
Total unrestricted noncurrent assets	**95,825,726**	96,250,324
Restricted:		
Loans receivable	**1,105,364,939**	1,116,034,446
Total noncurrent assets	**1,201,190,665**	1,212,284,770
Total assets	**1,666,196,364**	1,650,749,352
Deferred outflows of resources	**6,489,463**	8,086,130
Liabilities		
Current liabilities:		
Project costs payable	**152,184,256**	167,005,048
Bonds payable	**62,946,251**	55,972,737
Note payable	**23,345,000**	17,345,000
Accrued interest payable	**7,568,460**	7,000,419
Accounts payable and accrued expenses	**842,760**	642,541
Accrued arbitrage rebate	**132,022**	977,598
Total current liabilities	**247,018,749**	248,943,343
Noncurrent liabilities:		
Bonds payable, net of current portion	**770,125,014**	795,709,286
Accrued arbitrage rebate	**1,089,449**	844,233
Total noncurrent liabilities	**771,214,463**	796,553,519
Total liabilities	**1,018,233,212**	1,045,496,862
Deferred inflows of resources	**716,253**	996,065
Net investment in capital assets	**384,721**	294,011
Restricted for program purposes:		
Water Pollution Control Revolving Fund	**347,384,818**	327,705,004
Drinking Water State Revolving Fund	**186,147,377**	172,875,993
Other programs	**70,008,506**	58,249,621
Total restricted for program purposes	**603,540,701**	558,830,618
Unrestricted	**49,810,940**	53,217,926
Total net position	**$ 653,736,362**	$ 612,342,555

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, 2018 and 2017

	2018	2017
Operating revenues:		
Interest income - loans	$ 24,698,552	$ 23,595,347
Investment income	5,711,883	1,893,511
Loan servicing fees	5,455,415	5,259,896
Grant income - operating	2,471,194	2,593,311
Loan origination fees	831,315	1,049,331
Total operating revenues	39,168,359	34,391,396
Operating expenses:		
Interest expense	23,133,362	21,812,018
Consulting fees - Department of Environment:		
Management and Department of Health	2,333,571	3,410,220
Loan principal forgiveness	1,909,902	1,545,447
Employee expense	1,446,083	1,199,194
Legal fees	789,606	312,398
Bond issuance costs	595,467	1,250,637
Office expense	537,294	674,699
Trustee/bank fees	277,970	176,798
Promotional expenses	107,089	131,771
Accounting and auditing	101,820	92,379
Financial advisor fees	100,667	177,653
Depreciation expense	99,700	25,632
Miscellaneous expense	52,918	22,230
Insurance expense	29,405	28,754
Business and travel expense	26,247	32,831
Dues and subscriptions	17,365	23,696
Seminars	755	2,841
Total operating expenses	31,559,221	30,919,198
Operating income	7,609,138	3,472,198
Non-operating revenues:		
Grant income	37,284,669	21,093,042
Non-operating expenses:		
Intergovernmental transfers	3,500,000	-
Change in net position	41,393,807	24,565,240
Net position, beginning of the year	612,342,555	587,777,315
Net position, end of the year	$ 653,736,362	$ 612,342,555

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, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash receipts for loan repayments	**$ 81,429,099**	$ 74,788,970
Cash receipts for operating grants	**2,471,194**	2,593,311
Cash receipts for loan origination fees	**831,315**	1,049,331
Cash receipts for loan servicing fees	**5,381,764**	5,207,636
Cash receipts for Investment income	**4,673,745**	1,567,123
Cash payments for loan disbursement activities	**(99,914,093)**	(105,501,725)
Cash payments to suppliers	**(4,285,115)**	(6,274,417)
Cash payments for bond issuance costs	**(595,467)**	(1,250,637)
Cash payments to employees	**(1,535,725)**	(1,242,986)
Net cash used for operating activities	**(11,543,283)**	(29,063,394)
Cash flows from capital and related financing activities:		
Purchases of property and equipment	**(190,410)**	(194,263)
Cash flows from noncapital financing activities:		
Proceeds from bond issuance	**38,789,015**	146,353,222
Repayment of bond principal	**(48,885,000)**	(142,008,000)
Proceeds from note payable	**6,000,000**	17,345,000
Nonoperating grants received	**37,284,669**	21,093,042
Payment of intergovernmental transfers	**(3,500,000)**	-
Interest paid on revenue bonds	**(22,565,321)**	(22,373,213)
Net cash provided by noncapital financing activities	**7,123,363**	20,410,051
Cash flows from investing activities:		
Interest income - loan program	**24,050,852**	23,761,302
Interest rebate paid to US Government	**(1,024,042)**	(584,029)
(Purchase) proceeds from investment activity, net	**28,269,993**	(20,176,175)
Net cash provided by investing activities	**51,296,803**	3,001,098
Net increase (decrease) in cash and cash equivalents	**46,686,473**	(5,846,508)
Cash and cash equivalents, beginning of the year	**243,405,043**	249,251,551
Cash and cash equivalents, end of the year	**$ 290,091,516**	$ 243,405,043
Displayed as:		
Cash equivalents - unrestricted	**$ 26,872,936**	$ 30,932,108
Cash equivalents - restricted	**263,218,580**	212,472,935
	$ 290,091,516	$ 243,405,043
Reconciliation of operating income to net cash used for operating activities:		
Operating income	**$ 7,609,138**	$ 3,472,198
Adjustments:		
Depreciation	**99,700**	25,632
Amortization of bond premium and discounts, net	**8,514,773**	10,163,336
Increase in investment receivable	**(1,038,138)**	(326,388)
Interest income - loans	**(24,698,552)**	(23,595,347)
Interest expense	**14,618,589**	11,648,682
Loan principal forgiveness	**1,909,902**	1,545,447
Increase in loans receivable, net	**(18,484,994)**	(30,712,755)
(Increase) in prepaid expenses	**(200,269)**	(1,069,150)
Increase (decrease) in accounts payable and accrued expenses	**200,219**	(162,789)
Increase in accounts receivable - service fees	**(73,651)**	(52,260)
Net cash used for operating activities	**$ (11,543,283)**	$ (29,063,394)
Supplemental cash flow information:		
Noncash transactions:		
Increase loans receivable issued related to project costs payable	**$ 23,001,709**	$ 19,124,328
Increase in fair value of investments	**$ 4,127,438**	$ 4,630,659

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Organization: Rhode Island Infrastructure Bank (Bank) was established in 1989 by the State of Rhode Island (State) General Assembly, under Chapter 46-12.2 of the Rhode Island General Laws (1986) as amended. While the Bank is a body politic and corporate and public instrumentality of the State, it has a distinct legal existence separate from the State, which does not constitute a department of the State government. Prior to the enactment of Rhode Island Public Law Chapter 15-141, signed into law by the Governor on June 30, 2015 and effective on September 1st of that year, the Bank was known as the Rhode Island Clean Water Finance Agency.

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. For the periods included here, the Bank had no component units. As noted above, however, the Bank is considered a component unit of the State and, accordingly, its financial statements are incorporated with and into the financial statements of the State.

The Bank is governed by a Board of Directors (Board) consisting of five members, four of whom are members of the public appointed by the Governor, with the advice and consent of the State Senate. The General Treasurer, or such officer's designee, who shall be a subordinate within the General Treasurer's department, shall serve as an ex-officio member. While it appoints a voting majority of the Bank's governing board, the State is not responsible for the Bank's debt.

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

Pursuant to an operating agreement between the Environmental Protection Agency (EPA) and the Bank, the Bank manages the State's Clean Water and Drinking Water State Revolving Fund (SRF) programs, CWSRF and DWSRF, respectively. The SRF programs, which were authorized by Federal legislation (the Water Quality Act of 1987 for the CWSRF and the Safe Drinking Water Act of 1996 for the DWSRF) provide low-cost financing to cities, towns, and other eligible borrowers for the construction and improvement of drinking water and wastewater infrastructure.

The SRF programs are "revolving" in nature 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.

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 SRF programs are leveraged by issuing bonds to provide additional funds to finance program-eligible projects. Federal and State grants and other monies available to the Bank are pledged to secure 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,

Note 1. Summary of Significant Accounting Policies (Continued)

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, 2018, the Bank has originated $1.315 billion and $468.0 million in CWSRF and DWSRF loans, respectively.

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 2019.
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 and has now issued $3.5 million in C-PACE loans for a variety of projects.
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 $17.6 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 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 few rounds of financing, the Bank funded $27.9 million in EBF projects.

Note 1. Summary of Significant Accounting Policies (Continued)

Program	Summary
Municipal Road and Bridge Revolving Fund (MRB)	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 $50.7 million in such loans.
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 $59.0 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. With the inaugural bond issue scheduled for the fall of 2018, the program will provide low-cost financing to water suppliers for watershed 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 Bank's 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 and its 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 flow of financial resources measurement focus (which shows the extent to which financial resources obtained during a period are sufficient to cover claims incurred during that period against financial resources) and the accrual basis of accounting as specified by the GASB requirements for a special purpose entity engaged solely in business-type activities.

Note 1. Summary of Significant Accounting Policies (Continued)

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 its request for drawdowns by the grantor agency (EPA) and satisfaction of qualifying commitments and all other grant requirements.

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 – essentially by program as described above. For the presentation of the Bank's financial position and results of operations, these funds are presented on a consolidated basis.

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

Investments: Investments with maturity dates of greater than one year at the time of purchase are reported at fair value using quoted market prices. Fair value is defined by GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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. At June 30, 2018 or June 30, 2017, the Bank had no investments that were categorized as Level 3. Also, as a practical expedient, certain investments held by the Bank are measured at fair value based upon a net asset value (NAV) per share. Such investments not classified in the fair-value hierarchy – please see note 3 for more information.

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 (GIC) that is reported at contract value. Contract value represents contributions made under the contract plus earnings, less withdrawals and administrative expense.

The Bank's investments as of June 30, 2018 and 2017 consisted of U.S. Treasury obligations, U.S. agency obligations (e.g., FannieMae, FreddieMac, and the Federal Home Loan Bank), municipal bonds, and GICs. The Bank's various indentures or depository and administrative payment agreements (DAPAs) governing its outstanding bond issues restrict the Bank's ability to invest the proceeds of bonds issued thereunder. In addition to those listed above, permitted investments under either an indenture or DAPA, include, for example, repurchase agreements, certificates of deposit, money market funds, and commercial paper – each subject to specific ratings and/or other restrictions.

Note 1. Summary of Significant Accounting Policies (Continued)

The Bank actively manages its investment portfolio, including 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. 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, 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 2018 and 2017, which required collateralization.

Investment income: Interest earned on investments is recognized as income in the fund in which the investments are held. Realized and 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 2018 and 2017 totaled $99,700 and $25,632, respectively. The Bank's capitalization threshold for any individual item with a total acquisition cost is $5,000.

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, potential remedies are contained in the loan agreement which is backed by the full taxing power of the borrowing municipality in the form of a general obligation pledge or in the full revenue collecting ability of the Bank's revenue borrowers. Further, the Indenture of Trust (Indenture) as it relates to the Local Interest Subsidy Trust (LIST) serves as a debt service reserve fund. An allowance for loan losses has not been established at either June 30, 2018 or June 30, 2017 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 inflows and outflows of resources of the Bank consist of deferred refunding costs.

Note 1. Summary of Significant Accounting Policies (Continued)

The Bank has refunded certain bond obligations which had the effect of reducing aggregate debt service. The difference between the reacquisition price and the net carrying amount of the refunded bonds is recorded as an amount deferred on refunding. The deferred amount on refunding is amortized over the

remaining life of the refunded bonds, or the life of the new bonds, whichever is shorter. The amortization amount is a component of interest on bonds, and the unamortized balances are recorded as deferred outflows or inflows.

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 the Treasury could differ materially from the estimated liability – even in the near term.

Based on calculations that were performed as of June 30, 2018 and 2017, the Bank had accrued arbitrage rebate liabilities totaling $1,221,471 and $1,821,831, respectively. During 2018 and 2017, the Bank paid to the Treasury $1,024,042 and $584,029 in arbitrage rebates, 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 $152,184,256 and $167,005,048 at June 30, 2018 and 2017, respectively. Included in these amounts is $16,408,599 and $42,258,211 payable to Narragansett Bay Commission (NBC), the Bank’s largest borrower, at June 30, 2018 and 2017, respectively.

Bond premium: Bond premiums, included in long-term debt, are amortized using the effective interest method over the respective life of the associated bond issues. Amortization of bond premiums, which are credited to interest expense, totaled $8,514,773 and $10,163,336 for fiscal years 2018 and 2017, respectively.

Compensated absences: The Bank had a policy, which allowed employees to accumulate unused vacation and sick leave benefits up to a certain maximum number of days. That policy was revised in 2018 to pay unused time annually. 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. While the liability related to the fiscal year 2018 was de minimis and as such not recognized, the balance of accrued vacation and sick leave was $111,855 at June 30, 2017 and was 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, interest paid on bonds, and bond issuance costs, are considered operating items since the Bank issues bonds to finance loans for specific projects. All other revenues and expenses not meeting these criteria are reported as nonoperating revenue and expenses. In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* federal EPA capitalization grants and state grants are shown below operating income (loss) on the statements of revenue, expenses and changes in net position.

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

Intergovernmental transfers: Intergovernmental transfers represent amounts funds transferred to the State of Rhode Island as part of the State budget requirements.

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 and was implemented in the year ended June 30, 2018 and had no impact on the 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 and was implemented in the year ended June 30, 2018 and had no impact on the financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 and was implemented in the year ended June 30, 2018 and had no impact 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 and was implemented in the year ended June 30, 2018 and had no impact 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. While the Bank has preliminarily determined that adoption of the Statement will not have a material impact on the financial statements, it will formally adopt the Statement for fiscal year ending June 30, 2019.

Note 1. Summary of Significant Accounting Policies (Continued)

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

In June 2018, GASB issued Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5−22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Bank is currently evaluating the impact this statement will have on the Bank's financial statements.

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

Note 1. Summary of Significant Accounting Policies (Continued)

liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transaction presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The Bank is currently evaluating the impact this statement will have on the Bank's financial statements.

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

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

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, 2018 and 2017, the carrying amount of the Bank's cash deposits was $23,729,828 and $22,992,973, respectively, of which $250,000 was covered by the Federal Depository Insurance Corporation and $23,479,828 and $22,742,973, respectively, 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 its investments at amortized cost.

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

Description	2018	2017
Cash on hand	$ 100	$ 100
Deposits with financial institutions	26,872,836	22,992,973
Institutional money market accounts – government portfolio	263,218,580	220,411,970
	$ 290,091,516	$ 243,405,043

Note 2. Cash and Cash Equivalents (Continued)

Description		2018		2017
Unrestricted:				
Cash on hand	$	100	$	100
Deposits with financial institutions		4,748,796		7,502,493
Institutional money market accounts – government portfolio		22,124,040		23,429,515
		26,872,936		30,932,108
Restricted:				
Deposits with financial institutions		18,981,031		15,490,480
Institutional money market accounts – government portfolio		244,237,549		196,982,455
		263,218,580		212,472,935
	$	290,091,516	$	243,405,043

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 its deposits with banks. The Bank mitigates custodial credit risk by (i) ensuring that cash deposits that exceed federal depository insurance are collateralized and (ii) investing in institutional money market accounts – government portfolio that are "AAA" rated.

Note 3. Investments

Fair value measurement: The Bank's investments are recorded at fair value as of June 30, 2018 and 2017, pursuant to the provisions of GASB No. 31, *Certain Investments and External Investment Pools* (GASB 31), and GASB 72. GASB 31 established accounting and financial reporting standards for certain investments to be reported at fair value and for external investment pools. GASB No. 72 addresses accounting and financial reporting issues related to fair value measurements. The Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value.

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

Level 1: Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that the Bank can access at the measurement date.

Level 2: Investments with inputs—other than quoted prices included in Level 1—that are observable for an asset, either directly or indirectly.

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

Note 3. Investments (Continued)

The Bank's investments within the fair value hierarchy are summarized below as of June 30,

2018 Investment Sector	Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total Fair Value
U.S. agencies	$ -	$ 29,524,904	$ 29,524,904
U.S. treasuries	5,900,788	-	5,900,788
Municipal bonds	-	7,173,403	7,173,403
Total investments	$ 5,900,788	$ 36,698,307	$ 42,599,095

2017 Investment Sector	Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	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
Total investments	$ 4,077,585	$ 62,615,918	$ 66,693,503

The Bank had no investments that were categorized as Level 3 at either June 30, 2018 or June 30, 2017 and therefore that information is not presented in the above tables. As outlined in Footnote 1, "Investments," 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 $0 and $2,524,841, as of June 30, 2018 and June 30, 2017, respectively.

The Bank has GICs with multiple providers who maintain the contributed investments. As discussed in Note 1, the GICs are reported at contract value. The providers are contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Bank. In accordance with GASB 72, the fair value of these investments is measured at such contract value outside of the fair value hierarchy. The Bank's GICs totaled $33,295,792 and $35,449,757 as of June 30, 2018 and June 30, 2017, respectively. There are no reserves against contract value for credit risk of the provider or otherwise. The crediting interest rates are based on a formula agreed upon by each provider. 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.

Note 3. Investments (Continued)

The Bank's investments consisted of the following at June 30, 2018:

Description	Amount	Maturity Date(s)	Interest Rate(s)	Credit Ratings Moody's/S&P
US agency and Treasury securities:				
Federal Farm Credit Banks	$ 1,299,142	2019	2.41%	AAA/AA+
Federal National Mortgage Association	5,305,498	2018 – 2026	1.16% - 3.26%	AAA/AA+
Federal Home Loan Mortgage Corp	12,632,725	2018 – 2028	0.25% - 3.07%	AAA/AA+
Federal Home Loan Bank	10,287,539	2018 – 2023	1.62% - 2.81%	AAA/AA+
Treasury Bonds and Notes	5,900,788	2018 – 2021	1.57% - 2.68%	AAA/AAA
Subtotal	35,425,692			
Municipal bonds:				
Washington State	760,914	2019	1.56 - 1.82%	AA2/N/R
Oregon State	6,412,489	2019 – 2023	2.58% - 4.91%	AA2/AA
Subtotal	7,173,403			
Guaranteed investment contracts:				
Bayern LB (a)	2,601,228	2020	5.33%	Aaa/AAA
Bayern LB (a)	1,242,512	2020	3.75%	Aaa/AAA
FSA Capital Management (b)	4,845,306	2024	4.71%	A2/AA
FSA Capital Management (b)	7,585,683	2025	4.67%	A2/AA
FSA Capital Management (b)	4,072,251	2027	4.79%	A2/AA
FSA Capital Management (b)	602,740	2028	5.06%	A2/AA
Citigroup Financial Products (c)	8,042,680	2027	4.81%	Baa1/A
Mass Mutual Life Insurance Company	4,303,392	2029	4.50%	Aa2/AA+
Subtotal	33,295,792			
Total investments	$ 75,894,887			

(a) Guaranteed by the Free State of Bavaria.
(b) Guaranteed by Assured Guaranty Municipal Corporation.
(c) Guaranteed by Citigroup, Inc. As of June 30, 2018, 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)

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	2,524,841	2019	6.28%	Aaa/AAA
Subtotal	2,524,841			
Guaranteed investment contracts:				
Bayern LB (a)	2,601,228	2020	5.33%	Aaa/AAA
Bayern LB (a)	1,242,512	2020	3.75%	Aaa/AAA
FSA Capital Management (b)	5,499,798	2024	4.71%	A2/AA
FSA Capital Management (b)	8,658,256	2025	4.67%	A2/AA
FSA Capital Management (b)	4,451,750	2027	4.79%	A2/AA
FSA Capital Management (b)	650,141	2028	5.06%	A2/AA
Citigroup Financial Products (c)	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			

(a) Guaranteed by the Free State of Bavaria.
(b) Guaranteed by Assured Guaranty Municipal Corporation.
(c) Guaranteed by Citigroup, Inc. As of June 30, 2018, Citigroup's rating is below the minimum rating requirements as disclosed in Note 1. Management determined the downgrade did not warrant subsequent action.

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.

Note 3. Investments (Continued)

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

At June 30, 2018 and 2017 maturities of the Bank's investment were as follows:

Investment Sector – 2018	Total Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. agency securities	$ 29,524,904	$ 4,308,293	$ 19,198,031	$ 5,495,199	$ 523,381
U.S. Treasury securities	5,900,788	3,955,663	1,945,125	-	-
Municipal bonds	7,173,403	2,096,429	5,076,974	-	-
Guaranteed investment contracts	33,295,792	-	3,843,739	24,545,922	4,906,131
	$ 75,894,887	$ 10,360,385	$ 30,063,869	$ 30,041,121	$ 5,429,512

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

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Bank's investment in a single issuer. Excluding U.S. Treasury securities, the issuers where investments exceeded 5% of the Bank's total investments at June 30, 2018 are:

Issuer	Percentage of Total Investments 2018	2017
FSA Capital Management	23%	18%
Federal Home Loan Mortgage Corp	17%	23%
Federal Home Loan Bank	14%	23%
Citigroup Financial Products	11%	8%
Oregon State	8%	7%
Federal National Mortgage Association	7%	N/A
Mass Mutual Life Insurance Company	6%	N/A
Bayern LB	5%	N/A

Note 4. Loans Receivable

At June 30, 2018 and 2017, the Bank had loans outstanding of $1,286,087,991 and $1,290,604,706, 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 loans are generally repaid over 20 years with either level principal or level total payments. Loan amounts may include capitalized interest expense incurred by the borrower during the construction period.

As noted in the “Allowance for loan losses” caption in 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, 2018, the Bank’s top three borrowers had loans receivable of $611,151,535 representing approximately 48% of total loans receivable, compared to 41% 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.

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 FY2018
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
2017	8,536,320	889,200	889,200
	$ 104,262,440	$ 19,449,730	$ 19,449,730

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:

Note 4. Loans Receivable (Continued)

Capitalization Grant	Capitalization Grant Award	Principal Forgiveness Component	Principal Forgiveness Loans Issued as of FY2018
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	1,769,000
2015	8,787,000	1,757,400	1,757,400
2016	8,312,000	1,662,400	831,423
2017	8,241,000	1,648,200	-
	$ 94,072,000	$ 26,963,500	$ 24,484,323

Loans made to eligible borrowers under the CWSRF and DWSRF programs may be forgiven if certain continuing criteria are met, including that the borrower continues to make debt service payments, continues to operate the project in compliance with laws and regulations, and does not dispose of or discontinue the project. For purposes of the basic financial statements, the Bank recognizes principal forgiveness expense as the related loans are repaid. The total amount forgiven under these programs in fiscal years 2018 and 2017 was $1,909,902 and $1,545,447 respectively. The amounts are included in loan principal forgiveness in the statements of revenues, expenses, and changes in net position.

Note 5. Bonds Payable

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

In addition, from time to time the Bank 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, 2018 and 2017, there were seven series of conduit bonds outstanding, with an aggregate principal amount payable of $73,729,000 and $75,679,000 respectively.

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

Clean Water Program	2018	2017
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.*	$ 3,295,000	$5,375,000
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.*	1,720,000	2,550,000

Note 5. Bonds Payable (Continued)

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.*	2,355,000	3,110,000
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.*	5,375,000	5,400,000
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.*	8,825,000	9,940,000
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.*	7,325,000	8,045,000
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
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.	4,260,000	5,760,000
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	34,650,000	43,760,000
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.*	6,770,000	8,815,000
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.*	4,815,000	6,290,000
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.	21,005,000	22,225,000
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.	42,305,000	47,700,000
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.	49,045,000	50,250,000

Note 5. Bonds Payable (Continued)

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.	50,290,000	52,175,000
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.	54,740,000	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%.*	41,245,000	45,560,000
2016 Series A Refunding Bonds, dated June 2, 2016, with serial bonds of $49,060,000 at rates varying from 1.75% to 5% due annually from October 1, 2018 through October 1, 2030. *The Bank's defeasance of the 2007A and 2009A bonds resulted in economic present value savings of $6,074,803 or 11%.*	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.	18,685,000	18,790,000
2017 Series A Bonds, dated April 13, 2017, with serial bonds of $28,130,000 at rates varying from 3% to 5% due annually from October 1, 2018 through October 1, 2036.	28,130,000	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	41,120,000
2018 Series A Bonds, dated April 25, 2018, with serial bonds of $17,715,000 at rates varying from 3% to 4% due annually from October 1, 2025 through October 1, 2037.	17,715,000	-

Drinking Water Program	2018	2017
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.	1,095,000	1,705,000

Note 5. Bonds Payable (Continued)

	2018	2017
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.*	4,040,000	5,190,000
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.	8,530,000	8,780,000
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.	28,730,000	30,240,000
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.	32,515,000	33,500,000
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	30,015,000	33,620,000
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.	12,490,000	13,015,000
2015 Series A Bonds, dated December 17, 2015, with serial bonds of $22,640,000 at rates varying from 2% to 5% due annually from October 1, 2017 through October 1, 2037.	21,725,000	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	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	11,350,000
2018 Series A Bonds, dated June 19, 2018, with serial bonds of $5,000,000 at a fixed rate of 2.76% due annually from October 1, 2018 through October 1, 2022.	5,000,000	-

Municipal Road & Bridge	2018	2017
2018 Series A Bonds, dated June 20, 2018, with serial bonds of $13,965,000 at rates varying from 2% to 5% due annually from October 1, 2019 through October 1, 2037.	13,965,000	-

Conduit Bonds	2018	2017
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	2,455,000	2,645,000

Note 5. Bonds Payable (Continued)

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	7,005,000	7,625,000
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.	1,294,000	1,529,000
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	6,505,000	6,960,000
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	4,575,000	4,950,000
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
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%.*	27,630,000	27,705,000
Subtotal	765,319,000	777,524,000
Add bond premium , net of amortization	67,752,265	74,158,023
Total bonds payable	$833,071,265	$851,682,023

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

2018	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long term debt:					
Revenue bonds	$ 777,524,000	$ 36,680,000	$ 48,885,000	$ 765,319,000	$54,864,410
Plus bond premium, net of amortization	74,158,023	2,109,015	8,514,773	67,752,265	8,081,841
Total long-term debt	$ 851,682,023	$ 38,789,015	$ 57,399,773	$ 833,071,265	$ 62,946,251

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	$47,955,000
Plus bond premium, net of amortization	73,480,930	14,263,222	13,586,129	74,158,023	8,017,737
Total long-term debt	$ 860,922,930	$146,353,222	$ 155,594,129	$ 851,682,023	$ 55,972,737

Note 5. Bonds Payable (Continued)

Annual principal and interest requirements are as follows for the year ending June 30, 2018:

Years	Principal	Interest	Total
2019	$ 50,571,410	$ 29,192,042	$ 79,763,452
2020	53,798,213	27,127,584	80,925,797
2021	53,018,866	24,802,383	77,821,249
2022	51,506,500	22,626,608	74,133,108
2023	52,275,011	20,401,086	72,676,097
2024 – 2028	204,330,000	70,892,363	275,222,363
2029 – 2033	152,385,000	29,788,064	182,173,064
2034 – 2038	62,130,000	5,993,171	68,123,171
2039 – 2043	-	1,347,150	1,347,150
2044 – 2045	11,575,000	129,825	11,704,825
Subtotal	691,590,000	232,300,276	923,890,276
Conduit Bonds	73,729,000	19,958,679	93,687,679
Total	$ 765,319,000	$ 252,258,955	$ 1,017,577,955

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 statements.

In prior years, the Bank defeased certain bonds in the same manner as described above. At June 30, 2018, $123,200,000 of bonds outstanding are considered defeased.

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

The deferred outflows were as follows at June 30:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Beginning 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
Additions	-	-
Reductions	(1,596,667)	(279,812)
Ending balance – June 30, 2018	$ 6,489,463	$ 716,253

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 original note, which had a maturity date of December 1, 2017, was extended on November 22, 2017. Under the extension, the maturity date is December 1, 2018 while the interest rate is 2.008% (tax-exempt). Interest is payable at maturity.

On December 13, 2017, the Bank issued a short-term revenue bond anticipation note to Webster Public Finance Corporation for $6,000,000. The note was issued to fund 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 November 30, 2018 and annual interest rate of 2.023%. Interest is payable at maturity.

In conjunction with issuing the $17,345,000 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 between the execution date of the cap and when the Bank can sell bonds to reimburse itself for note. It is currently anticipated that bonds will be issued in the fall of 2018.

Changes in fair value of the Cap are recorded in the income statement. The interest rate cap has a positive fair value at June 30, 2018, and it is recorded in prepaid expenses, other assets and other receivables 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%)	$ 1,203,594

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.

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
2016:		
Federal award	$ 8,962,000	$ $1,821,131
State match	$ 1,792,400	$ -
2017:		
Federal award	$ 8,892,000	$ 8,892,000
State match	$ 1,778,400	$ 1,778,400

For 2018, the Bank has applied and been approved for a Federal award of $10,777,000.

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
2016:		
Federal award	$ 8,312,000	$ $684,479
State match	$ 1,662,400	$ -
2017:		
Federal award	$ 8,241,000	$ 7,054,476
State match	$ 1,648,200	$ 1,549,589

For 2018, the Bank has applied and been approved for a Federal award of $11,107,000.

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 – after certain tenure requirements are met – permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Board is responsible for establishing or amending the Plan’s provisions and establishing or amending contribution requirements. The Bank has an obligation to provide for the prudent management of these monies and has contracted with Voya Retirement Insurance and Annuity Company to serve as the Plan administrator.

The Bank implemented the Governmental Accounting Standards Board, Statement No. 32*, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, deferred compensation investments and the respective liability are not included in the Bank’s financial statements for the years ended June 30, 2018 and 2017.

The Bank currently remits to the Plan administrator an amount equal to 10% of eligible employees’ compensation (gross) monthly. The Board establish the contribution percentage on an annual basis. Employees immediately vest in the employer contributions, therefore, there are no employee forfeitures. The Bank’s contribution totaled $85,062 and $72,787 for the years ended June 30, 2018 and 2017, 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, 2018 and 2016 were $9,452 and $81,939, respectively.

Note 9. Operating Lease

On June 1, 1998, the Bank executed a seven-year lease, with renewal options, for the rental of its corporate offices. During fiscal year 2013, the Bank renewed its existing lease agreement for a period of 5 years commencing July 1, 2013 and expiring June 30, 2018. During fiscal year 2016, the Bank amended its lease, increasing the square footage of the office by 1,366 square/feet effective February 1, 2016 and extending the term to January 31, 2021. The Bank incurred rent expense of $118,635 and $122,615 in 2018 and 2017, respectively. Future minimum lease payments under the operating lease are as follows:

Year Ending June 30:	Amount
2019	$ 112,340
2020	114,587
2021	116,879
	$ 343,806

Note 10. Property and Equipment

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

	Balance at June 30, 2017	Additions	Retirements	Balance at June 30, 2018
Cost				
Computer equipment and software	$ 264,641	$ 190,410	$ -	$ 455,051
Furniture and fixtures	47,874	-	-	47,874
Equipment	55,736	-	-	55,736
Leasehold improvements	90,415	-	-	90,415
Total cost	458,666	190,410	-	649,076
Accumulated depreciation				
Computer equipment and software	(67,316)	(84,960)	-	(152,276)
Furniture and fixtures	(32,780)	(4,430)	-	(37,210)
Equipment	(35,472)	(5,790)	-	(41,262)
Leasehold improvements	(29,087)	(4,520)	-	(33,607)
Total accumulated depreciation	(164,655)	(99,700)	-	(264,355)
Net capital assets	$ 294,011	$ 90,710	$ -	$ 384,721

	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

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 follow EPA regulations. As of June 30, 2018, and 2017, no expenditures of the Bank have been disallowed. Management do not believe that any future disallowance of expenditures would 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 four years.

Note 13. Significant Concentrations

Current economic conditions: For the last few years, key economic indicators have been generally positive – both nationally and locally – and most economic forecasts point to an increasing healthy economy. As hoped, fiscal stimulus from the tax cut bill is driving robust consumer spending and business investment and serving to drive the nation's gross domestic product (GDP) over 3%. While unemployment has been steadily improving and inflation benign, with the economy near full employment some market observers are concerned that the faster GDP growth is creating inflationary pressures that the Fed will need to respond to in the form of a more aggressive interest-rate policy. Should this occur, long-term rates could rise more quickly as alternative assets become more appealing.

During the year, interest rates finally began moving higher as Federal Reserve policy was more hawkish while the benchmark ten-year Treasury sold off sending yields higher by almost 1%. The persistent low rate environment of the prior ten years served to lower the returns on the Bank's investment portfolio which served to reduce the Bank's capacity for funding new loans, while maintaining the same rate of loan interest subsidy.

Like other areas of the country, some Rhode Island communities continue to experience budget challenges. The impact of these economic conditions on the Bank's borrowers and their ability to continue to make timely loan repayments is difficult to determine; however, the loans are secured predominantly by revenues from essential water and sewer services. Some communities, particularly smaller communities, may generally be more vulnerable to the effects of downturns in the economy. The Bank continues to monitor the financial status of its borrowers as part of an overall loan portfolio monitoring process.

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.

Note 14. Subsequent Events

Management has evaluated potential subsequent events through September 26, 2018, the date the financial statements were issued, the following two events are noted:

(a) The Town of Coventry (Town) requested a refunding of their existing Series 2013 A conduit debt issuance due to difficulties in implementing sewer extension projects in the Town. The requested refunding restructured the transaction to provide debt service savings in fiscal years 2019 through 2022 while the Town prepares and implements a plan to raise sewer revenues. The $6,740,000 Series 2018 A refunding bonds were directly placed with Century Bank, which held the refunded Series 2013 B bonds.

(b) As part of the fiscal year 2019 budget passed by the General Assembly, and signed by the Governor on June 22, 2018, the Bank is obligated to transfer to the State Controller $4.0 million by June 30, 2019.

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, 2018

	OPERATING	WPCRF	RIWPCRF	DWSRF	MRBRF	WQPCP	EBF	Total
Assets								
Current assets:								
Cash, cash equivalents and investments								
Unrestricted:								
Cash equivalents	$ 26,872,936	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,872,936
Total unrestricted cash and cash equivalents	26,872,936	-	-	-	-	-	-	26,872,936
Restricted:								
Cash and cash equivalents	61,763	146,803,170	6,282,026	56,474,289	34,538,194	3,062,603	15,996,535	263,218,580
Investments	62	58,483,497	-	17,411,328	-	-	-	75,894,887
Total restricted cash, cash equivalents and investments	61,825	205,286,667	6,282,026	73,885,617	34,538,194	3,062,603	15,996,535	339,113,467
Other current assets:								
Unrestricted:								
Prepaid expenses and other receivables	164,373	-	-	-	-	-	-	164,373
Restricted:								
Service fees receivable	1,790,598	-	-	10,276	47,455	-	-	1,848,329
Loans receivable	1,127,000	59,605,362	2,700,000	19,612,685	2,237,000	-	-	85,282,047
Prepaid expenses and other receivables	-	7,380,587	(7,380,587)	1,786	-	-	1,203,482	1,205,268
Accrued interest receivable:								
Loans	194,908	4,958,012	97,492	2,755,309	189,746	-	179,578	8,375,045
Investments	(4,097)	1,447,541	452	679,597	23,576	-	(2,835)	2,144,234
Total current assets	30,207,543	278,678,169	1,699,383	96,945,270	37,035,971	3,062,603	17,376,760	465,005,699
Noncurrent assets:								
Unrestricted:								
Loans receivable	95,441,005	-	-	-	-	-	-	95,441,005
Capital assets - property and equipment, net of accumulated depreciation	384,721	-	-	-	-	-	-	384,721
Total unrestricted noncurrent assets	95,825,726	-	-	-	-	-	-	95,825,726
Restricted:								
Loans receivable	-	707,190,013	8,860,894	316,725,717	44,760,315	-	27,828,000	1,105,364,939
Total noncurrent assets	95,825,726	707,190,013	8,860,894	316,725,717	44,760,315	-	27,828,000	1,201,190,665
Total assets	126,033,269	985,868,182	10,560,277	413,670,987	81,796,286	3,062,603	45,204,760	1,666,196,364
Deferred outflows of resources	-	5,260,676	-	1,228,787	-	-	-	6,489,463
Liabilities								
Current liabilities:								
Project costs payable	1,820,506	91,275,163	595,417	27,567,891	23,277,652	-	7,647,627	152,184,256
Bonds payable	4,293,000	45,778,853	-	12,823,107	51,291	-	-	62,946,251
Note payable	-	-	-	-	-	-	23,345,000	23,345,000
Accrued interest payable	-	5,508,930	-	1,889,418	16,618	-	153,494	7,568,460
Accounts payable and accrued expenses	288,102	76,370	-	246,585	226,112	-	5,591	842,760
Accrued arbitrage rebate	-	132,022	-	-	-	-	-	132,022
Total current liabilities	6,401,608	142,771,338	595,417	42,527,001	23,571,673	-	31,151,712	247,018,749
Noncurrent liabilities:								
Bonds payable, net of current portion	69,436,000	499,241,797	-	186,150,599	15,296,618	-	-	770,125,014
Accrued arbitrage rebate	-	1,014,652	-	74,797	-	-	-	1,089,449
Total noncurrent liabilities	69,436,000	500,256,449	-	186,225,396	15,296,618	-	-	771,214,463
Total liabilities	75,837,608	643,027,787	595,417	228,752,397	38,868,291	-	31,151,712	1,018,233,212
Deferred inflows of resources	-	716,253	-	-	-	-	-	716,253
Net position:								
Net investments in capital assets	384,721	-	-	-	-	-	-	384,721
Restricted for program purposes	-	347,384,818	9,964,860	186,147,377	42,927,995	3,062,603	14,053,048	603,540,701
Unrestricted	49,810,940	-	-	-	-	-	-	49,810,940
Total net position	$ 50,195,661	$ 347,384,818	$ 9,964,860	$ 186,147,377	$ 42,927,995	$ 3,062,603	$ 14,053,048	$ 653,736,362

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
Other current assets:								
Unrestricted:								
Prepaid expenses and other receivables	1,167,586	-	-	-	-	-	-	1,167,586
Restricted:								
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
Prepaid expenses and other receivables	-	3,720,310	(3,720,310)	1,786	-	-	-	1,786
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
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:								
Unrestricted:								
Loans receivable	95,956,313	-	-	-	-	-	-	95,956,313
Capital assets - property and equipment, net of accumulated depreciation	294,011	-	-	-	-	-	-	294,011
Total unrestricted noncurrent assets	96,250,324	-	-	-	-	-	-	96,250,324
Restricted:								
Loans receivable	-	738,939,555	13,824,460	316,586,916	29,500,515	-	17,183,000	1,116,034,446
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	-	-	6,653	-	-	16,526	642,541
Accrued arbitrage rebate	-	977,598	-	-	-	-	-	977,598
Total current liabilities	5,181,413	160,589,563	451,560	47,223,353	11,887,585	-	23,609,869	248,943,343
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	-	235,072	-	-	-	844,233
Total noncurrent liabilities	75,066,762	527,448,520	-	194,038,237	-	-	-	796,553,519
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 Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

	OPERATING	WPCRF	RIWPCRF	DWSRF	MRBRF	WQPCP	EBF	Total
Operating revenues:								
Interest income - loans	$ 846,656	$ 14,442,981	$ 304,478	$ 8,125,671	$ 544,181	$ -	$ 434,585	$ 24,698,552
Investment income	289,725	3,595,966	10,906	1,264,619	219,511	-	331,156	5,711,883
Grant income - operating	950,606	-	-	1,520,588	-	-	-	2,471,194
Loan servicing fees	5,813,815	-	-	-	(358,400)	-	-	5,455,415
Loan origination fees	106,450	284,365	-	190,500	250,000	-	-	831,315
Total operating revenues	8,007,252	18,323,312	315,384	11,101,378	655,292	-	765,741	39,168,359
Operating expenses:								
Interest expense	(694,629)	17,151,829	-	6,194,061	123,907	-	358,194	23,133,362
Consulting fees - D.E.M. and D.O.H.	610,925	795,950	-	926,696	-	-	-	2,333,571
Loan principal forgiveness	-	1,010,486	-	899,416	-	-	-	1,909,902
Employee expense	1,446,083	-	-	-	-	-	-	1,446,083
Legal fees	240,129	107,000	-	109,000	213,977	-	119,500	789,606
Bond issuance costs	80,744	228,608	-	64,386	206,069	-	15,660	595,467
Office expense	537,294	-	-	-	-	-	-	537,294
Trustee/bank fees	277,969	-	-	-	1	-	-	277,970
Promotional expenses	107,089	-	-	-	-	-	-	107,089
Accounting and auditing	101,820	-	-	-	-	-	-	101,820
Financial advisor fees	55,270	-	-	-	-	-	45,397	100,667
Depreciation expense	99,700	-	-	-	-	-	-	99,700
Miscellaneous expense	52,918	-	-	-	-	-	-	52,918
Insurance expense	29,405	-	-	-	-	-	-	29,405
Business and travel expense	26,247	-	-	-	-	-	-	26,247
Dues and subscriptions	17,365	-	-	-	-	-	-	17,365
Seminars	755	-	-	-	-	-	-	755
Total operating expenses	2,989,084	19,293,873	-	8,193,559	543,954	-	538,751	31,559,221
Operating income (loss)	5,018,168	(970,561)	315,384	2,907,819	111,338	-	226,990	7,609,138
Non-operating revenues:								
Grant income - non-operating	88,946	15,631,445	-	9,128,279	6,545,998	890,001	5,000,000	37,284,669
Non-operating expenses:								
Grant income - non-operating	3,500,000	-	-	-	-	-	-	3,500,000
Change in net position	1,607,114	14,660,884	315,384	12,036,098	6,657,336	890,001	5,226,990	41,393,807
Transfer from (to) other funds	(4,923,390)	5,018,930	(3,069,551)	1,235,286	518,967	39,852	1,179,906	-
Net position, beginning of year	53,511,937	327,705,004	12,719,027	172,875,993	35,751,692	2,132,750	7,646,152	612,342,555
Net position, end of year	$ 50,195,661	$ 347,384,818	$ 9,964,860	$ 186,147,377	$ 42,927,995	$ 3,062,603	$ 14,053,048	$ 653,736,362

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	-	680,683	-	864,764	-	-	-	1,545,447
Employee expense	1,199,194	-	-	-	-	-	-	1,199,194
Office expense	674,699	-	-	-	-	-	-	674,699
Legal fees	312,398	-	-	-	-	-	-	312,398
Financial advisor fees	110,802	-	-	-	-	-	66,851	177,653
Trustee/bank fees	176,748	-	-	-	50	-	-	176,798
Promotional expenses	131,771	-	-	-	-	-	-	131,771
Accounting and auditing	62,590	-	-	-	-	-	29,789	92,379
Business and travel expense	32,831	-	-	-	-	-	-	32,831
Insurance expense	28,754	-	-	-	-	-	-	28,754
Depreciation expense	25,632	-	-	-	-	-	-	25,632
Dues and subscriptions	23,696	-	-	-	-	-	-	23,696
Miscellaneous expense	22,230	-	-	-	-	-	-	22,230
Seminars	2,841	-	-	-	-	-	-	2,841
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	1,116,307	3,245,644	6,625,860	889,854	4,537,986	21,093,042
Change in net position	3,521,950	(362,497)	1,499,459	6,988,128	7,607,259	889,854	4,421,087	24,565,240
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	20,793,512	164,075,650	28,224,433	1,242,897	3,304,300	587,777,315
Net position, end of year	$ 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)

Schedule of Municipal Road and Bridge Revolving Fund -
Outstanding Loan Balances By Community
Year Ended June 30, 2018

Borrower	Total Loans Receivable	Project Costs Disbursed	Project Costs Payable
Bristol	$ 1,558,000	$ 1,558,000	$ -
Burrillville	544,000	279,774	264,226
Coventry	1,028,000	1,015,576	12,424
Cranston	1,676,000	984,362	691,638
Cumberland	494,000	300,899	193,101
East Greenwich	6,570,750	3,270,811	3,299,939
East Providence	877,000	877,000	-
Hopkinton	198,000	130,104	67,896
Middletown	5,000,000	50,000	4,950,000
New Shoreham	941,000	137,919	803,081
Newport	1,071,000	1,071,000	-
Pawtucket	15,519,050	12,715,264	2,803,786
Providence Public Building Authority	10,000,000	267,738	9,732,262
Warwick	1,402,000	942,700	459,300
West Warwick	118,515	118,515	-
Total	$ 46,997,315	$ 23,719,662	$ 23,277,653

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

State Required Statements of Net Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 26,872,936	$ 30,932,108
Investments	-	-
Receivables (net)	12,367,608	10,608,119
Restricted assets:	-	-
Cash and cash equivalents	263,218,580	212,472,935
Investments	75,894,887	104,668,101
Receivables (net)	85,282,047	78,613,947
Other assets	1,369,641	1,169,372
Due from primary government	-	-
Due from other component units	-	-
Due from other governments	-	-
Inventories	-	-
Other assets	-	-
Total current assets	465,005,699	438,464,582
Noncurrent assets:		
Investments	-	-
Receivables (net)	-	-
Restricted assets:		
Cash and cash equivalents	-	-
Investments	-	-
Receivables (net)	1,200,805,944	1,211,990,759
Other assets	-	-
Due from other component units	-	-
Capital assets - nondepreciable	-	-
Capital assets - depreciable (net)	384,721	294,011
Other assets, net of amortization	-	-
Total noncurrent assets	1,201,190,665	1,212,284,770
Total assets	1,666,196,364	1,650,749,352
Deferred outflows or resources:		
Hedging instruments	-	-
Deferred loss on refunding of debt	6,489,463	8,086,130
Deferred pension amounts	-	-
Other deferred outflows or resources	-	-
Total deferred outflows of resources	6,489,463	8,086,130
Liabilities		
Current liabilities:		
Cash overdraft	-	-
Accounts payable	717,944	516,799
Due to primary government	-	-
Due to other component units	-	-
Due to other governments	-	-
Unearned revenue	-	-
Other current liabilities	183,354,554	192,453,807
Current portion of long-term debt	62,946,251	55,972,737
Total current liabilities	247,018,749	248,943,343
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	770,125,014	795,709,286
Other liabilities	1,089,449	844,233
Total noncurrent liabilities	771,214,463	796,553,519
Total liabilities	1,018,233,212	1,045,496,862
Deferred inflows of resources:		
Deferred gain on refunding of debt	716,253	996,065
Deferred pension amounts	-	-
Total deferred inflows of resources	716,253	996,065
Net position:		
Net investment in capital assets	384,721	294,011
Restricted for:		
Debt		
Other	603,540,701	558,830,618
Unrestricted	49,810,940	53,217,926
Total net position	$ 653,736,362	$ 612,342,555

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, 2018 and 2017

	2018	2017
Expenses	**$ 35,059,221**	$ 30,919,198
Program revenues:		
Charges for services	**6,286,730**	6,309,227
Operating grants and contributions	**2,471,194**	2,593,311
Capital grants and contributions	**37,284,669**	21,093,042
Total program revenues	**46,042,593**	29,995,580
Net (expenses) revenues	**10,983,372**	(923,618)
General revenue:		
Interest and investment earnings	**30,410,435**	25,488,858
Miscellaneous revenue	**-**	-
Total general revenues	**30,410,435**	25,488,858
Special items	**-**	-
Extraordinary items	**-**	-
Change in net position	**41,393,807**	24,565,240
Total net position - beginning	**612,342,555**	587,777,315
Total net position - ending	**$ 653,736,362**	$ 612,342,555

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
2019	$ 54,864,410	$ 31,939,345
2020	67,534,213	30,141,956
2021	61,086,866	26,821,521
2022	61,338,500	24,315,806
2023	54,575,011	21,934,483
2024 - 2028	220,380,000	76,787,766
2029 - 2033	164,130,000	32,383,985
2034 - 2038	69,835,000	6,457,118
2039 - 2043	-	1,347,150
2044 - 2048	11,575,000	129,825
	$ 765,319,000	$ 252,258,955

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, 2018

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Bonds payable	$ 777,524,000	$ 36,680,000	$ 48,885,000	$ 765,319,000	$ 54,864,410	$ 710,454,590
Net unamortized premium/discount	74,158,023	2,109,015	8,514,773	67,752,265	8,081,841	59,670,424
Bonds payable	851,682,023	38,789,015	57,399,773	833,071,265	62,946,251	770,125,014
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	1,821,831	423,682	1,024,042	1,221,471	132,022	1,089,449
Pollution remediation	-	-	-	-	-	-
Items not listed above	-	-	-	-	-	-
Other liabilities	1,821,831	423,682	1,024,042	1,221,471	132,022	1,089,449
	$ 853,503,854	$ 39,212,697	$ 58,423,815	$ 834,292,736	$ 63,078,273	$ 771,214,463

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	1,380,764	584,029	1,821,831	977,598	844,233
Pollution remediation	-	-	-	-	-	-
Items not listed above	-	-	-	-	-	-
Other liabilities	1,025,096	1,380,764	584,029	1,821,831	977,598	844,233
	$ 861,948,026	$ 147,733,986	$ 156,178,158	$ 853,503,854	$ 56,950,335	$ 796,553,519

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, 2018 and 2017

	2018	2017
Transportation	**$ 6,968**	$ 2,186
Lodging	**2,932**	3,071
Meals and entertainment	**919**	-
	$ 10,819	$ 5,257