Rhode Island Airport Corporation

(a component unit of the State of Rhode Island)

Financial Report
with Supplemental Information
June 30, 2018

Contents

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Independent Auditor's Report

To the Board of Directors
Rhode Island Airport Corporation

Report on the Financial Statements

We have audited the accompanying basic financial statements of Rhode Island Airport Corporation (RIAC), a component unit of the State of Rhode Island, as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise RIAC'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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 respective financial position of Rhode Island Airport Corporation as of June 30, 2018 and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 1 to the basic financial statements, RIAC adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in RIAC restating net position for the recognition of RIAC's other postemployment benefit related activity incurred prior to July 1, 2017. Our opinion is not modified with respect to this matter.

To the Board of Directors
Rhode Island Airport Corporation

Other Matters

Report on Prior Year Financial Statements

The basic financial statements of Rhode Island Airport Corporation as of and for the fiscal year ended June 30, 2017 were audited by a predecessor auditor, which expressed an unmodified opinion. The predecessor auditor's report was dated October 26, 2017.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplemental information, as identified in the table of contents, 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, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Rhode Island Airport Corporation's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018 on our consideration of Rhode Island Airport Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rhode Island Airport Corporation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 28, 2018

INTRODUCTION

The following Management's Discussion & Analysis (MD&A) of the Rhode Island Airport Corporation (RIAC) serves as an introduction and overview to the reader of the audited financial statements for the fiscal years ended June 30, 2018 and June 30, 2017. The information contained in the MD&A should be considered in conjunction with the audited financial statements.

RIAC engages in business type activities, that is, activities that are financed in whole or in part by charges to external entities for goods or services rendered. As a result, RIAC's basic financial statements include the statements of net position, statements of revenues, expenses and change in net position, statements of cash flows and notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of RIAC's finances in a manner similar to that in the private sector.

RHODE ISLAND AIRPORT CORPORATION

RIAC was created by the Rhode Island Economic Development Corporation now known as the Rhode Island Commerce Corporation (Commerce RI), on December 9, 1992 as a public corporation, governmental agency and public instrumentality, having a distinct legal existence from the State of Rhode Island (State) and Commerce RI, yet having many of the same powers and purposes as Commerce RI. RIAC is a component unit of the State. RIAC is empowered, pursuant to its Articles of Incorporation and Rhode Island law, to undertake the planning, development, management, acquisition, ownership, operation, repair, construction, reconstruction, rehabilitation, renovation, improvement, maintenance, development, sale, lease, or other disposition of any "airport facility", as defined in Title 42, Chapter 64 of the Rhode Island General Laws, as amended (the "Act"). "Airport facility" is defined in the Act in part as "developments consisting of runways, hangars, control towers, ramps, wharves, bulkheads, buildings, structures, parking areas, improvements, facilities, or other real or personal property, necessary, convenient, or desirable for the landing, takeoff, accommodation, and servicing of aircraft of all types, operated by carriers engaged in the transportation of passengers or cargo, or for the loading, unloading, interchange, or transfer of the passengers or their baggage, or the cargo, or otherwise for the accommodation, use or convenience of the passengers or the carriers or their employees (including related facilities and accommodations at sites removed from landing fields or other areas), or for the landing, taking off, accommodation, and servicing of aircraft owned or operated by persons other than carriers".

Pursuant to the State Lease Agreement, RIAC leases T.F. Green Airport (Airport) and the five general aviation airports (collectively, Airports) from the State for a term ending June 30, 2046 at a rental of $1.00 per year. RIAC has also acquired all of the personal property and other assets of the State located at or relating to the Airports. In consideration of RIAC's assumption of the Rhode Island Department of Transportation's (RIDOT) responsibilities with respect to the Airports, the State and RIDOT have assigned to RIAC all of their rights to the revenues of the Airports, the proceeds of State General Obligation (GO) Bonds related to the Airports, Federal Aviation Administration (FAA) grant agreements, a Federal Highway Administration grant, insurance proceeds, all contracts including concession agreements and the prior airline agreements, and all licenses and permits.

RIAC operates on a fiscal year basis beginning on July 1st and continuing through the following June 30th of each year. RIAC was created to operate as a self-sustaining entity. RIAC has utilized State GO Bonds issued on behalf of RIAC for the intended use at the Airports. Per the Lease Agreement, RIAC is obligated to repay to the State the principal and interest on any GO Bonds issued for airport purposes.

RIAC does not have the authority to issue bonds, notes, or to borrow money without the approval of Commerce RI. In addition, RIAC does not have the power of eminent domain with respect to real property. RIAC does have certain contractual rights under the Lease Agreement to require the State to exercise powers of eminent domain for the benefit of RIAC.

The Board of Directors of RIAC, consisting of seven members, annually approves an operating and maintenance budget, as well as a capital budget for the fiscal year. The Board of Directors relies upon the advice and recommendation of RIAC's Finance & Audit Committee, which consists of three members of the Board of Directors.

T.F. GREEN AIRPORT

RIAC operates T. F. Green Airport, which is Rhode Island's only certified Part 139 commercial airport. The Airport is primarily an origin – destination airport. In recent years, approximately 99% of the passengers at the Airport either began or ended their journeys at the Airport.

The terminal building is named the Bruce Sundlun Terminal at T.F. Green Airport (Terminal). The Terminal has passenger concourses, with a capacity of nineteen jet gates and two commuter gates for a total of twenty-one gates, which extend to the north and south of the central terminal area.

Facilities for departing passengers are located on the second level where ticket counters, baggage checks, departure lounges and concessions (such as restaurants and news/gift stands) are located. On the second level, passengers pass through the central terminal area and then through the security checkpoint. From there, departing passengers take the concourse to the appropriate hold room and gate. Arriving international passengers utilize a Customs and Border Protection (CBP) facility which is conveniently located on the first level of the Terminal. As of June 30, 2018, airlines serving the Airport lease approximately 80,000 square feet of exclusive and preferential use area and approximately 60,000 square feet of common use area.

A total of approximately 7,050 public parking spaces are available on Airport property as of June 30, 2018. They are divided as follows: a short term lot in front of the Terminal (Lot D) with approximately 450 spaces; a parking garage with approximately 1,500 spaces (Garage A); a garage with approximately 740 spaces (Garage B); and an express lot with approximately 4,360 spaces with the ability to add overflow capacity, if needed (Lot E). RIAC controlled parking facilities are operated pursuant to a parking management agreement through June 30, 2018 with SP Plus Corporation, formerly Standard Parking Corporation.

RIAC leased Garage C, a parking garage located adjacent to the Airport, from New England Parking, LLC in December 2007 for a ten year term through November 30, 2017. As of December 1, 2017, RIAC ceased to be responsible for all Garage C operations and maintenance costs and for the collection of all revenues from Garage C. Upon expiration of the lease, Garage C is operated as an off-airport parking location with RIAC receiving 12% of its gross revenues.

Public vehicular access is provided by a roadway system that directs vehicular traffic from Post Road and Interstate Route 95 to the Terminal curbfronts. These roads connect to a dual-level curbfront system accommodating arriving and departing passengers. When approaching the Terminal, the roadway divides into an upper level for departing passengers and a lower level for arriving passengers. The upper level includes a curbfront to provide an unloading area for private vehicles and various commercial vehicles such as taxis, limousines, rental car companies and hotel shuttles. The lower level includes an inner roadway designated as loading zones for private vehicles and an outer roadway for various commercial vehicles such as buses, courtesy vans, taxis and limousines.

The present airfield configuration consists of two intersecting runways, Runway 5-23 and Runway 16-34. Other facilities at the Airport include: fuel storage areas, facilities for fixed base operators, certain rental car service facilities, air freight and air cargo facilities, various hangars and other aviation-related facilities.

Air Carriers Serving the Airport

In fiscal year 2018, the Airport had scheduled passenger service provided by seven mainline carriers, and eleven affiliate carriers. Four additional airlines provide international service and six additional airlines provide all-cargo service.

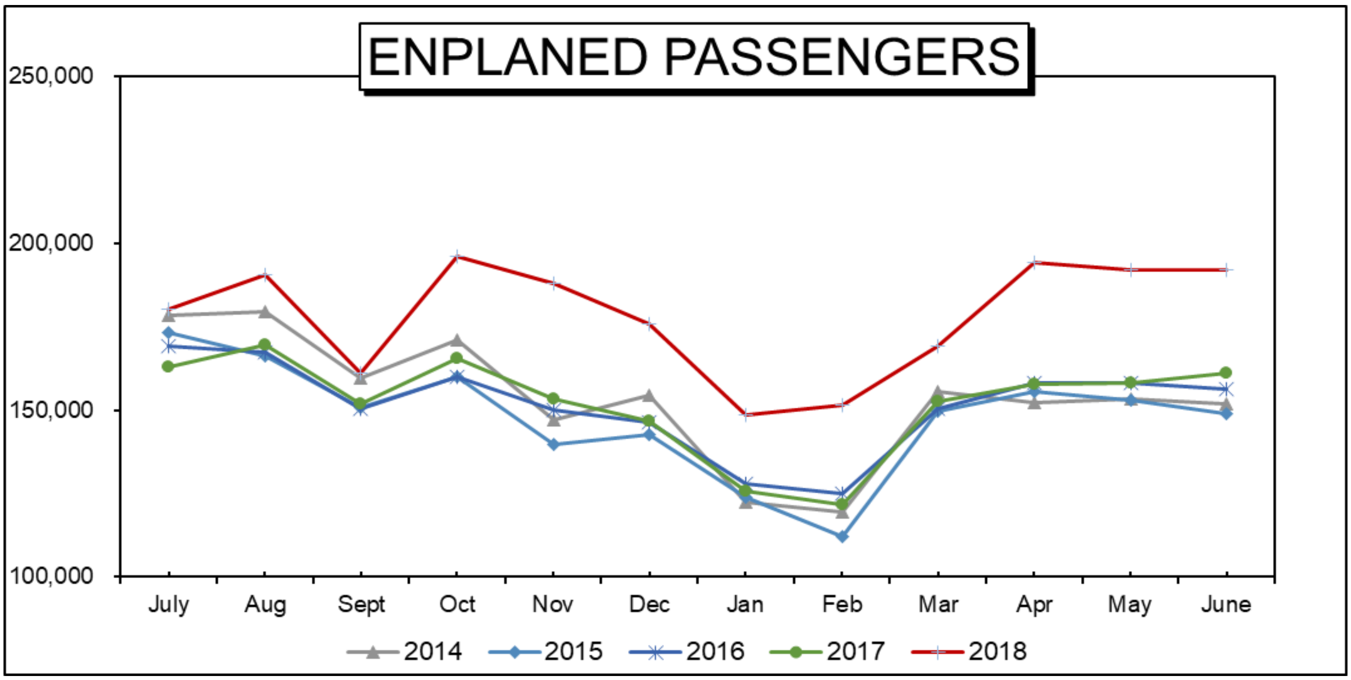
Mainline Carriers (7)	**Doing Business As:**
Allegiant Air	
American Airlines	
Delta Air Lines	
Frontier Airlines	
JetBlue Airways	
Southwest Airlines	
United Airlines	
Domestic Affiliate Carriers (11)	
Air Wisconsin Airlines	American Express and United Express
CommutAir	United Express
Endeavor Air	Delta Connection
Envoy Airlines	American Express
ExpressJet	United Express
GoJet	United Express
Mesa Airlines	United Express
PSA Airlines	American Express
Republic Airlines	United Express
SkyWest Airlines	Delta Connection and United Express
Trans States Airlines	American Express and United Express
International Carriers (4)	
Air Georgian	Air Canada Express
Norwegian Air Shuttle ASA	
SATA International - Azores Airlines	
TACV - Cabo Verde Airlines	
All Cargo Carriers (6)	
ABX Air, Incorporated	
Air Transport International	
Atlas Air Federal Express	
Federal Express	
United Parcel Service	
Wiggins Airways (a)	

(a) Wiggins Airways flies on behalf of FedEx

Historical Enplanement Data

T.F. Green Airport was ranked as the 65th busiest airport in the country for calendar year 2017 according to the latest published data produced by the FAA. This compares with rankings of 64th busiest in calendar year 2016, 65th busiest in calendar year 2015, 64th busiest in calendar year 2014, and 63rd busiest in calendar year 2013.

Actual enplaned passengers for fiscal year 2018 were 312,686 above 2017 resulting in an increase of 17.1%. The following chart and table depict the historical trend of enplaned passenger traffic at T. F. Green Airport for the fiscal years 2014 through 2018.



Fiscal Year	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
2014	178,596	179,641	159,663	171,029	147,271	154,351	122,631	119,391	155,781	152,164	153,547	152,111	1,846,176
2015	173,439	166,445	150,781	160,156	139,755	142,882	123,774	112,016	149,680	155,611	153,002	148,883	1,776,424
2016	169,390	167,307	150,631	160,109	149,951	146,245	128,066	125,041	150,446	158,309	158,270	156,458	1,820,223
2017	162,942	169,667	151,982	165,427	153,501	146,840	125,878	121,543	152,513	157,788	158,331	161,324	1,827,736
2018	180,460	190,676	161,165	196,345	188,054	175,889	148,452	151,608	169,221	194,510	192,063	191,979	2,140,422

Airport Use and Lease Agreements

RIAC established Signatory Airline Agreements with American Airlines, Delta Air Lines, Federal Express Corporation (FedEx), JetBlue Airways, Southwest Airlines, United Airlines, and United Parcel Service Co. (UPS). Affiliates of Signatory Airlines operate under the terms and conditions of the Signatory Airline Agreements. TACV – Cabo Verde Airlines, SATA International - Azores Airlines, Norwegian Air Shuttle ASA, Frontier Airlines, Air Canada, Allegiant Air, ABX Air, Incorporated, Air Transport International, and Atlas Air executed Non-Signatory Agreements.

The term of the Signatory Airline Agreement extends through June 30, 2020. A Cost Center Residual Rate Methodology is utilized to establish the Landing Fee and Apron Rental Rates. The Terminal Rental Rate Methodology is Commercial Compensatory. A Majority-in-Interest approval is not required for Capital Improvement Projects. The Signatory Agreement incorporates an Airline Net Revenue Sharing methodology for Signatory Passenger Airlines. Distribution of each Signatory Passenger Airline's portion of the revenue-sharing is based on enplanements. Under this process, RIAC retains the first $1,000,000 and the Signatory Passenger Airlines share the next $600,000. If there are remaining funds after the $1,600,000, the Signatory Airlines share is 40% and RIAC retains 60%. Non-Signatory Airlines' landing fees, apron fees and terminal rental rates are 125% of the Signatory Airlines' rates.

GENERAL AVIATION AIRPORTS

There are five General Aviation Airports operated by RIAC, each of which is managed pursuant to a Management Contract by and between RIAC and AFCO AvPORTS Management LLC (AvPORTS) through June 30, 2018. Each of these airports is briefly described below:

North Central State Airport

Located approximately fifteen miles north of the Airport, North Central Airport is classified as a reliever airport by the FAA and is located in Smithfield.

Quonset State Airport

This airport is located in North Kingstown, approximately ten miles south of the Airport. The Rhode Island Air National and the Rhode Island Army National Guard maintains presence at Quonset Airport. Quonset Airport has additional industrial facilities which are leased to several companies. Quonset Airport is classified by the FAA as a reliever airport.

Westerly State Airport

This airport is located in Westerly, approximately thirty-five miles southwest of the Airport. Westerly Airport is classified as a commercial service airport and enplanes approximately 17,000 commuter passengers annually.

Newport State Airport

This airport is located in Middletown, approximately seventeen miles southeast of the Airport. Newport Airport is classified as a general aviation airport.

Block Island State Airport

Situated on Block Island just off the southern coast of Rhode Island, Block Island Airport is approximately twenty-five miles from the Airport. Block Island Airport is classified as a commercial service airport and enplanes approximately 15,000 commuter passengers annually.

FINANCIAL STATEMENTS

RIAC's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). RIAC is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets, except land, are capitalized and depreciated over their useful lives.

The statement of net position presents information on all of RIAC's assets and liabilities with the difference between the assets, deferred outflows, liabilities and deferred inflows reported as net position. Over time, increases or decreases in RIAC's net position may serve as a useful indicator of whether the financial position of RIAC is improving or deteriorating. However, non-financial factors should also be considered when evaluating RIAC's financial position. The statement of revenues, expenses and change in net position presents information on how RIAC's net position changed during the year. Certain amounts for the years ended June 30, 2017 and June 2016 have been reclassified, with no impact on 2017 net income, to be consistent with the classification adopted for the year ended June 30, 2018.

SUMMARY OF OPERATIONS AND CHANGE IN NET POSITION

	2018	2017	2016
Operating Revenues - Airports	$ 71,853,386	$ 65,419,569	$ 63,734,773
Operating Revenues - Interlink	9,131,695	7,647,596	7,886,706
Operating Expenses - Airports	(41,867,554)	(39,638,927)	(39,301,772)
Operating Expenses - Interlink	(2,080,428)	(1,473,139)	(1,427,681)
Operating Income (before depreciation)	37,037,099	31,955,099	30,892,026
Depreciation Expense - Airports	(25,682,372)	(23,717,046)	(22,655,093)
Depreciation Expense - Interlink	(4,509,459)	(4,600,880)	(4,586,505)
Operating Income	6,845,268	3,637,173	3,650,428
Non-operating Revenues (Expenses), total	(3,157,374)	(5,616,007)	(7,361,143)
Income/(Loss) before Capital Contributions	3,687,894	(1,978,834)	(3,710,715)
Capital Contributions, net	15,467,725	14,437,281	15,091,589
Change in Net position	$ 19,155,619	$ 12,458,447	$ 11,380,873

FINANCIAL POSITION SUMMARY

	2018	2017	2016
ASSETS			
Current assets	$ 90,814,389	$ 92,958,629	$ 79,674,701
Noncurrent assets	67,088,716	69,587,522	37,574,125
Capital assets, net	560,828,939	577,789,616	557,279,962
Total assets	718,732,044	740,335,767	674,528,788
DEFERRED OUTFLOWS	1,052,700	1,808,161	1,915,990
LIABILITIES			
Current liabilities	33,426,153	55,709,445	36,064,834
Long term obligations	316,205,446	334,816,517	301,628,753
Total liabilities	349,631,599	390,525,962	337,693,587
DEFERRED INFLOWS	238,587	452,664	44,336
NET POSITION			
Net investment in capital assets	260,094,311	266,356,414	259,594,530
Restricted	55,582,047	51,293,934	45,133,186
Unrestricted	54,238,200	33,514,954	33,979,139
TOTAL NET POSITION	$ 369,914,558	$ 351,165,302	$ 338,706,855

Total Assets decreased approximately $21,604,000 in fiscal year 2018 primarily due to the depreciation of capital assets and the net effect of the timing of receipts and expenditures related to the operations and the capital improvement program. Total Assets increased approximately $65,807,000 in fiscal year 2017 primarily due to the proceeds received from the issuance of the 2016 Series D and E General Airport Revenue Bonds, along with of the timing of receipts and expenditures related to the operations and the capital improvement program.

Total liabilities decreased approximately $40,895,000 in fiscal year 2018 primarily due to the reduction of accounts payable and accrued expenses associated with RIAC's capital improvement program and the reduction of bonds payable. Total liabilities increased approximately $52,832,000 in fiscal year 2017 primarily due to the issuance of the Series 2016 D and E General Airport Revenue Bonds, and the increase to accounts payable and accrued expenses related RIAC's capital improvement program.

The deferred outflows include deferred amounts on bond refundings, deferred pension costs and deferred OPEB costs.

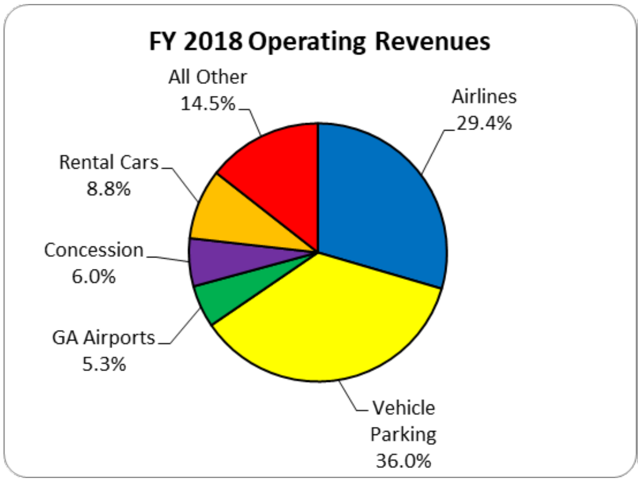
The deferred inflows include deferred pension costs and reductions in OPEB costs.

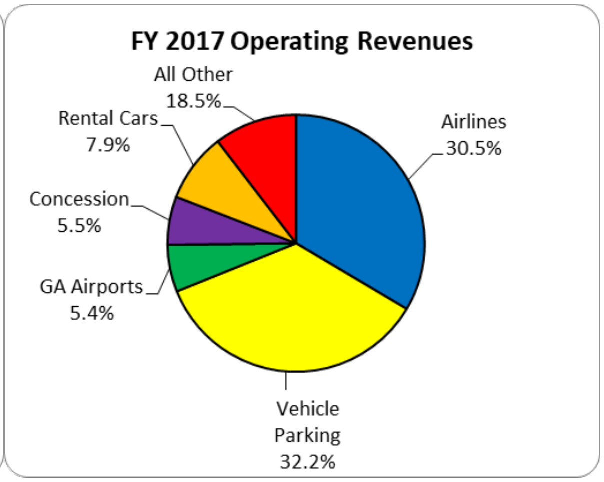
During Fiscal year 2018, RIAC implemented GASB Statement No. 75 related to Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. As a result of this adoption, RIAC restated its fiscal year 2018 beginning net position by a reduction of $406,363. Net position for fiscal year 2018 and 2017 increased by approximately $19,156,000 and $12,458,000, respectively.

OPERATING REVENUES - AIRPORTS

The following chart shows the major sources and the percentage of total operating revenues for the fiscal years ended June 30, 2018, 2017 and 2016.

	2018	% of Total Revenues	2017	% of Total Revenues	2016	% of Total Revenues
OPERATING REVENUES						
Vehicle Parking	$ 25,859,522	36.0%	$ 23,138,669	32.2%	$ 21,350,074	29.7%
Passenger Airlines	21,133,476	29.4%	21,938,394	30.5%	23,417,085	32.6%
Rental Cars	6,332,815	8.8%	5,686,841	7.9%	5,205,966	7.2%
Concession	4,316,640	6.0%	3,978,467	5.5%	3,743,584	5.2%
General Aviation Airports	3,805,530	5.3%	3,862,323	5.4%	3,408,661	4.7%
Air Service Development Funds	2,000,000	2.8%	-	0.0%	-	0.0%
General Aviation, PVD & Cargo	1,915,874	2.7%	1,005,229	1.4%	1,001,190	1.4%
Tiedowns, Hangar & Miscellaneous	1,547,487	2.2%	1,495,314	2.1%	1,403,176	2.0%
Non-Airline Rent	1,244,280	1.7%	974,139	1.4%	1,031,096	1.4%
Rental Revenues - Airport Support	1,099,574	1.5%	1,100,092	1.5%	869,644	1.2%
Other Revenues	931,895	1.3%	829,189	1.2%	874,778	1.2%
Off Airport Access Fees	844,183	1.2%	608,956	0.8%	621,393	0.9%
Fuel Flowage Fees	822,110	1.1%	801,956	1.1%	808,126	1.1%
TOTAL OPERATING REVENUES	$ 71,853,386	100.0%	$ 65,419,569	100.0%	$ 63,734,773	100.0%





Overall revenues for fiscal year 2018 and 2017 increased by approximately $6,434,000 and $1,686,000, respectively. The following commentary includes revenue categories greater than 5% of total revenues and other line items to provide additional information.

Vehicle parking revenues for fiscal years 2018 and 2017 increased by approximately $2,721,000 and $1,789,000, respectively as a result of programs to maximize the use and revenue of the Airport parking facilities and positive enplanement trends.

Passenger Airlines revenues for the fiscal year 2018 and 2017 decreased by approximately $805,000 and $1,479,000 respectively. Passenger Airline revenues include landing fees, terminal rentals, and apron rentals, net of an airline net revenue share. Passenger Airline revenue divided by fiscal year enplanements results in the Airport's Cost Per Enplanement (CPE). The calculated CPE for fiscal years 2018, 2017, and 2016 are $9.87, $12.00, and $12.86, respectively.

Rental Car revenues for fiscal years 2018 and 2017 increased by approximately $646,000 and $481,000 respectively. These revenues include RIAC's share of rental car transactions, space rentals at the Airport, and audit recoveries. The increase in fiscal year 2018 relates primarily to increase in gross revenues and the amendment to the Rent A Car (RAC) agreement to include privilege fee as a gross receipt in its calculation. The increase in fiscal year 2017 relates primarily to audit recoveries. These revenues include RIAC's share of rental car transactions, space rentals at the Airport, and audit recoveries.

Concession revenues for fiscal years 2018 and 2017 increased by approximately $338,000 and $235,000, respectively as a result of positive enplanements trends and scheduled increases per the terms of concessionaire. These include revenues from food, retail, and advertising concessionaires at the Airport.

General Aviation Airports revenue for fiscal year 2018 decreased by approximately $57,000 primarily due to lower fuel revenue. The increase to fiscal year 2017 of approximately $454,000 is primarily due to increases in fuel revenues, aircraft parking, hangar rentals and landing fees at Quonset.

General Aviation, PDV and Cargo revenue for fiscal year 2018 increased by approximately $911,000 primarily related to additional cargo service that operated during the fiscal year.

Non-Airline Rent revenue for fiscal year 2018 increased by approximately $270,000 primarily related to increases and additional rental agreements at the Airport.

Off-Airport Access Fees are derived primarily from three sources, hotels, off-airport parking companies and ground transportation companies which pay airport access fees. These access fees increased approximately $235,000 in the fiscal year 2018 primarily due to the transition of Garage C to an off-airport parking location.

Other Revenues include operating grant revenues, utility reimbursements, aircraft registration fees and audit recoveries.

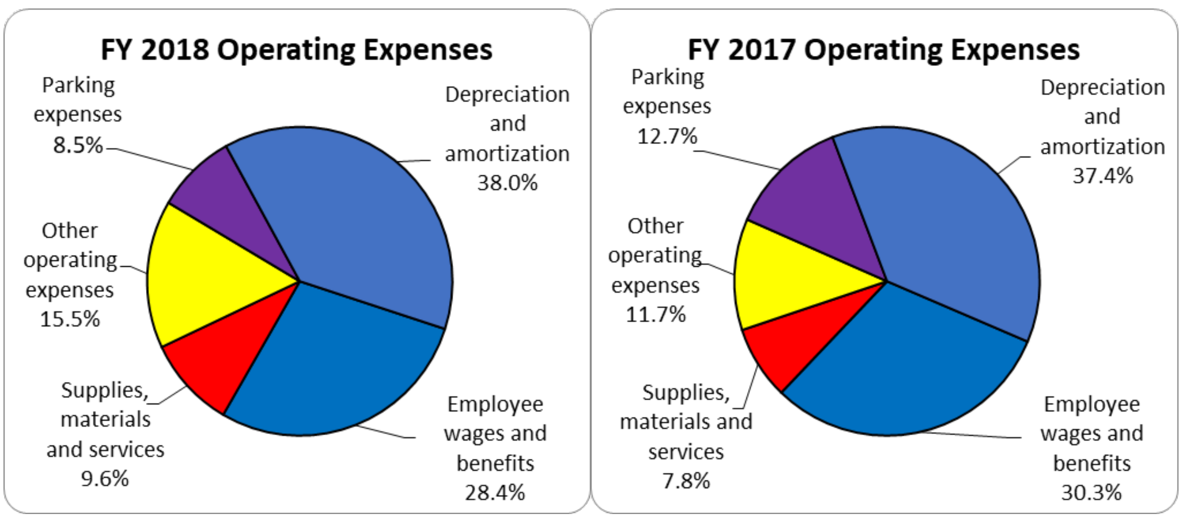
Rental Revenues – Airport Support Fund includes rental fees on certain revenue producing parcels located at Quonset State Airport.

Airport Service Development Fund includes revenue for the reimbursement of marketing and advertising expenses associated with new service at the Airport.

OPERATING EXPENSES - AIRPORTS

The following chart illustrates major categories of operating expenses for the fiscal years ended June 30, 2018, 2017, and 2016:

	2018	% of Total Operating Expenses	2017	% of Total Operating Expenses	2016	% of Total Operating Expenses
OPERATING EXPENSES						
Employee wages and benefits	$ 19,161,862	28.4%	$ 19,221,712	30.3%	$ 19,031,668	30.7%
Other operating expenses	10,477,561	15.5%	7,440,647	11.7%	7,158,246	11.6%
Supplies, materials and services	6,502,720	9.6%	4,917,416	7.8%	5,170,345	8.3%
Parking expenses	5,725,411	8.5%	8,059,152	12.7%	7,941,513	12.8%
Depreciation and amortization	25,682,372	38.0%	23,717,046	37.4%	22,655,093	36.6%
TOTAL OPERATING EXPENSES	$ 67,549,926	100.0%	$ 63,355,973	100.0%	$ 61,956,865	100.0%



Employee wages and benefits for fiscal year 2018 decreased by approximately $60,000 primarily due to reduction in overtime, vacancies and employees out on leave. Fiscal year 2017 increase of approximately $190,000 was primarily due to scheduled increases in employee wages, increases in overtime expenses from operating departments, and increases in medical insurance costs, offset by reductions in workers compensation insurance costs and retirement expenses.

Other operating expenses for fiscal years 2018 and 2017 increased by approximately $3,037,000 and $282,000, respectively over prior year amounts. The increase in fiscal year 2018 is primarily due to increased marketing and advertising initiatives associated with new service and the Airport. The increase in fiscal year 2017 is primarily due to marketing and advertising initiatives, offset by a reduction in operating expenses in most categories.
Supplies, materials, and services for fiscal year 2018 increased by approximately $1,585,000 from fiscal year 2017 primarily related to outside services with Custom Border Protection (CBP) for additional staffing and operational services. Fiscal year 2017 costs decreased by approximately $253,000 from fiscal year 2016 primarily due to reductions in legal fees for outside counsel and efforts to reduce costs.

Parking expenses for the fiscal year 2018 decreased approximately $2,333,000 primarily due to the transition of Garage C to an off-airport location effective December 1, 2017.

INTERLINK OPERATIONS

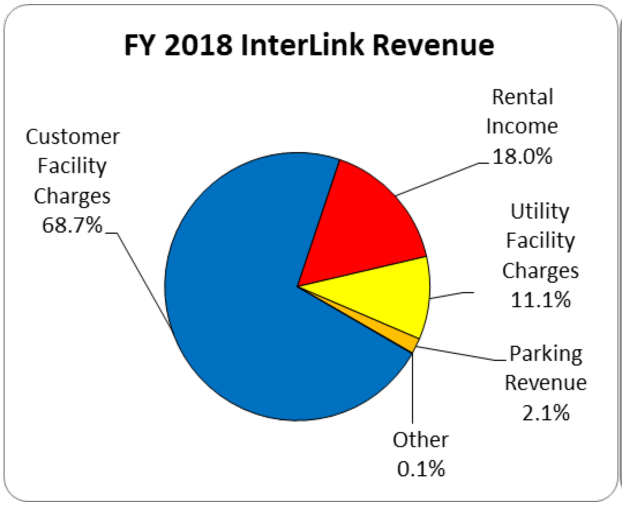
Operating revenues for the InterLink include Customer Facility Charges (CFCs), Rental Car Rental Fees, Utility Facility Charges (UFCs) and Parking Revenues. Operating expenses include utilities, contracted maintenance, insurance and other costs associated with the InterLink. Depreciation related to the InterLink is reflected in this line item. Interest Expense includes the interest component of RIAC's debt service on the 2006 Series Special Facility Bonds, the Series 2018 Bonds (which refunded the Series 2006 Bonds), and the US Department of Transportation's (USDOT's) Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and is shown after non-operating revenues/expenses in RIAC's Statement of Revenues, Expenses and Changes in Net Position. Investment Income on accounts associated with the InterLink is also included in this line item.

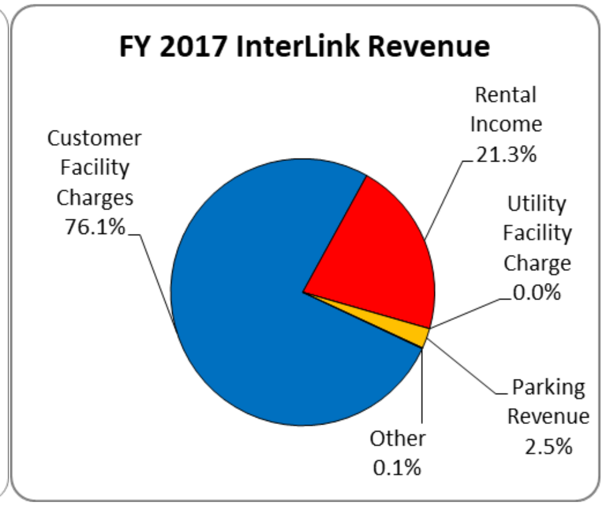
A breakdown of the net loss from the InterLink Facility is as follows:

	2018	2017	2016
Operating Revenues	$ 9,131,695	$ 7,647,596	$ 7,886,706
Operating and maintenance expense	2,080,428	1,473,139	1,427,681
Interlink operating income before deprecation and amortization	7,051,267	6,174,457	6,459,025
Depreciation and amortization	4,509,459	4,600,880	4,586,505
Operating Income	$ 2,541,808	$ 1,573,577	$ 1,872,520
Interest Expense	(4,778,535)	(4,408,212)	(4,453,263)
Investment Income	409,143	171,084	72,419
Net loss InterLink Facility	$ (1,827,584)	$ (2,663,551)	$ (2,508,324)

The following chart illustrates the categories of InterLink Operating Revenues for the fiscal years ended June 30, 2018, 2017, and 2016:

	2018	% of Total Facility Revenues	2017	% of Total Facility Revenues	2016	% of Total Facility Revenues
Operating Revenues						
Customer Facility Charges	$ 6,275,274	68.7%	$ 5,821,867	76.1%	$ 6,055,723	76.8%
Rental Income	1,642,552	18.0%	1,632,212	21.3%	1,625,310	20.6%
Utility Facility Charges	1,017,043	11.1%	-	0.0%	-	0.0%
Parking Revenue	190,388	2.1%	189,500	2.5%	200,021	2.5%
Other	6,438	0.1%	4,016	0.1%	5,652	0.1%
Total Operating Revenues	$ 9,131,695	100.0%	$ 7,647,596	100.0%	$ 7,886,706	100.0%





Additional information on the InterLink operations may be found in the notes to the financial statements.

CUSTOMER FACILITY CHARGES (CFC) AND UTILITY FACILITY CHARGES (UFC)

Since July of 2001, RIAC has been collecting CFCs per transaction day from the rental car companies that operate at, or near, the Airport and service customers who utilize the Airport in anticipation of the construction of a consolidated car rental facility to be located on, or near, Airport property. Effective April 1, 2014, the CFC rate increased to $6.00 from $5.50 per eligible transaction day. The authority to collect Customer Facility Charges is pursuant to ground transportation regulations promulgated by RIAC and Section 1-2-1.1 of the Rhode Island General Laws. During fiscal year 2018, CFC revenues including audit recoveries were $6,275,000 as compared to $5,822,000 in fiscal year 2017, and $6,056,000 in fiscal year 2016. Effective July 1, 2017, RIAC began collecting UFC's of $1.00 per transaction day from the rental car companies that operate at, or near, the Airport and service customers who utilize the Airport. During fiscal year 2018, UFC revenues were $1,017,000.

PASSENGER FACILITY CHARGES

Passenger Facility Charges (PFCs) are available to airports to finance specific eligible projects that (i) preserve or enhance capacity, safety or security of the National Air Transportation System, (ii) reduce noise resulting from an airport or (iii) furnish opportunities for enhanced competition among air carriers. Prior to fiscal year 2006, RIAC had received approval of its applications for authority to impose and use PFCs of $3.00 per enplaned passenger to pay for eligible components of several projects including the new T.F. Green Terminal as well as the payment of a portion of the debt service on the 1993 Series A Bonds, the 1994 Series A Bonds and the 2000 Series A and B Bonds issued therefore. During fiscal years 2006 and 2007, RIAC's PFC applications one through four were amended to increase the PFC from $3.00 to $4.50 per enplaned passenger and adjust the total PFC Authority from $147,500,000 to $135,900,000. In fiscal year 2007, RIAC received approval of an additional application for certain airport projects in the amount of $31,826,000 to be collected at $4.50 per enplaned passenger, bringing the total PFC Authority to $167,726,000. In fiscal year 2010 RIAC received approval of an additional application for certain airport projects in the amount of $15,833,000 to be collected at $4.50 per enplaned passenger, bringing the total PFC Authority to $183,559,000. In fiscal year 2014, RIAC received approval of an additional application for certain airport projects in the amount of $78,377,000 to be collected at $4.50 per enplaned passenger, bringing the total PFC Authority to $261,936,000.

PFC revenues were $8,668,000 in fiscal year 2018, $7,338,000 in fiscal year 2017, and $7,152,000 in fiscal year 2016. As of June 30, 2018, $180,414,000 (including interest earned) of PFCs have been collected. The authority to collect PFCs expires upon the expiration date specified by the FAA or once collections reach a maximum amount approved by the FAA, whichever occurs first.

In fiscal year 2018, $7,179,000 of PFCs were expended for capital acquisition, construction and debt service payments on the 2015 Series A bonds (which refunded the 2004 Series A), the 2016 Series C bonds (which refunded the 2005 Series C), and the Series 2016 D bonds. In fiscal year 2017, $2,693,000 of PFCs were expended for capital acquisition, construction and debt service payments on the 2015 Series A (which refunded the 2004 Series A), the 2016 Series C bonds (which refunded the 2005 Series C). In fiscal year 2016, $8,321,000 of PFCs were expended for capital acquisition, construction and debt service payments on the 2005 Series C bonds (which refunded the 2000 Series B), 2015 Series A bonds (which refunded the 2004 Series A), and the 2016 Series C bonds (which refunded the 2005 Series C).

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

Capital asset acquisitions and improvements exceeding $2,500 are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants with matching RIAC funds.

In fiscal year 2018, RIAC capitalized $511,000 in land and easement acquisitions, $51,400,000 in leasehold improvements, $804,000 in machinery and equipment, and $244,000 in vehicle acquisitions. Additional amounts were added to construction in progress (CIP) to reflect ongoing construction activities during the fiscal year, resulting in an ending balance of $4,096,000 at June 30, 2018.

In fiscal year 2017, RIAC capitalized $4,435,000 in land and easement acquisitions, $14,334,000 in leasehold improvements, $3,887,000 in machinery and equipment, and $236,000 in vehicle acquisitions. Additional amounts were added to construction in progress (CIP) to reflect ongoing construction activities during the fiscal year, resulting in an ending balance of $41,834,000 at June 30, 2017.

Additional information on capital assets may be found in the notes to the financial statements.

SIGNIFICANT PROJECTS - AIRPORTS

Noise Mitigation-Voluntary Land Acquisition

In fiscal year 2018, approximately $2,773,000 was expended for acquisition, relocation, demolition, and related program costs associated with eight properties acquired in connection with the Voluntary Land Acquisition program. The amount expended in fiscal year 2017 totaled approximately $3,503,000. Amounts related to the value of land at the time of these acquisitions are capitalized, but not depreciated.

Noise Mitigation-Sound Insulation

In fiscal year 2018, approximately $5,063,000 was expended for the noise mitigation and sound insulation program which included finishing the installation of ventilation units in 106 condominiums in Phase 4C, along with sound insulation construction work in 44 single-family homes and 50 multi-family homes in Phases 5 and 6. Through Phase 6 (the final phase for the 2015 DNL 65dB contour), an estimated 537 homes have been sound insulated. The amount expended in fiscal year 2017 totaled approximately $9,424,000.

Runway 16-34 Safety Area Improvements

In fiscal year 2018, approximately $4,229,000 was expended on the Runway 16-34 Safety Area (RSA) Improvements Project. This project includes installation of an Engineered Materials Arresting System (EMAS) in the RSAs at each runway end. It also includes reconfiguring the taxi lane from the Runway 16 end to the North Apron to meet FAA requirements, replacement of Navigational Aids (NAVAIDs), raising of Runway 34 end, relocation of a portion of the Runway 34 end perimeter road, and wetland mitigation improvements. The amount expended in fiscal year 2017 totaled approximately $7,631,000.

Runway 5-23 Extension

In fiscal year 2018, approximately $8,028,000 was expended on the Runway 5-23 Extension Project. This project involves extending Runway 5 to the south by 1,530 feet to a total length of 8,700 feet. Major components of this project include the relocation of Main Avenue (including the purchase and demolition of homes), the voluntary acquisition of homes within the new Runway Protection Zone (RPZ), the relocation of Winslow Park facilities, and the extension of Runway 5. Included in this project are costs that have been recorded as contributed capital expense and include $238,000 of Navigational Aids (NAVAIDs) as these assets are transferred to the Federal Aviation Administration (FAA), and $155,000 related to Main Avenue as these assets are transferred to the Rhode Island Department of Transportation (RIDOT). The amount expended in fiscal year 2017 totaled approximately $32,094,000.

Customs and Border Protection (CBP) Facility

In fiscal year 2018, approximately $3,809,000 was expended for the renovations and expansion of the CBP Facility, utilized for international flights. The amount expended in fiscal year 2017 totaled approximately $5,012,000.

Triturator Upgrade

In fiscal year 2018, approximately $580,000 was expended on the replacement of the existing sewage grinding and pumping station and installation of a new force main and gravity pipe system that handles the waste from both commercial and private aircraft lavatories and two RIAC owned buildings.

LONG-TERM DEBT ADMINISTRATION - GENERAL

Under the State Lease Agreement, RIAC has agreed to reimburse the State for GO Bond debt service accruing after July 1, 1993. In the event there are not sufficient funds available to reimburse the State, such event shall not constitute an event of default. Instead, the unpaid portion shall accrue and be payable in the next succeeding fiscal year and shall remain a payment obligation of RIAC until paid in full. If the unpaid portion is not reimbursed by the end of the following year, such failure could constitute an event of default on the part of RIAC under the State Lease Agreement. RIAC is current in all of its payment obligations to the State. These bonds mature annually through 2023. The balance outstanding at June 30, 2018 and 2017 was $180,000 and $275,000, respectively.

In 2008, RIAC issued $17,645,000 Series A and $15,490,000 Series B General Airport Revenue Bonds dated May 30, 2008 maturing annually through 2038 with interest coupons ranging from 3.5% to 5.25%. Also on May 30, 2008, RIAC issued $18,030,000 Series C Airport Revenue Refunding Bonds to enable the defeasance of $18,060,000 of 1998 Series B General Airport Revenue Bonds. The refund issue matures annually from 2010 through 2018 with interest coupons ranging from 4% to 5%. RIAC's defeasance of these 1998 Series B Bonds resulted in an economic present value gain of $597,000 or 3.3% of the refunded bonds. The outstanding balance for the 2008 Series as of June 30, 2018 and June 30, 2017 was $33,450,000 and $33,465,000, respectively.

In 2013, RIAC secured funds for the Deicer Management System at T.F. Green Airport under the Rhode Island Clean Water Finance Agency's State Revolving Fund for the payment of eligible project costs up to $33,500,000 at an average effective interest rate of 2.44% (2013 Series A General Airport Revenue Bonds). This bond is issued pursuant to the Ninth Supplemental Indenture and secured by general airport revenues. Eligible project costs include construction funds, costs of issuance, and the debt service reserve fund. Interest payments will accrue as amounts are drawn down from this loan. The outstanding balance for the 2013 Series A as of June 30, 2018 and June 30, 2017 was $29,637,000 and $31,040,000, respectively.

In 2013, RIAC issued $30,700,000 Series B and $2,055,000 Series C Airport Revenue Refunding Bonds to enable the defeasance of $32,060,000 in 1998 Series A General Airport Revenue Bonds and $6,020,000 in 2003 Series A General Airport Revenue Bonds, respectively. The 2013 Series B refund issue matured annually from 2019 through 2028 with interest coupons from 4% to 5%. The 2013 Series C refund issue matures annually from 2014 to 2015 with interest coupons from 3% to 4%. RIAC's defeasance of the 1998 Series B Bonds and the 2003 Series A Bonds resulted in economic present value savings of $1,914,000 or 6% and $171,000 or 2.8% of the refunded bonds, respectively. The outstanding balance for the 2013 Series B was $30,700,000 as of June 30, 2018 and June 30, 2017. There was no outstanding balance on the 2013 Series C.

In 2015, RIAC issued $42,980,000 Series A Direct Placement Airport Revenue Refunding Bonds to enable the defeasance of $48,625,000 in 2004 Series A General Airport Revenue Refunding Bonds. The 2015 Series A refund issue matures annually from 2015 through 2024 with an interest rate of 2%. RIAC's defeasance of the 2004 Series A Bonds resulted in economic present value savings of $5,900,000 or 12% of the refunded bonds. The outstanding balance for the 2015 Series as of June 30, 2018 and June 30, 2017 was $32,565,000 and $37,505,000, respectively.

In 2016, RIAC issued $27,660,000 Series A Direct Placement Airport Revenue Refunding Bonds, $26,970,000 Series B Direct Placement Airport Revenue Refunding Bonds and $30,930,000 Series C Direct Placement Airport Revenue Refunding Bonds to enable the defeasance of $30,000,000 in 2005 Series A General Airport Revenue Bonds, $27,245,000 in 2005 Series B General Airport Revenue Bonds, and $35,930,000 in 2005 Series C General Airport Revenue Refunding Bonds, respectively. The 2016 Series A refund issue matures monthly from 2016 through 2025 with an interest rate of 2.49%. The 2016 Series B refund issue matures monthly from 2023 through 2030 with an interest rate of 3.69%. The 2016 Series C refund issue matures monthly from 2016 through 2025 with an interest rate of 2.24%. RIAC's defeasance of the 2005 Series A, B and C Bonds resulted in economic present value savings of $12,200,000 or 13% of the refunded bonds. The outstanding balances for the 2016 Series A, B, and C as of June 30, 2018 were $20,444,000, $26,970,000, and $25,597,000, respectively. The outstanding balances for the 2017 Series A, B, and C as of June 30, 2016 were $23,615,000, $26,970,000, and $27,958,000, respectively.

In July 2016, RIAC issued $36,885,000 Series D and $3,445,000 Series E General Airport Revenue Bonds. The 2016 Series D issue matures annually from 2026 through 2046 with interest coupons of 5%. The 2016 Series E issue matures annually from 2017 through 2021 with interest coupons from 1.95% to 2.75%. The outstanding balances for the 2016 D and E Series as of June 30, 2018 were $36,885,000 and $2,785,000, respectively.

In July 2016, RIAC entered into a tax exempt equipment lease agreement for $2,896,000. The agreement is payable annually with a fixed interest rate of 1.71% and expires in fiscal year 2024. The outstanding balance as of June 30, 2018 and June 30, 2017 was $2,503,000 and $2,896,000, respectively.

LONG TERM DEBT ADMINISTRATION – SPECIAL FACILITY

In 2006, RIAC issued $48,765,000 Series 2006 First Lien Special Facility Bonds for the InterLink Project (2006 First Lien Bonds) dated June 14, 2006 maturing annually from 2011 through 2036 with interest coupons ranging from 4% to 5%. These bonds were refunded in February 2018. The balance outstanding for the 2006 First Lien Bonds was $44,345,000 as of June 30, 2017.

In February 2018, RIAC issued $39,185,000 Series 2018 First Lien Special Facility Revenue Refunding Bonds to enable the defeasance of $43,340,000 in Series 2006 First Lien Special Facility Bonds for the InterLink Project. The refund issue matures annually from 2019 through 2036 with interest coupons ranging from 3.125% to 5%. RIAC's defeasance of these Series 2006 First Lien Special Facility Bonds resulted in economic present value savings of approximately $4,500,000 or 10% of the refunded bonds. The balance outstanding for the Series 2018 was $39,185,000 as of June 30, 2018.

The Trust Estate consists of: (i) Facility Revenues (which include CFCs); (ii) monies, including investment earnings, in funds and accounts pledged under the Indenture; (iii) certain insurance proceeds required to be deposited in such funds and accounts under the Indenture; and (iv) Commerce RI's right, title and interest to receive loan payments from RIAC under the Commerce RI Loan Agreement.

As part of the financing for the InterLink Project, RIAC and Commerce RI secured additional funds under the USDOT's TIFIA for the payment of eligible project costs of the InterLink up to $42,000,000 at an interest rate of 5.26%. This TIFIA Bond is issued pursuant to the First Supplemental Indenture as a Second Lien Obligation payable from and secured by a pledge of and secondary interest in the Trust Estate under the Indenture, subject to the pledge of the Trust Estate for the security and payment of the 2006 First Lien Bonds. The 2006 TIFIA Bond is also secured by the Second Lien Debt Service Reserve Fund that was funded from CFCs on the DOO in an amount of $3,328,000. The outstanding balance for the TIFIA Bond as of June 30, 2018 and June 30, 2017 was 41,101,000 and $41,541,000, respectively.

CREDIT RATINGS AND BOND INSURANCE

Since the inception of RIAC in 1992, there have been eight General Airport Revenue Bonds issued by Commerce RI, to finance construction and other related costs for certain capital improvements and seven Airport Revenue Refunding Bonds to defease all of the 1993 debt, a portion of the 1994 debt, all of the 1998 debt, all of the 2000 Series B debt, all of the 2003 debt, all of the 2004 debt, and all of the 2005 debt.

The insured General Airport Revenue Bonds outstanding at June 30, 2018 include the 2008 Series A&B General Airport Revenue Bonds ($33,135,000 issued and insured by Assured Guaranty Corp. (AGC), with $28,085,000 outstanding).

The insured Airport Revenue Refunding Bonds outstanding at June 30, 2018 include the 2008 Series C Bonds ($18,030,000 issued and insured by AGC, with $2,365,000 outstanding), the 2015 Series A Bonds ($42,980,000 issued and insured by Assured Guaranty Municipal Corp. (AGM), with $32,565,000 outstanding).

As of June 30, 2018, Commerce RI's/RIAC's General Airport Revenue Bonds (excluding the 2013 Series A Bonds) and the Airport Revenue Refunding Bonds (excluding the 2015 Series A and the 2016 Series A, B, and C Bonds) are rated by three firms, Fitch Investor Services (Fitch), Moody's Investor Services (Moody's) and Standard & Poor's (S&P) as BBB+ with a stable outlook, Baa1 with a stable outlook and BBB+ with a stable outlook, respectively.

As of June 30, 2018, Commerce RI's/RIAC's Series 2018 First Lien Special Facility Revenue Refunding Bonds are rated by two firms, Moody's and (S&P) as Baa1 with a stable outlook, and BBB+ with a stable outlook, respectively.

CURRENT OPERATIONS AND FINANCIAL SITUATION

Effective July 1, 2018, RIAC entered into a professional service agreement with FlightLevel Aviation for the performance of Fixed Base Operator (FBO) services at Quonset, North Central, Newport, Westerly and Block Island Airports.

Effective July 1, 2018, RIAC entered into an agreement with LAZ Parking Limited, LLC (LAZ) to manage and operate the public parking facilities at T. F. Green Airport.

Any questions or comments concerning any of the information provided in this report, or requests for additional information, should be addressed to the Chief Financial Officer of the Rhode Island Airport Corporation, T. F. Green Airport, 2000 Post Road, Warwick, RI 02886, 401-691-2000.

Statement of Net Position

June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 48,426,216	$ 36,001,969
Restricted cash and cash equivalents	23,174,473	26,818,343
Accounts receivable - Net (Note 3)	18,185,905	26,154,109
Due from the State of Rhode Island (Note 8)	170,636	3,140,615
Prepaid expenses and deposits	857,159	843,593
Total current assets	90,814,389	92,958,629
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	55,398,231	55,519,040
Investments	8,869,937	11,080,110
Accounts receivable - Net	2,003,476	1,831,371
Capital assets: (Note 4)		
Assets not subject to depreciation	54,460,768	93,160,825
Assets subject to depreciation - Net	506,368,171	484,628,791
Notes receivable	328,701	341,668
Prepaid insurance on bonds - Net of accumulated amortization	488,371	815,333
Total noncurrent assets	627,917,655	647,377,138
Total assets	718,732,044	740,335,767
Deferred Outflows of Resources		
Deferred amounts on bond refundings	614,176	1,519,568
Deferred pension costs (Note 10)	376,581	288,593
Deferred OPEB costs (Note 11)	61,943	-
Total deferred outflows of resources	1,052,700	1,808,161

See notes to financial statements.

	2018	2017
Liabilities		
Current liabilities:		
Accounts payable (Note 5)	$ 2,221,515	$ 11,600,915
Payables from restricted assets:		
Accounts and retainage payable (Note 5)	274,686	2,434,758
Accrued expenses (Note 5)	2,106,565	2,950,479
Accrued interest payable	3,880,551	4,519,178
Bonds payable (Note 6)	16,912,671	16,913,928
Unearned revenue	845,216	867,719
Accrued payroll and employee benefits	1,865,093	1,719,399
Accrued expenses (Note 5)	4,304,864	14,075,070
Capital lease obligations (Note 6)	399,720	392,999
Due to other governmental unit (Note 8)	615,272	235,000
Total current liabilities	33,426,153	55,709,445
Noncurrent liabilities:		
Bonds payable - Net of current portion (Note 6)	310,024,227	329,003,603
Capital lease obligations - Net of current portion (Note 6)	2,103,495	2,503,215
Due to other governmental unit - Net of current portion (Note 8)	1,324,967	1,196,729
Due to the State of Rhode Island (Note 6)	180,000	275,000
Net pension liability (Note 10)	2,135,747	1,837,970
Net OPEB liability (Note 11)	437,010	-
Total noncurrent liabilities	316,205,446	334,816,517
Total liabilities	349,631,599	390,525,962
Deferred Inflows of Resources		
Deferred pension cost reductions (Note 10)	210,446	452,664
Deferred OPEB cost reductions (Note 11)	28,141	-
Total deferred inflows of resources	238,587	452,664
Net Position		
Net investment in capital assets	260,094,311	266,356,414
Restricted:		
Capital acquisition and construction	9,082,136	8,551,700
Passenger facility charges	12,410,131	10,762,311
InterLink	25,676,780	23,838,923
Operating and maintenance reserve - Airports	5,196,100	4,906,000
Operating and maintenance reserve - InterLink	716,900	735,000
Emergency renewal and replacement reserve - InterLink	2,000,000	2,000,000
Repair and rehabilitation reserve - Airports	500,000	500,000
Unrestricted	54,238,200	33,514,954
Total net position	**$ 369,914,558**	**$ 351,165,302**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenue		
Rental, concession fees, and other	$ 29,262,906	$ 26,379,935
Landing fees and airfield revenue	16,730,958	15,900,965
Parking revenue	25,859,522	23,138,669
InterLink facility revenue (Note 9)	9,131,695	7,647,596
Total operating revenue	80,985,081	73,067,165
Operating Expenses		
Employee wages and benefits	19,161,862	19,221,712
Parking operating expenses	5,725,411	8,059,152
Supplies, materials, and services	6,502,720	4,917,416
Other operating expenses	10,477,561	7,440,647
InterLink operating expenses (Note 9)	2,080,428	1,473,139
InterLink depreciation and amortization (Note 9)	4,509,459	4,600,880
Depreciation and amortization	25,682,372	23,717,046
Total operating expenses	74,139,813	69,429,992
Operating Income	6,845,268	3,637,173
Nonoperating Revenue (Expense)		
InterLink investment income (Note 9)	409,143	171,084
Investment income	1,126,937	397,751
InterLink interest expense (Note 9)	(4,778,535)	(4,408,212)
Interest expense	(9,019,148)	(7,702,908)
Passenger facility charges	8,667,896	7,338,040
Grant revenue (Note 1)	8,648,890	13,787,133
Grant expenses (Note 1)	(8,289,372)	(15,307,323)
Other	76,815	108,428
Total nonoperating expense	(3,157,374)	(5,616,007)
Income (Loss) - Before capital contributions	3,687,894	(1,978,834)
Capital Contributions - Net	15,467,725	14,437,281
Change in Net Position	19,155,619	12,458,447
Net Position - Beginning of year, as previously reported (Note 1)	351,165,302	338,706,855
Cumulative Effect of Restatement (Note 1)	(406,363)	-
Net Position - Beginning of year, as restated (Note 1)	350,758,939	338,706,855
Net Position - End of year	**$ 369,914,558**	**$ 351,165,302**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Receipts from rentals, fees, and other services	$ 73,902,731	$ 66,489,520
Payments to suppliers and other	(27,474,719)	(20,988,001)
Payments to employees and fringes	(19,051,752)	(19,198,043)
InterLink receipts from rentals, fees, and other services	9,171,499	7,725,677
InterLink payments to suppliers and other	(2,247,558)	(1,640,269)
Net cash and cash equivalents provided by operating activities	34,300,201	32,388,884
Cash Flows from Noncapital Financing Activities		
Grants and subsidies	8,195,338	9,887,487
Payment of grant expenses	(7,835,820)	(15,167,215)
Net cash and cash equivalents provided by (used in) noncapital financing activities	359,518	(5,279,728)
Cash Flows from Capital and Related Financing Activities		
Collection of passenger facility charges	8,503,840	6,963,231
Capital contributions and grant revenue - Net	7,455,149	7,197,359
Proceeds from sale of capital assets	1,608,577	24,189
Purchase and construction of capital assets	(15,235,124)	(28,504,160)
Interest and other charges paid, long-term obligations	(14,427,122)	(12,322,631)
Payments on long-term obligations	(16,546,970)	(14,052,148)
Payment to refunded escrow trustee	(43,797,478)	-
Proceeds from long-term obligations	42,714,416	47,524,108
Other	(24,989)	84,239
Net cash and cash equivalents (used in) provided by capital and related financing activities	(29,749,701)	6,914,187
Cash Flows from Investing Activities		
Interest received on investments	1,529,377	549,485
Net proceeds from sale and repurchase of investment securities	2,210,173	(4,878,148)
Net cash and cash equivalents provided by (used in) investing activities	3,739,550	(4,328,663)
Net Increase in Cash and Cash Equivalents	8,649,568	29,694,680
Cash and Cash Equivalents - Beginning of year	118,339,352	88,644,672
Cash and Cash Equivalents - End of year	**$ 126,988,920**	**$ 118,339,352**
Classification of Cash and Cash Equivalents		
Unrestricted cash and cash equivalents	$ 48,426,216	$ 36,001,969
Current restricted cash and cash equivalents	23,174,473	26,818,343
Noncurrent restricted cash and cash equivalents	55,398,231	55,519,040
Total cash and cash equivalents	**$ 126,998,920**	**$ 118,339,352**

See notes to financial statements.

Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Income to Net Cash and Cash Equivalents from Operating Activities		
Operating income	$ 6,845,268	$ 3,637,173
Adjustments to reconcile operating income to net cash and cash equivalents from operating activities:		
Depreciation and amortization	30,191,831	28,317,927
Changes in assets and liabilities:		
Receivables	2,049,345	969,680
Prepaid and other assets	(13,566)	(234,731)
Accounts payable	(4,755,461)	656,395
Net pension and OPEB liability	292,474	(388,237)
Deferrals related to net pension and OPEB liability	(328,058)	279,941
Other assets and liabilities	18,368	(849,264)
Total adjustments	27,454,933	28,751,711
Net cash and cash equivalents provided by operating activities	**$ 34,300,201**	**$ 32,388,884**

Note 1 - Nature of Organization and Significant Accounting Policies

Reporting Entity

Rhode Island Airport Corporation (RIAC) is a public corporation organized in December 1992 for the purpose of assuming operating responsibility for the six airports in the State of Rhode Island (the "State"). RIAC is a subsidiary of Commerce RI, formerly the Rhode Island Economic Development Corporation, and a component unit of the State of Rhode Island. The airports are owned by the State and prior to July 1, 1993 were managed by the Department of Transportation, Department of Airports (RIDOT). RIAC and the State entered into a lease and operating agreement (the "Lease Agreement") that transferred operating responsibility for the airports to RIAC effective July 1, 1993, which was amended to extend the term to June 30, 2046 (see Note 8). RIAC does not have the power to issue bonds or notes or borrow money without the approval of Commerce RI, nor does it have the power of eminent domain with respect to real property.

RIAC is governed by a board of directors, which consists of seven members who are appointed by the governor of the State of Rhode Island and serve without compensation, but are entitled to reimbursement for necessary expenses incurred in performance of their duties relating to RIAC.

RIAC is not subject to federal, state, or local income taxes.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial report structure, RIAC has adopted the provision of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards for the criteria used to evaluate the organization's activities and functions that should be included in RIAC's financial statements. No component units are reported in the accompanying financial statements based on operational or financial relationships with RIAC.

Accounting and Reporting Principles

RIAC follows accounting principles and policies generally accepted in the United States of America (GAAP) as applicable to state and local governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

This report includes the fund-based statements of RIAC. In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business-type activities.

Fund Accounting

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. RIAC reports all activity in a single enterprise fund.

Basis of Accounting

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

RIAC distinguishes between operating and nonoperating revenue and expenses. Operating revenue and expenses generally result from providing services in connection with operating airports and related transportation modes. The principal operating revenue of RIAC is charges to airlines, facilities tenants, passengers, and others for fees, rent, and services. Operating expenses include the cost of operating airports and related facilities, administrative expenses, and depreciation and amortization expense on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses. The major components of the nonoperating revenue sources are interest income from cash and investments, passenger facility charges, and revenue from the Noise Mitigation Program. The major components of nonoperating expense are expenditures for the Noise Mitigation Program, interest expense, and other nonoperating expenses. When both restricted and unrestricted resources are available for use, it is RIAC's policy to use restricted resources first, then unrestricted resources as they are needed.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, money market funds, and short-term, highly liquid investments (including restricted assets) with a maturity of three months or less when acquired.

Investments

Investments with maturities of greater than one year are reported at fair value. Short-term investments are reported at cost, which approximates fair value.

Receivables

Receivables are reported at the original amount billed, less an estimate made for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience, aviation industry trends, and current information regarding the creditworthiness of the debtors. RIAC requires collateral or other forms of security from certain customers.

Receivables from state and federal agencies are reported based on reimbursable capital expenditures and noise mitigation expenditures.

Restricted Assets

Restricted assets consist of monies and other resources whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. The distinction between current and noncurrent cash and investments is that noncurrent cash and investments are restricted for long-term debt service, reserves, and capital expenditures. These restrictions are described below:

- *Restricted for certain expenditures* - These assets are restricted under RIAC's capital grants, bond indentures, and other agreements for certain capital projects and expenses. These assets include amounts collected for Passenger Facility Charges and bond proceeds to be used for construction.
- *Restricted for deposits* - These assets are restricted from operations because they represent deposits that are held to ensure performance by tenants.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

- *Restricted for reserves* - These assets are restricted by the Master Indenture of Trust dated October 1, 1993, which authorizes Commerce RI to issue bonds on behalf of RIAC. The operating and maintenance reserve represents resources set aside to subsidize potential deficiencies from RIAC's operations that could adversely affect debt service payments. The repair and rehabilitation reserve represents resources set aside to meet unexpected contingencies or to fund asset repairs and rehabilitation. In addition, the InterLink has assets that are restricted per the First Supplemental Indenture of Trust dated June 1, 2006. The InterLink operating and maintenance reserve represents resources set aside to subsidize potential deficiencies from the InterLink's operations that could adversely affect debt service payments. The emergency renewal and replacement reserve represents assets set aside to be used by RIAC to pay emergency renewal and replacement costs.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Assets leased from the State by RIAC are recorded at the present value of the future minimum lease payments plus the amounts expended from the funding received from the federal government. Capital assets are defined by RIAC as assets with an initial individual cost of more than $2,500 and an estimated useful life in excess of one year. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs and costs associated with the Noise Mitigation Program are expensed as incurred except for the value of the land acquired, which is capitalized. Interest incurred during the construction of capital assets is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

Assets	Depreciable Life - Years
Assets leased from the State	5-25
Leasehold improvements	7-50
Machinery and equipment	3-20
Vehicles	5-10

Long-term Obligations

In the basic financial statements, long-term debt, and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. RIAC reports deferred outflows related to differences between the carrying amount of refunded debt and its reacquisition price, pension costs, and OPEB costs. See Note 10 for details on pension costs. See Note 11 for details on OPEB costs.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. RIAC reports deferred inflows related to pension cost reductions and OPEB cost reductions. See Note 10 for details on pension costs. See Note 11 for details on OPEB costs.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave)

It is RIAC's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick and vacation pay are accrued when earned. Both of these are reported in the "accrued payroll and employee benefits" line in the basic financial statements in accordance with established personnel policies using the salary rates in effect at the statement of net position date.

Pension

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (the "System") administered by the State of Rhode Island and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Other Postemployment Benefit Costs

For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Employees’ and Electing Teachers OPEB System (the "System") administered by the State of Rhode Island and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the System. Benefit payments are recognized when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Net Position

Net position of RIAC is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. They represent external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Under the Master Indenture of Trust adopted in 1993, RIAC agreed to create and maintain two reserves. The operating and maintenance reserve is to be equal to two months operating and maintenance expenses and is to be used only if RIAC does not have sufficient funds in its current operating accounts to pay these expenses on a timely basis. The repair and rehabilitation reserve is to be equal to at least $500,000 and can be used solely for emergency repairs and rehabilitation to airport facilities. Both reserves have been funded as required and neither has been used to date. The InterLink has assets that are restricted per the First Supplemental Indenture of Trust dated June 1, 2006. The operating and maintenance reserve is to be equal to one-half of the amount set forth in the annual budget. The emergency renewal and replacement reserve is to be equal to $2,000,000. Both reserves have been funded as required and neither has been used to date.

RIAC's board of directors has designated $5,100,000 of unrestricted net position for capital acquisition, construction, and operating costs as of June 30, 2018 and 2017.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Revenue Recognition

Rental, Concession Fees, and Other

Rental and concession fees are generated from airlines, food and beverage outlets, retailers, rental car agencies, advertising, and commercial tenants. Leases executed by RIAC with such parties are accounted for as operating leases. RIAC recognizes rental income on a straight-line basis over the terms of the various leases. Concession fees are recognized based on reported concessionaire revenue. Where agreements permit audits of concessionaire revenue, any additional fees resulting from such audits are recognized when such amounts become known. Other income includes federal grants, bad debt expenses and recoveries, and audit recoveries.

Landing Fees and Airfield Revenue

Landing fees are generated principally from scheduled airlines, cargo carriers, and nonscheduled commercial aviation based on the landed weight of the aircraft and/or signed contracts. Airfield revenue includes apron, tiedown and hangar rentals, fuel flowage fees, and other airfield-related revenue. Landing fees and airfield revenue are recognized as revenue as the related facilities are used.

Parking

Parking revenue is generated principally from on-site facilities managed by a third party. Revenue is based upon utilization of the facilities. Parking revenue is recognized based upon reported revenue by the management company. Additional parking revenue resulting from an audit of the management company records is recognized when such amounts become known.

Passenger Facility Charges

Passenger Facility Charges (PFC) net receipts are restricted for use on preapproved Federal Aviation Administration (FAA) projects, including related debt service. The FAA has approved PFC funding for 26 projects that comprise a significant portion of RIAC's capital improvement program. RIAC has been authorized to collect PFCs in the aggregate amount of approximately $261,936,000 based on a rate of $4.50 per enplaned passenger. Aggregate collections, including interest thereon, through June 30, 2018 were approximately $180,414,000. Passenger facility charges are recorded as nonoperating revenue as earned, based on enplaned passengers.

Customer and Utility Facility Charges

Rental car agencies operating under lease agreements with RIAC are required to impose a customer facility charge (CFC) and utility facility charge (UFC) per transaction day on substantially all car rentals. Effective April 1, 2014, the CFC is $6.00. Effective July 1, 2017, the UFC is $1.00. CFC and UFC revenue is recorded as operating revenue as earned, based upon daily car rentals reported by the rental car agencies. Additional CFC and UFC revenue resulting from audits of the rental car agency records is recognized when such amounts become known. See Note 9 for further discussion.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Grants and Contributions

RIAC receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Contributions of capital assets by the State are reported as capital contributions at the same net book value as previously reported by the State. Capital assets conveyed to RIAC, based on the expiration of certain concession and lease agreements, are reported as capital contributions at acquisition value. Contributions of capital assets to the State are reported as capital contributions at the same net book value as reported by RIAC.

See below for additional information related to specific programs partially funded by federal grants:

Noise Mitigation Program

The Noise Mitigation Program consists of the acquisition of properties under the "70 Day Night Level" (DNL) land acquisition program and the 65 DNL sound insulation program, which are funded in part by federal grants. The noise mitigation-land acquisition program includes the purchase and demolition of homes within the 70 DNL contours, as well as related relocation costs of the occupants. The noise mitigation-sound insulation program includes the sound insulation and related measures for eligible homes and apartments within the 65 DNL contours. The acquisition and sound insulation of the homes and apartments are on a voluntary basis. Costs related to these programs are expensed as incurred, except for the value of land acquired, which is capitalized. Revenue and expenses for this program are included in grant revenue and grant expenses, respectively, in the nonoperating section of the statement of revenue, expenses, and changes in net position. Federal grants covered approximately 80 percent to 90 percent of project costs in the fiscal years ended June 30, 2018 and 2017, respectively. Amounts can fluctuate based on the value of the land capitalized and amount of federal funding.

Runaway Protection Zone - Land Acquisition Program

The Land Acquisition Program consists of the voluntary acquisition of properties located in the newly defined Runaway Protection Zone (RPZ) for the Runway 5-23 extension, which is funded in part by federal grants. Costs related to this program are expensed as incurred, except for the value of land acquired, which is capitalized. Revenue and expenses for this program are included in grant revenue and grant expenses, respectively, in the nonoperating section of the statement of revenue, expenses, and changes in net position. Federal grants covered approximately 53 percent and 55 percent of project costs in the fiscal years ended June 30, 2018 and 2017, respectively. Amounts can fluctuate based on the value of land capitalized and amount of federal funding.

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 the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

As of June 30, 2018, RIAC adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard requires RIAC to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Rhode Island State Employees' and Electing Teachers OPEB System. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). As a result of adopting this new accounting standard, beginning net position has been restated at June 30, 2017 from $351,165,302 to $350,758,939. The fiscal year 2017 financial statements have not been restated due to the lack of information available related to the net OPEB liability and the related activity for that year.

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires 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. RIAC is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for RIAC's financial statements for the year ending June 30, 2021.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* This statement establishes criteria to improve the information that is disclosed in the notes to the 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. RIAC is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for RIAC's financial statements for the year ending June 30, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and 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 the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for RIAC's financial statements for the June 30, 2021 fiscal year.

Reclassification

Certain 2017 amounts have been reclassified to conform to the 2018 presentation, with no effect on 2017 net income.

Note 2 - Cash, Cash Equivalents, and Investments

Components of cash, cash equivalents, and investments at June 30 are classified into the following categories:

	2018	2017
Unrestricted cash and cash equivalents - Deposits with financial institutions	$ 48,426,216	$ 36,001,969
Restricted cash, cash equivalents, and investments:		
Deposits with financial institutions	43,271,743	38,476,074
U.S. Treasury notes	8,869,937	11,080,110
Money market funds	35,300,961	43,861,309
Total restricted cash, cash equivalents, and investments:	87,442,641	93,417,493
Total	$ 135,868,857	$ 129,419,462

RIAC's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, RIAC will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. RIAC's deposit policy for custodial credit risk is to follow Rhode Island General Laws, Chapter 35-10.1 under which an amount equal to or greater than 100 percent of the uninsured bank balances of RIAC's cash deposits is collateralized with securities held by the pledging bank's trust department or agent in RIAC's name. In accordance with Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies, or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100 percent of time deposits with maturities greater than 60 days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100 percent of deposits, regardless of maturity.

Eligible collateral per the agreement and Rhode Island General Laws, Chapter 35-10.1 includes the following: obligations of the United States; obligations of the State of Rhode Island; obligations of any other state with a rating not less than "A" by Standard and Poor's Rating Services or Moody's Investor Services, Inc.; certain one-to-four-family residential mortgage loans, providing they meet certain provisions; and other marketable securities and debt instruments determined to be satisfactory for the purpose of providing liquid assets in the event of default or insolvency of a qualified depository institution, providing that this type of collateral does not exceed 10 percent of the total collateral pledged by the financial institution.

As of June 30, 2018 and 2017, RIAC had $92,595,153 and $74,689,624, respectively, of bank deposits that were uninsured, but collateralized with securities held by the pledging bank's trust department or agent in RIAC's name.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, RIAC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. RIAC does not have a policy for custodial credit risk. RIAC's investments are held by the counterparty in RIAC's name.

Note 2 - Cash, Cash Equivalents, and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting exposure to fair value losses arising from rising interest rates, RIAC's investment policy limits its investments to those that provide for sufficient liquidity to meet all operating requirements, annual debt service, and a reasonable rate of return. Information about the exposure of RIAC's debt type investments to this risk using segmented time distribution model at June 30 is as follows:

2018	Investment Maturities (in Years)		
Type of Investment	Less Than 1 Year	1-5 Years	Fair Value
Money market funds	$ 35,300,961	$ -	$ 35,300,961
U.S. Treasury notes	8,869,937	-	8,869,937
Total	$ 44,170,898	$ -	$ 44,170,898

2017	Investment Maturities (in Years)		
Type of Investment	Less Than 1 Year	1-5 Years	Fair Value
Money market funds	$ 43,861,309	$ -	$ 43,861,309
U.S. Treasury notes	6,184,550	4,895,560	11,080,110
Total	$ 50,045,859	$ 4,895,560	$ 54,941,419

Credit Risk

Credit risk is the risk that an issuer of a debt-type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

RIAC's investment policies are pursuant to the Master Indentures of Trust (indentures) and Rhode Island General Laws. Rhode Island General Laws and the Indentures permit RIAC to invest in certificates of deposits; savings accounts; money market funds; obligations of the United States government or certain obligations thereof; repurchase agreements with any eligible depository for a period not to exceed 30 days; commercial paper with a rating of P-1, A-1 or higher as approved by RIAC's board of directors; and investment-grade corporate debentures with a rating of AAA, AA by Standard & Poor's Rating Services and Aaa, Aa by Moody's Investor Service, Inc.

RIAC's money market funds of $35,300,961 and $43,861,309 were rated as AAA investments by Standard & Poor's Rating Services at June 30, 2018 and 2017, respectively.

Concentration of Credit Risk

RIAC places no limit on the amount of investment in any one issuer. In accordance with GASB Statement No. 40, none of RIAC's investments require concentration of credit risk disclosures.

Note 2 - Cash, Cash Equivalents, and Investments (Continued)

Fair Value Measurements

RIAC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. RIAC's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

RIAC has the following recurring fair value measurements as of June 30, 2018 and 2017:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Investments - Debt securities - U.S. Treasury notes	$ 8,869,937	$ -	$ -	$ 8,869,937

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2017
Investments - Debt securities - U.S. Treasury notes	$ 11,080,110	$ -	$ -	$ 11,080,110

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Note 3 - Accounts Receivable

Accounts receivable as of June 30, 2018 and 2017 are as follows:

	2018	2017
Unrestricted accounts receivable:		
Accounts receivable - Trade	$ 2,512,414	$ 1,647,271
Due from federal government	15,465,282	24,517,127
Other receivables	430,040	223,920
Allowance for doubtful accounts	(221,831)	(234,209)
Net unrestricted accounts receivable	$ 18,185,905	$ 26,154,109

The amounts due from the federal government are based on expenditures incurred by RIAC under terms of grant agreements or legislation.

Note 3 - Accounts Receivable (Continued)

	2018	2017
Restricted accounts receivable:		
Due from airlines - Passenger facility charges	$ 1,211,338	$ 1,047,282
Due from car rental agencies - InterLink facility revenue	766,004	764,659
Other receivables	26,134	19,430
Total restricted accounts receivable	$ 2,003,476	$ 1,831,371

Note 4 - Capital Assets

Capital asset activity of RIAC was as follows:

	Balance July 1, 2017	Reclassifications	Additions and Transfers	Disposals and Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 51,327,242	$ -	$ 510,800	$ (1,472,906)	$ 50,365,136
Construction in progress	41,833,583	(51,290,725)	13,552,774	-	4,095,632
Subtotal	93,160,825	(51,290,725)	14,063,574	(1,472,906)	54,460,768
Capital assets being depreciated:					
Assets leased from the State	30,608,849	-	-	-	30,608,849
Leasehold improvements	764,491,206	51,145,222	268,693	(289,615)	815,615,506
Machinery and equipment	59,032,896	145,503	658,584	(135,719)	59,701,264
Vehicles	2,193,125	-	244,273	(61,779)	2,375,619
Subtotal	856,326,076	51,290,725	1,171,550	(487,113)	908,301,238
Accumulated depreciation:					
Assets leased from the State	29,275,436	-	1,320,773	-	30,596,209
Leasehold improvements	300,271,757	-	25,639,692	(163,460)	325,747,989
Machinery and equipment	40,506,188	-	3,516,468	(126,203)	43,896,453
Vehicles	1,643,904	-	110,291	(61,779)	1,692,416
Subtotal	371,697,285	-	30,587,224	(351,442)	401,933,067
Net capital assets being depreciated	484,628,791	51,290,725	(29,415,674)	(135,671)	506,368,171
Net capital assets	$ 577,789,616	$ -	$ (15,352,100)	$ (1,608,577)	$ 560,828,939

Note 4 - Capital Assets (Continued)

	Balance July 1, 2016	Additions and Transfers	Disposals and Transfers	Balance June 30, 2017
Capital assets not being depreciated:				
Land	$ 46,892,697	$ 4,434,545	$ -	$ 51,327,242
Construction in progress	15,484,928	35,211,090	(8,862,435)	41,833,583
Subtotal	62,377,625	39,645,635	(8,862,435)	93,160,825
Capital assets being depreciated:				
Assets leased from the State	30,608,849	-	-	30,608,849
Leasehold improvements	750,157,377	14,333,829	-	764,491,206
Machinery and equipment	55,514,536	3,886,945	(368,585)	59,032,896
Vehicles	2,130,156	235,877	(172,908)	2,193,125
Subtotal	838,410,918	18,456,651	(541,493)	856,326,076
Accumulated depreciation:				
Assets leased from the State	28,356,969	918,467	-	29,275,436
Leasehold improvements	276,061,028	24,210,729	-	300,271,757
Machinery and equipment	37,371,623	3,502,653	(368,088)	40,506,188
Vehicles	1,718,961	91,889	(166,946)	1,643,904
Subtotal	343,508,581	28,723,738	(535,034)	371,697,285
Net capital assets being depreciated	494,902,337	(10,267,087)	(6,459)	484,628,791
Net capital assets	$ 557,279,962	$ 29,378,548	$ (8,868,894)	$ 577,789,616

Reclassifications for the year ended June 30, 2017 were included in the "additions and transfers" and "disposal and transfers" columns.

Capitalized interest included in capital asset additions for the years ended June 30, 2018 and 2017 was $0 and $1,758,391, respectively.

Construction Commitments

RIAC has active construction projects expected to be funded from available resources and future operations, which relate to certain airport improvements. As of June 30, 2018 and 2017, RIAC's commitments with contractors were approximately $6,200,000 and $29,000,000, respectively.

Note 5 - Accounts Payable

Accounts payable and accrued expenses as of June 30, 2018 and 2017 are as follows:

	2018	2017
Payables from unrestricted assets:		
Accounts payable and accrued expenses - Trade	$ 2,316,314	$ 4,338,594
Accounts payable and accrued expenses - Capital assets, grant expenses, and other	4,210,065	21,337,391
Total	$ 6,526,379	$ 25,675,985

Note 5 - Accounts Payable (Continued)

	2018	2017
Payables from restricted assets:		
Accounts payable and accrued expenses - InterLink	$ 358,172	$ 525,302
Accounts payable and accrued expenses - Deposits	574,882	615,407
Accounts payable and accrued expenses - Capital assets, grant expenses, and other	1,448,197	4,244,528
Total	$ 2,381,251	$ 5,385,237

Note 6 - Long-term Obligations

Long-term obligations activity for the years ended June 30, 2018 and 2017 can be summarized as follows:

2018	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$ 251,582,770	$ -	$ (15,549,405)	$ 236,033,365	$ 15,956,582
InterLink special facility bonds and TIFIA loan	85,885,891	39,185,000	(44,785,043)	80,285,848	463,190
Unamortized bond premiums	8,448,870	3,529,416	(1,360,601)	10,617,685	492,899
Total bonds payable	345,917,531	42,714,416	(61,695,049)	326,936,898	16,912,671
State of Rhode Island payable	275,000	-	(95,000)	180,000	-
Capital lease	2,896,214	-	(392,999)	2,503,215	399,720
Due to other governmental unit	1,431,729	743,510	(235,000)	1,940,239	615,272
Total long-term obligations	$ 350,520,474	$ 43,457,926	$ (62,418,048)	$ 331,560,352	$ 17,927,663

2017	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$ 224,565,207	$ 40,330,000	$ (13,312,437)	$ 251,582,770	$ 15,547,851
InterLink special facility bond and TIFIA loan	86,805,891	-	(920,000)	85,885,891	1,005,000
Unamortized bond premiums	1,675,687	7,194,108	(420,925)	8,448,870	361,077
Total bonds payable	313,046,785	47,524,108	(14,653,362)	345,917,531	16,913,928
State of Rhode Island payable	390,000	-	(115,000)	275,000	-
Capital lease	-	2,896,214	-	2,896,214	392,999
Due to other governmental unit	1,712,976	-	(281,247)	1,431,729	235,000
Total long-term obligations	$ 315,149,761	$ 50,420,322	$ (15,049,609)	$ 350,520,474	$ 17,541,927

Note 6 - Long-term Obligations (Continued)

Revenue Bonds Payable

Revenue bonds are issued by Commerce RI on behalf of RIAC. The proceeds from these bonds are used to finance construction and related costs of certain capital improvements. These bonds are secured by the net revenue derived from the operation of the airports. As required by the Master Indenture of Trust, RIAC must attain a Debt Service Coverage Ratio of 1.25, as well as meet other nonfinancial covenants. As of June 30, 2018, RIAC was in compliance with all covenants. See Note 9 for information related to the InterLink special facility bond and TIFIA loan.

Revenue bonds payable consist of the following bond issues as of June 30, 2018 and 2017:

Description	Maturity Date	Interest Rate	2018	2017
2008 Series A, B, and C bonds	07/01/2038	3.50%-5.25%	$ 30,450,000	$ 33,465,000
2013 Series A bonds	09/01/2034	0.51%-2.73%	29,637,000	31,040,000
2013 Series B bonds	07/01/2028	4.1%-5.0%	30,700,000	30,700,000
2015 Series A bonds	07/01/2024	2.0%	32,565,000	37,505,000
2016 Series A bonds	07/01/2025	2.49%	20,443,954	23,614,820
2016 Series B bonds	07/01/2030	3.69%	26,970,000	26,970,000
2016 Series C bonds	07/01/2025	2.24%	25,597,411	27,957,950
2016 Series D bonds	07/01/2046	5.0%	36,885,000	36,885,000
2016 Series E bonds	07/01/2021	1.95%-2.75%	2,785,000	3,445,000
Total revenue bonds payable			$ 236,033,365	$ 251,582,770

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for RIAC's revenue bonds are as follows:

Years Ending June 30	Principal	Interest	Total
2019	$ 15,956,582	$ 7,945,332	$ 23,901,914
2020	16,344,494	7,512,925	23,857,419
2021	16,799,159	7,056,110	23,855,269
2022	17,271,168	6,581,658	23,852,826
2023	17,047,791	6,106,254	23,154,045
2024-2028	71,645,138	23,120,212	94,765,350
2029-2033	37,052,135	12,956,092	50,008,227
2034-2038	21,371,000	7,545,300	28,916,300
2039-2043	12,345,000	3,624,500	15,969,500
2044-2048	10,200,898	796,250	10,997,148
Total	$ 236,033,365	$ 83,244,633	$ 319,277,998

Bond Refunding

In March 2018, RIAC issued $39,185,000 of the InterLink Series 2018 First Lien Special Facility Bonds with an interest rate ranging from 3.1-5.0 percent. The proceeds of these bonds were used to refund $43,340,000 of outstanding InterLink Series 2006 First Lien Special Facility Bonds bonds with an interest rate ranging from 4.0-5.0 percent. The net proceeds of $47,495,428 (after payment of $411,488 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. RIAC's defeasance of the Series 2006 First Lien Special Facility Bonds resulted in economic present value savings of approximately $4,500,000 or 10 percent of the refunded bonds.

Note 6 - Long-term Obligations (Continued)

Revenue Pledged from Airport Operations

Per the Master Indenture of Trust and Supplemental Indentures, RIAC has pledged net revenue derived from the operation by RIAC of the Airport and Certain General Aviation Airports to repay approximately $236,033,000 in airport revenue and special facility bonds, including approximately $83,245,000 of related interest as of June 30, 2018. Proceeds from the bonds were used for various airport improvement projects. Amounts available to pay debt service per the Master Indenture, including passenger facility charges, were approximately $50,990,000 and $44,066,000 for the years ended June 30, 2018 and 2017, respectively. Principal and interest payments per the terms of the Master Indenture for the years ended June 30, 2018 and 2017 were approximately $24,289,000 and $22,547,100, respectively.

TIFIA Loan

In June 2006, RIAC, the Commerce RI, and the Rhode Island Department of Transportation (RIDOT) executed a Secured Loan Agreement (the "Agreement"), agreement number TIFIA - No. 2006-1001, which provides for borrowings of up to $42,000,000 with the United States Department of Transportation (U.S. DOT) under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The purpose of the Agreement is to reimburse Commerce RI and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the InterLink. RIAC was permitted under the Agreement to make requisitions of funds for eligible project costs through fiscal year 2013. RIAC began making payments of interest in fiscal year 2012, with interest at a rate of 5.26 percent. Payments are made on behalf of Commerce RI (the borrower per the Agreement), and debt service payments commenced in fiscal year 2012 with a final maturity in fiscal year 2042. Such repayments are payable solely from the net revenue derived from the InterLink. As of June 30, 2018, RIAC had approximately $41,101,000 in borrowings under this Agreement. See Note 9 for schedule of obligations to be paid from InterLink net revenue.

Capital Lease

In July 2016, RIAC entered into a capital lease agreement for machinery and equipment. Lease payments are due annually and expire in fiscal year 2024. Assets recorded under the capital lease amount to $2,896,214 and had accumulated depreciation of $405,364 and $116,742 as of June 30, 2018 and 2017, respectively.

Future minimum rental payments under the capital lease are as follows:

Years Ending June 30	Principal	Interest	Total
2019	$ 399,720	$ 42,805	$ 442,525
2020	406,555	35,970	442,525
2021	413,507	29,018	442,525
2022	420,578	21,947	442,525
2023	427,770	14,755	442,525
2024	435,085	7,440	442,525
Total	$ 2,503,215	$ 151,935	$ 2,655,150

Note 6 - Long-term Obligations (Continued)

State of Rhode Island Payable

The Lease Agreement with the State requires RIAC to make annual payments to the State in an amount equal to the principal and interest payments due to bondholders under certain airport-related General Obligation Bonds issued on behalf of RIAC. Although the original airport-related General Obligation Bonds were defeased in June 2002, the terms of the Lease Agreement require RIAC to continue to remit payments to the State based upon the amortization schedule of the original airport-related General Obligation Bonds through June 2023 (see Note 8). As of June 30, 2018 and 2017, the amounts owed were approximately $180,000 and $275,000, respectively. Annual debt service requirements to maturity are as follows:

Years Ending June 30	Principal	Interest	Total
2019	$ -	$ 7,675	$ 7,675
2020	70,000	4,593	74,593
2021	45,000	2,887	47,887
2022	20,000	1,837	21,837
2023	20,000	656	20,656
2024	25,000	-	25,000
Total	$ 180,000	$ 17,648	$ 197,648

Note 7 - Operating Leases as Lessor

Future minimum contractual rental payments on noncancelable leases related to airline and concession agreements are as follows:

Years Ending June 30	Amount
2019	$ 19,954,281
2020	18,976,546
Total	$ 38,930,827

In the event of tenant default, RIAC has the right to reclaim its leased property together with any improvements thereon.

InterLink future minimum contractual rental payments on noncancelable leases related to rental car agency agreements are as follows:

Years Ending June 30	Amount
2019	$ 1,645,996
2020	1,645,996
2021	1,645,996
2022	1,645,996
2023	1,645,996
2024-2028	8,229,980
2029-2030	3,291,992
Total	$ 19,751,952

Note 8 - Related Party Transactions

The Lease Agreement between RIAC and the State is for a 30-year term as extended (see Note 1) under which the State has agreed to lease various assets to RIAC for $1 per year. In addition, the Lease Agreement requires RIAC to make annual payments to the State through June 2023 in amounts equal to the principal and interest payments due to bondholders under certain airport-related General Obligation Bonds issued by the State on behalf of RIAC (see Note 6). In the event RIAC does not have sufficient funds to make the required payments when due, the amount is payable in the next succeeding fiscal year and remains an obligation of RIAC until paid in full. The State has no right to terminate the Lease Agreement so long as there are bonds and subordinate indebtedness outstanding.

Accounts receivable from the State of Rhode Island totaled $170,636 and $3,140,615 as of June 30, 2018 and 2017, respectively. Amounts due from the State of Rhode Island related to capital project costs.

Net amounts due to the Quonset Development Corporation (QDC) totaled $1,940,239 and $1,431,729 as of June 30, 2018 and 2017, respectively. Amounts due to QDC relate to revenue from revenue-producing parcels less related operating expenses managed by QDC on behalf of RIAC. Additionally, amounts due to QDC include capital or grant project costs paid by QDC and may fluctuate annually based on year-over-year activity.

Note 9 - Segment Information

RIAC maintains one enterprise fund that includes the InterLink Facility. The InterLink Facility includes consolidated facilities for Airport rental car operations; a train platform to provide access for commuter rail service south to Wickford, Rhode Island, and north to both Providence and Boston; and a parking garage for rental car operators and rail commuters. An elevated and enclosed skywalk system connects the InterLink Facility to the Airport.

Facility revenue for the Interlink include Customer Facility Charges (CFCs), Utility Facility Charges (UFCs), rental car fees, and commuter parking revenue. CFC revenue, including audit recoveries, were $6,275,274 and $5,821,867 for the years ended June 30, 2018 and 2017, respectively. Operating expenses include utilities, contracted maintenance, insurance, depreciation and amortization, and other costs associated with the InterLink. Interest expense includes the interest component of RIAC's debt service on the 2018 Series Special Facility Bonds, the U.S. DOT's and TIFIA loan. Interest income on accounts associated with the InterLink is also included in this line item.

Note 9 - Segment Information (Continued)

Segment income statement information for RIAC's primary airport operations and the InterLink Facility for the years ended June 30, 2018 and 2017 is as follows:

	Airport Operations 2018	Airport Operations 2017	InterLink 2018	InterLink 2017
Operating Revenue	$ 71,853,386	$ 65,419,569	$ 9,131,695	$ 7,647,596
Operating Expenses				
Operational expenses	41,867,554	39,638,927	2,080,428	1,473,139
Depreciation and amortization	25,682,372	23,717,046	4,509,459	4,600,880
Total operating expenses	67,549,926	63,355,973	6,589,887	6,074,019
Operating Income	4,303,460	2,063,596	2,541,808	1,573,577
Nonoperating Revenue (Expense)				
Investment income	1,126,937	397,751	409,143	171,084
Interest expense	(9,019,148)	(7,702,908)	(4,778,535)	(4,408,212)
Passenger facility charges	8,667,896	7,338,040	-	-
Grant revenue	8,648,890	13,787,133	-	-
Grant expenses	(8,289,372)	(15,307,323)	-	-
Other	76,815	108,428	-	-
Total nonoperating revenue (expense)	1,212,018	(1,378,879)	(4,369,392)	(4,237,128)
Income (Loss) - Before capital contributions	5,515,478	684,717	(1,827,584)	(2,663,551)
Capital Contributions - Net	15,467,725	14,437,281	-	-
Change in Net Position	$ 20,983,203	$ 15,121,998	$ (1,827,584)	$ (2,663,551)

Pledged Revenue from the InterLink Facility

RIAC has pledged InterLink net revenue (defined below) to repay $39,185,000 in Series 2018 First Lien Special Facility Bonds and $41,100,848 in the TIFIA loan and related interest of approximately $59,427,000 as of June 30, 2018. See Note 6 for disclosure related to the bond refunding of the Series 2006 First Lien Special Facility Bonds during the fiscal year. Proceeds from the bonds were used for the construction of the InterLink. Net revenue, which consists of operating and interest income net of depreciation and amortization, were $7,460,410 and $6,345,541 for the years ended June 30, 2018 and 2017, respectively. Principal and interest payments per the terms of the Indenture of Trust on the First Lien Special Facility Bonds (for both Series 2018 and Series 2006) for the years ended June 30, 2018 and 2017 were approximately $3,172,000 and $3,176,000, respectively. Principal and interest payments on the TIFIA loan for the years ended June 30, 2018 and 2017 were approximately $2,625,000 and $2,185,000, respectively. As required by the First Supplemental Indenture of Trust, RIAC must attain a debt service coverage ratio of 1.25, as well as meet other nonfinancial covenants. As of June 30, 2018, RIAC was in compliance with all covenants.

Note 9 - Segment Information (Continued)

Obligations supported by pledged InterLink net revenue is as follows:

Years Ending June 30	Principal	Interest	Total
2019	$ 463,190	$ 3,995,261	$ 4,458,451
2020	1,582,553	3,916,147	5,498,700
2021	1,698,197	3,831,252	5,529,449
2022	1,825,193	3,740,007	5,565,200
2023	1,963,607	3,641,843	5,605,450
2024-2028	12,114,399	16,473,353	28,587,752
2029-2033	16,635,659	12,958,967	29,594,626
2034-2038	24,572,781	8,249,247	32,822,028
2039-2043	19,430,269	2,620,522	22,050,791
Total	$ 80,285,848	$ 59,426,599	$ 139,712,447

Note 10 - Pension Plans

Plan Description

Certain employees of RIAC participate in a cost-sharing multiemployer defined benefit plan, Employees' Retirement System plan, administered by the Employees' Retirement System of the State of Rhode Island (the "System"). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at http://www.ersri.org.

Membership and Benefits Provided

The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates, and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80 percent or 75 percent. For those hired after June 30, 2012, the benefit accrual rate is 1 percent per year with a maximum benefit accrual of 40 percent. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security normal retirement age, which applies to any member with less than five years of service as of July 1, 2012. Members are vested after five years of service.

The plan provides for survivor's benefits for service-connected death and certain lump-sum benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided, but are currently suspended until the collective plans covering state employees and teachers reach a funded status of 80 percent. Until the plans reach an 80 percent funded status, interim cost of living adjustments are provided at five-year intervals.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

Note 10 - Pension Plans (Continued)

Contributions

The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For fiscal year ended June 30, 2018, RIAC employees are required to contribute 3.75 percent of their annual covered salaries. RIAC is required to contribute at an actuarially determined rate; the rate was 24.87 percent of annual covered payroll for the fiscal year ended June 30, 2018. RIAC contributed $148,567, $157,396, and $139,444 for the fiscal years ended June 30, 2018, 2017, and 2016, respectively, equal to 100 percent of the required contributions for each year.

Net Pension Liability

At June 30, 2018, RIAC reported a liability of $2,135,747 for its proportionate share of the net pension liability related to its participation in the System. The net pension liability was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017. RIAC's proportion of the net pension liability was based on its share of contributions to the System for the fiscal year ended June 30, 2017 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2017 and 2016, RIAC’s proportion was 0.09472 percent and 0.08660 percent, respectively.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018 and 2017, RIAC recognized pension expense of $193,513 and $49,100, respectively.

At June 30, 2018 and 2017, RIAC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 43,567	$ -	$ 48,672
Changes in assumptions	180,022	5,806	-	9,126
Net difference between projected and actual earnings on pension plan investments	47,992	-	131,197	-
Changes in proportionate share, or difference between amount contributed and proportionate share of contributions	-	161,073	-	394,866
Employer contributions to the plan subsequent to the measurement date	148,567	-	157,396	-
Total	$ 376,581	$ 210,446	$ 288,593	$ 452,664

Note 10 - Pension Plans (Continued)

Contributions of $148,567 are reported as deferred outflows of resources related to pensions resulting from RIAC's contributions in the fiscal year ended June 30, 2018 subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2019	$ (37,499)
2020	(2,587)
2021	(11,907)
2022	56,273
2023	13,288
Total	$ 17,568

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 6.25%
Investment rate of return	7.00%

Mortality rates for male plan members were based on RP-2014 Combined Healthy for Males with Blue Collar adjustments, projected with Scale Ultimate MP16. Mortality rates for female plan members were based on RP-2014 Combined Healthy for Females, projected with Scale Ultimate MP16.

The actuarial assumptions used in the June 30, 2016 valuation rolled forward to June 30, 2017 and the calculation of the total pension liability at June 30, 2017 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at statutorily required rates, actuarially determined.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 10 - Pension Plans (Continued)

Investment Rate of Return

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from multiple sources. The June 30, 2018 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity:		
U.S. equity	20.60 %	6.85 %
International developed equity	15.90	6.71
International emerging markets	3.50	8.91
Private growth:		
Private equity	11.30	9.62
Noncore RE	2.20	5.17
OPP private credit	1.50	9.62
Income:		
High-yield infrastructure	1.00	4.26
REITs	1.00	5.17
Liquid credit	2.80	4.26
Private credit	3.20	4.26
Crisis protection class:		
Treasury duration	4.00	0.83
Systematic trend	4.00	3.81
Inflation protection:		
Core real estate	3.60	5.17
Private infrastructure	2.40	5.57
TIPs	1.00	1.72
Natural resources	1.00	3.98
Volatility protection:		
IG fixed income	11.50	2.12
Absolute return	6.50	3.81
Cash	3.00	0.83

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of RIAC, calculated using the discount rate of 7.00 percent, as well as what RIAC's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percent Increase (8.00%)
RIAC's proportionate share of the net pension liability of the Employees' Retirement System	$ 2,659,545	$ 2,135,747	$ 1,745,597

Note 10 - Pension Plans (Continued)

Pension Plan Fiduciary Net Position

As noted earlier, the System issues a publicly available financial report that includes financial statements and required supplemental information for the plans. The report may be obtained at http://www.ersri.org. The report contains detailed information about the pension plan's fiduciary net position.

Defined Contribution Plan Description

Employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System, as authorized by General Laws Chapter 36-10.3. The defined contribution plan is established under IRS Section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5 percent of their annual covered salary and employers contribute 1 percent of annual covered salary. Employee contributions are immediately vested, while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

RIAC contributed $1,247, $1,269, and $1,796 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100 percent of the required contributions for these years.

Plan vesting and contribution forfeiture provisions - The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is nonforfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the member and is nonforfeitable upon completion of three years of contributory service. Nonvested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Retirement benefits - Benefits may be paid to a member after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains age 70.5 or terminates employment, if later.

The System issues a publicly available financial report that includes financial statements and required supplemental information for plans administered by the System. The report may be obtained at http://ersri.org.

Money Purchase Pension Plan

Employees hired by RIAC on or after July 1, 1993 are eligible to participate in the Money Purchase Pension Plan and Trust, a defined contribution plan administered by RIAC. The number of RIAC employees covered by this plan throughout the year averaged 139 in 2018 and 140 in 2017. RIAC's total payroll for the year ended June 30, 2018 was approximately $12,871,000, of which $10,663,000 was covered under the plan. RIAC's total payroll for the year ended June 30, 2017 was approximately $13,192,000, of which $11,163,000 was covered under the plan.

In order to participate in the plan, covered employees must contribute 8 percent of their base pay to the plan. Participants are 100 percent vested in the amounts they contribute. Withdrawals of these contributed amounts are not permitted prior to termination of employment. RIAC matches 100 percent of participants' required contributions under a five-year vesting schedule. Total contributions for the year ended June 30, 2018 were approximately $853,000 by the employer and $862,000 by the employees, respectively. Total contributions for the year ended June 30, 2017 were approximately $893,000 by the employer and $902,000 by the employees, respectively.

The board of directors of RIAC has the authority to establish and/or amend the plan's provisions and the plan's contribution requirements.

Note 10 - Pension Plans (Continued)

The assets of the Money Purchase Pension Plan are not the assets of RIAC, and RIAC has no fiduciary responsibility; thus, they are not included in this financial statement.

Note 11 - Other Postemployment Benefit Plan

Plan Description

Certain employees of RIAC participate in a cost-sharing multiple-employer defined benefit other postemployment benefits (OPEB) plan included within the Rhode Island State Employees’ and Electing Teachers OPEB System (the "System"). RIAC participates in the State Employees' plan within the System.

Under a cost-sharing plan, OPEB obligations for employees of all employers are pooled, and plan assets are available to pay the benefits of the employees of any participating employer providing OPEB benefits through the plan, regardless of the status of the employers’ payment of its OPEB obligation to the plan. The plan provides healthcare benefits to plan members.

The System is administered by the OPEB board and was authorized, created, and established under Chapter 36-12.1 of the RI General Laws. The board was established under Chapter 36-12.1 as an independent board to hold and administer, in trust, the funds of the OPEB system. The four members of the OPEB board are: the state controller, the state budget officer, the state personnel administrator, and the general treasurer, or their designees.

The System issues a publicly available financial report that includes financial statements and required supplemental information for the plans. The report may be obtained at http://www.oag.ri.gov/reports.html.

Membership and Benefits Provided

The plans within the System generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account contributions or Medicare supplement coverage for members who are Medicare eligible. Members may purchase coverage for spouses and dependents. Dental and vision coverage may be purchased by these groups with no state subsidy.

Members of the System must meet the eligibility and services requirements set forth in the RI General Laws or other governing documents. RIGL Sections 16-17.1-1 and 2, 36-10-2, 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the System, and they may be amended in the future by action of the General Assembly.

Contributions

The funding policy, as set forth in the General Laws and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. RIAC is required to contribute at an actuarially determined rate; the rate was 5.98 percent of annual covered payroll for the fiscal year ended June 30, 2018. RIAC contributed $35,723, $35,950, and $37,104 for the fiscal years ended June 30, 2018, 2017, and 2016, respectively, equal to 100 percent of the required contributions for each year.

Active employees do not make contributions to the plan. Retired member contributions consist of the required retiree share of coverage based on the time of retirement and years of service.

Net OPEB Liability

At June 30, 2018, RIAC reported a liability of $437,010 for its proportionate share of the net OPEB liability related to its participation in the System. The net OPEB liability was measured as of June 30, 2017, the measurement date, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. RIAC’s proportion of the net OPEB liability was based on its share of contributions to the System for fiscal year 2017 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2017, RIAC’s proportion was 0.08413 percent.

Note 11 - Other Postemployment Benefit Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, RIAC recognized OPEB expense of $32,568.

At June 30, 2018, RIAC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 22,785
Changes in assumptions	26,220	-
Contributions subsequent to measurement date	35,723	-
Net difference between projected and actual investment earnings	-	5,356
Total	$ 61,943	$ 28,141

Contributions of $35,723 are reported as deferred outflows of resources related to OPEB expense resulting from RIAC's contributions in fiscal year 2018 subsequent to the measurement date and will be recognized as a reduction of the net pension liability determined at the June 30, 2018 measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2019	$ (799)
2020	(799)
2021	(799)
2022	540
2023	(64)
Total	$ (1,921)

Actuarial Assumptions

The total OPEB liability was determined using the following significant actuarial assumptions:

Inflation	2.75%
Salary increases	3.00% to 6.00%
Investment rate of return	5.00%
Healthcare cost trend rate	9.00 percent in fiscal 2018 decreasing annually to 3.50 percent in fiscal year 2031 and later

Mortality rates for male plan members were based on RP-2014 Combined Healthy for Males with Blue Collar adjustments, projected with Scale Ultimate MP16. Mortality rates for female plan members were based on RP-2014 Combined Healthy for Females, projected with Scale Ultimate MP16.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members, if any, will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 11 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return best-estimate on OPEB plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of OPEB plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from eight nationally recognized investment consulting firms. The June 30, 2017 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	65.00 %	5.58 %
Fixed income	35.00	0.52

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of RIAC, calculated using the discount rate of 5.00 percent, as well as what RIAC's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (4.00%)	Current Discount Rate (5.00%)	1 Percent Increase (6.00%)
RIAC's proportionate share of the net OPEB liability of the State Employees' and Electing Teachers OPEB System	$ 509,933	$ 437,010	$ 376,291

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of RIAC, calculated using the healthcare cost trend rate of 9.00 percent and gradually decreasing to an ultimate rate of 3.50 percent, as well as what RIAC's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Lower	Baseline	1 Percent Higher
RIAC's proportionate share of the net OPEB liability of the State Employees' and Electing Teachers OPEB System	$ 367,774	$ 437,010	$ 523,053

OPEB Plan Fiduciary Net Position

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at http://www.oag.ri.gov/reports.html. The report contains detailed information about the OPEB plan's fiduciary net position.

Note 12 - Risk Management

RIAC is self-insured for workers' unemployment. RIAC pays for unemployment claims as they are incurred. At June 30, 2018 and 2017, there are no material liabilities outstanding.

RIAC is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. RIAC has purchased commercial insurance for these types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

Note 13 - Contingent Liabilities

RIAC participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, RIAC may be required to reimburse the grantor government. As of June 30, 2018 and 2017, significant amounts of grant expenditures have not been audited by grantors, but RIAC believes that disallowed expenditures, if any, based on subsequent audits will not have a material adverse effect on the overall financial position of RIAC.

RIAC is subject to various legal proceedings and claims that arise in the ordinary course of its business. RIAC believes that the amount, if any, of ultimate liability with respect to legal actions will be insignificant or will be covered by insurance.

Required Supplemental Information

Required Supplemental Information
Schedule of RIAC's Proportionate Share of the Net Pension Liability*
Employees' Retirement System Plan

Last Four Plan Years

For the Plan Years Ended June 30

	2018	2017	2016	2015
RIAC's proportion of the net pension liability	0.09472 %	0.08660 %	0.11207 %	0.11073 %
RIAC's proportionate share of the net pension liability	$ 2,135,747	$ 1,837,970	$ 2,226,207	$ 1,973,129
RIAC's covered payroll	$ 597,373	$ 621,137	$ 589,865	$ 750,686
RIAC's proportionate share of the net pension liability as a percentage of its covered payroll	357.52 %	295.90 %	377.41 %	262.84 %
Plan fiduciary net position as a percentage of total pension liability	51.83 %	51.88 %	55.00 %	58.60 %

* Schedule is built prospectively upon the implementation of GASB Statement No. 68.

Required Supplemental Information
Schedule of Pension Contributions*
Employees' Retirement System Plan

Last Four Fiscal Years

Years Ended June 30

	2018	2017	2016	2015
Statutorily required contribution	$ 148,567	$ 157,396	$ 139,444	$ 175,135
Contributions in relation to the statutorily required contribution	148,567	157,396	139,444	175,135
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**
RIAC's Covered Payroll	$ 597,373	$ 621,137	$ 589,865	$ 750,686
Contributions as a Percentage of Covered Payroll	24.87 %	25.34 %	23.64 %	23.33 %

* Schedule is built prospectively upon the implementation of GASB Statement No. 68.

Required Supplemental Information
Schedule of RIAC's Proportionate Share of the Net OPEB Liability*
State Employees' and Electing Teachers OPEB System

	Last One Plan Year For the Plan Year Ended June 30
RIAC's proportion of the net OPEB liability	0.08413 %
RIAC's proportionate share of the net OPEB liability	$ 437,010
RIAC's covered payroll	$ 597,373
RIAC's proportionate share of the net OPEB liability as a percentage of its covered payroll	73.16 %
Plan fiduciary net position as a percentage of total OPEB liability	22.38 %

* Schedule is built prospectively upon the implementation of GASB Statement No. 75.

Required Supplemental Information
Schedule of OPEB Contributions*
State Employees' and Electing Teachers OPEB System

	Last Fiscal Year Year Ended June 30, 2018
Actuarially determined contribution	$ 35,723
Contributions in relation to the actuarially determined contribution	35,723
Contribution Deficiency	**$ -**
Covered Payroll	$ 597,373
Contributions as a Percentage of Covered Payroll	6.0 %

* Schedule is built prospectively upon the implementation of GASB Statement No. 75.

Other Supplemental Information

State of Rhode Island Attachment B
Statement of Net Position

Assets	
Current Assets:	
Cash and cash equivalents	$ 48,426,216
Investments	
Receivables (net)	18,185,905
Restricted assets:	
Cash and cash equivalents	23,174,473
Investments	
Receivables (net)	
Other assets	
Due from primary government	170,636
Due from other component units	
Due from other governments	
Inventories	
Other assets	857,159
Total current assets	90,814,389
Noncurrent Assets:	
Investments	
Receivables (net)	
Restricted assets:	
Cash and cash equivalents	55,398,231
Investments	8,869,937
Receivables (net)	2,003,476
Other assets	
Due from other component units	
Capital assets - nondepreciable	54,460,768
Capital assets - depreciable (net)	506,368,171
Other assets, net of amortization	817,072
Total noncurrent assets	627,917,655
Total assets	718,732,044
Deferred outflows of resources	
Deferred pension amounts	376,581
Deferred OPEB amounts	61,943
Other deferred outflows of resources	614,176
Total deferred outflows of resources	1,052,700

State of Rhode Island Attachment B
Statement of Net Position (Continued)

Liabilities	
Current liabilities:	
Cash overdraft	
Accounts payable (unrestricted and restricted)	$ 2,496,201
Due to primary government	0
Due to other component units	615,272
Due to other governments	
Unearned revenue	845,216
Other current liabilities	12,556,793
Current portion of long-term debt	16,912,671
Total current liabilities	33,426,153
Noncurrent liabilities:	
Due to primary government	180,000
Due to other component units	1,324,967
Due to other governments	
Net pension liability	2,135,747
Net OPEB liability	437,010
Unearned revenue	
Notes payable	
Loans payable	
Obligations under capital leases	2,103,495
Compensated absences	
Bonds payable	310,024,227
Other liabilities	
Total noncurrent liabilities	316,205,446
Total liabilities	349,631,599
Deferred inflows of resources	
Deferred pension amounts	210,446
Deferred OPEB amounts	28,141
Other deferred inflows of resources	
Total deferred inflows of resources	238,587
Net position	
Net investment in capital assets	260,094,311
Restricted for:	
Debt	8,415,000
Capital projects	47,167,047
Other	
Nonexpendable	
Unrestricted	54,238,200
Total net position	$ 369,914,558

State of Rhode Island Attachment C
Statement of Activities

Expenses	$ 96,226,868
Program revenues:	
Charges for services	89,652,977
Operating grants and contributions	
Capital grants and contributions	24,116,615
Total program revenues	113,769,592
Net (expenses) revenues	17,542,724
General revenue:	
Interest and investment earnings	1,536,080
Miscellaneous revenue	76,815
Operating grants	
Gain on sale of capital assets	
Total general revenues	1,612,895
Special items	
Extraordinary items	
Change in net position	19,155,619
Total net position - beginning, as previously reported	351,165,302
Cumulative effect of restatement	(406,363)
Total net position - beginning, as restated	350,758,939
Total net position - ending	$ 369,914,558

State of Rhode Island Attachment D
Schedule of Debt Service to Maturity – Long-Term Debt

Fiscal Year Ending June 30:	Principal	Interest
2019	$ 16,419,772	$ 11,940,593
2020	17,927,047	11,429,072
2021	18,497,356	10,887,362
2022	19,096,361	10,321,665
2023	19,011,398	9,748,097
2024 - 2028	83,759,537	39,593,565
2029 - 2033	53,687,794	25,915,059
2034 - 2038	45,943,781	15,794,547
2039 - 2043	31,775,269	6,245,022
2044 - 2048	10,200,898	796,250
2049 - 2053		
2054 - 2058		
2059 - 2063		
	$ 316,319,213	$ 142,671,232

State of Rhode Island Attachment E
Schedule of Changes in Long-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	$ 337,468,661	$ 39,185,000	$ 60,334,448	$ 316,319,213	$ 16,419,772	$ 299,899,441
Net unamortized premium	8,448,870	3,529,416	1,361,271	10,617,015	492,899	10,124,116
Bonds payable	345,917,531	42,714,416	61,695,719	326,936,228	16,912,671	310,023,557
Notes payable						
Loans payable						
Obligations under capital leases	2,896,214		392,999	2,503,215	399,720	2,103,495
Net pension liability	1,837,970	297,777		2,135,747		2,135,747
Net OPEB liability	442,313		5,303	437,010		437,010
Due to primary government	275,000		95,000	180,000		180,000
Due to component units	1,431,729	743,510	235,000	1,940,239	615,272	1,324,967
Due to other governments and agencies						
Unearned revenue	867,719		22,503	845,216	845,216	
Compensated absences						
Arbitrage rebate						
Pollution remediation						
Funds Held for Others						
Other liabilities - include explanation						
Total other liabilities	$ 353,668,476	$ 43,755,703	$ 62,446,524	$ 334,977,655	$ 18,772,879	$ 316,204,776

Schedule of Travel & Business Development Expenses
For the year ended June 30, 2018

Employee	Purpose	Date	Place	Amount
J. D'Espinosa	AAAE Certified Member Training	07/16/17-07/22/17	Alexandria, VA	1,639
A. Jacques	Airports Council Int'l - North America 2017 Annual Conference	09/17/17-09/20/17	Fort Worth, TX	1,891
I. Ahmad	Routes World Conference	09/22/17-09/26/17	Barcelona, Catalonia	2,612
B. Schattle	Routes World Conference	09/22/17-09/26/17	Barcelona, Catalonia	2,757
T. Pimental	Routes World Conference	09/22/17-09/26/17	Barcelona, Catalonia	2,667
Various	Greater Providence Chamber of Commerce 2017 Annual Meeting	10/19/2017	Providence,RI	1,400
I. Ahmad	Airline Visit	10/31/17-11/01/17	Montreal, QC, Canada	348
B. Schattle	Airline Visit	10/31/17-11/01/17	Montreal, QC, Canada	255
T. Pimental	Airline Visit	10/31/17-11/01/17	Montreal, QC, Canada	250
Various	Rhode Island Aviation Hall of Fame - Annual Dinner	11/18/2017	N.Kingstown, RI	400
Various	Greater Providence Chamber of Commerce Legislative Luncheon	12/8/2017	Providence, RI	850
I. Ahmad	Airline meetings	01/30/18-01/31/18	New York, NY	671
I. Ahmad	Routes Europe 2018	04/22/18-04/24/18	Bilboa, Basque, Spain	2,362
B. Schattle	Routes Europe 2018	04/22/18-04/24/18	Bilboa, Basque, Spain	2,372
T. Pimental	Routes Europe 2018	04/22/18-04/24/18	Bilboa, Basque, Spain	2,518
I. Ahmad	JumpStart Conference	06/04/18-06/07/18	Cleveland, OH	1,803
T. Pimental	JumpStart Conference	06/04/18-06/07/18	Cleveland, OH	1,040
Various	Airline Events	07/01/17-06/30/18	Warwick, RI	5,719
Various	Board Meeting Expenses	07/01/17-06/30/18	Warwick, RI	680
Various	Business Meeting Expenses	07/01/17-06/30/18	Warwick, RI	6,286
Various	Employee Meetings and Functions	07/01/17-06/30/18	Warwick, RI	8,105
Various	Miscellaneous Amounts Under $200	07/01/17-06/30/18	Warwick, RI	91
		TOTAL		**46,715**

Schedule of Expenditures of Federal Awards*
For the Year Ended June 30, 2018

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Provided to Sub-Recipient	Federal Expenditures
U.S. Department of Homeland Security:			
Direct Programs:			
Office of Law Enforcement/Federal Air Marshall Service/National Explosives Detection Canine Team Program	97.072		$ 143,126
Law Enforcement Officer Reimbursement Agreement Program	97.090		116,080
Total Department of Homeland Security			259,206
U.S. Department of Defense - National Guard Bureau:			
Direct Programs:			
National Guard Military Operations and Maintenance (O&M) Projects	12.401	$ 453,552	$ 590,223
Total Department of Defense		453,552	590,223
U.S. Department of Transportation:			
Direct Programs:			
Airport Improvement Programs	20.106		13,822,967
Small Community Air Service Development Program	20.930		2,223
Total Department of Transportation			13,825,190
Total Expenditures of Federal Awards		$ 453,552	$ 14,674,619

* The Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of RIAC under programs of the Federal Government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of RIAC, it is not intended to and does not represent the financial position, changes in net assets or cash flows of RIAC.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance. RIAC has not used the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance in certain circumstances.

The above programs were not required to be audited as major programs under the Uniform Guidance as determined by the State of Rhode Island.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Rhode Island Airport Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rhode Island Airport Corporation (RIAC), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise RIAC's basic financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RIAC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIAC's internal control. Accordingly, we do not express an opinion on the effectiveness of RIAC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of RIAC's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RIAC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

To Management and the Board of Directors
Rhode Island Airport Corporation

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RIAC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIAC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

September 28, 2018