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# Rhode Island Airport Corporation

(a component unit of the State of Rhode Island)

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**Financial Report**  
**with Supplemental Information**  
**June 30, 2020**

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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 financial statements of Rhode Island Airport Corporation (RIAC), a component unit of the State of Rhode Island, as of and for the fiscal years ended June 30, 2020 and 2019 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, 2020 and 2019 and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Rhode Island Airport Corporation

**Other Matters**

*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 30, 2020 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.



September 30, 2020

### 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, 2020 and June 30, 2019. 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 1<sup>st</sup> and continuing through the following June 30<sup>th</sup> 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.

# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

### 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, 2020, 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 7,100 public parking spaces are available on Airport property as of June 30, 2020. They are divided as follows: a short term lot in front of the Terminal (Lot D) with approximately 500 spaces; a parking garage with approximately 1,500 spaces (Garage A); a parking 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). Effective July 1, 2018, RIAC controlled parking facilities are operated pursuant to a parking management agreement with LAZ Parking Limited, LLC. Through June 30, 2018, the parking management agreement was with SP Plus Corporation, formerly Standard Parking Corporation.

Public vehicular access is provided by a roadway system that directs vehicular traffic from Post Road and Interstate Route 95 to the Terminal curbsfronts. These roads connect to a dual-level curbsfront 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 curbsfront 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, TNC's, 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.

# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

### Air Carriers Serving the Airport

In fiscal year 2020, the Airport had scheduled passenger service provided by eleven mainline carriers, and twelve affiliate carriers. Two additional airlines provide international service and four additional airlines provide all-cargo service.

### AIRLINES SERVING THE AIRPORT

#### **Mainline Carriers (11)**

Allegiant Air  
American Airlines  
Delta Air Lines  
Frontier Airlines  
JetBlue Airways  
Miami Air  
Southern Airways Express  
Southwest Airlines  
Sun Country Airlines  
Swiftair  
United Airlines

#### **Doing Business As:**

#### **Domestic Affiliate Carriers (12)**

Air Wisconsin Airlines	United Express
CommutAir	United Express
Endeavor Air	Delta Connection
Envoy Airlines	American Express
ExpressJet	United Express
GoJet	Delta Connection and United Express
Mesa Airlines	United Express
Piedmont Airlines	American Express
PSA Airlines	American Express
Republic Airlines	American Express, Delta Connection and United Express
SkyWest Airlines	Delta Connection and United Express
Trans States	United Express

#### **International Carriers (2)**

Air Georgian	Air Canada
Norwegian Air Shuttle ASA	

#### **All Cargo Carriers (4)**

Atlas Air Federal Express  
Federal Express  
United Parcel Service  
Wiggins Airways (a)

(a) Wiggins Airways flies on behalf of FedEx

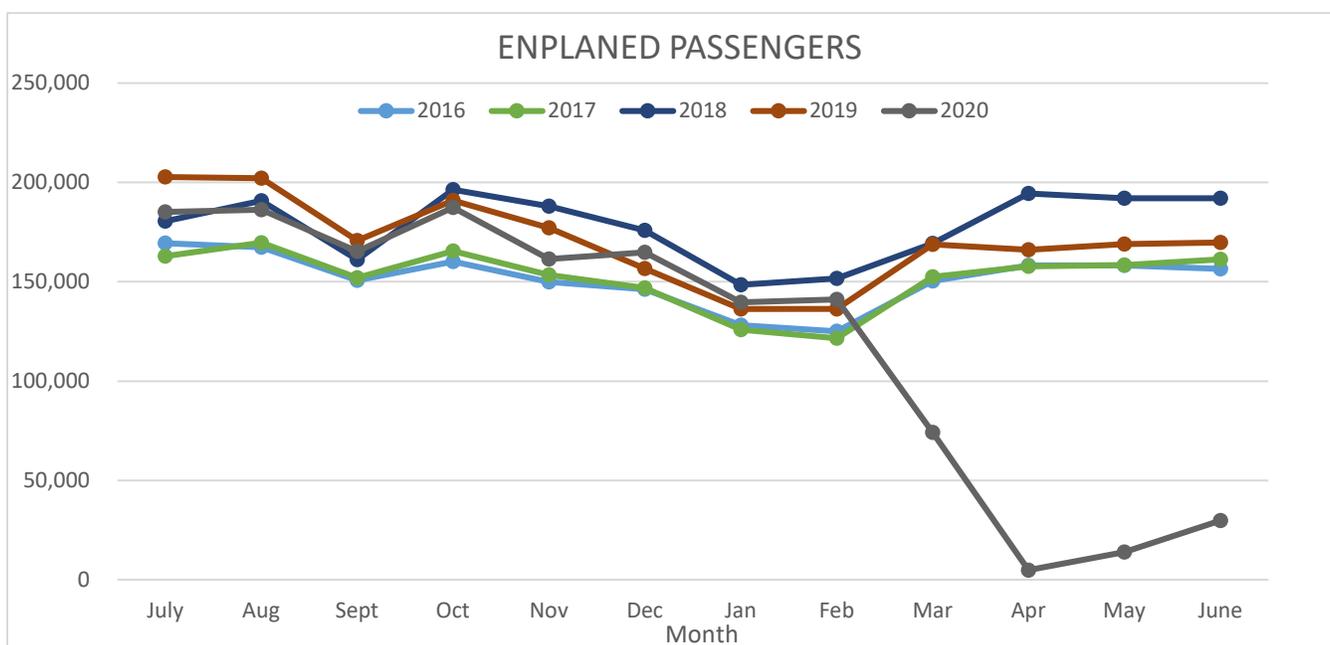
# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

### Historical Enplanement Data

T.F. Green Airport was ranked as the 70<sup>th</sup> busiest airport in the country for calendar year 2019 according to the latest published preliminary data produced by the FAA. This compares with rankings of 64<sup>th</sup> busiest in calendar year 2018, 65<sup>th</sup> busiest in calendar year 2017, 64<sup>th</sup> busiest in calendar year 2016, and 65<sup>th</sup> busiest in calendar year 2015.

Actual enplaned passengers for fiscal year 2020 were 592,535 below 2019 resulting in a decrease of 28.9%. The following chart and table depict the historical trend of enplaned passenger traffic at T. F. Green Airport for the fiscal years 2016 through 2020. Similar to airports across the country, T.F. Green was impacted by the COVID-19 pandemic with significant reductions due to travel restrictions, significantly reducing the passenger traffic from March to June of 2020. Enplanements for December 2019 through February 2020 were higher than the prior year.



Fiscal Year	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
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
2019	202,727	202,148	170,666	190,862	177,079	156,662	136,344	136,322	168,865	166,029	168,935	169,760	2,046,399
2020	185,182	186,219	165,223	187,380	161,488	164,846	139,666	141,048	74,193	4,835	13,953	29,831	1,453,864

### 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. Frontier Airlines, Air Canada, Allegiant Air, Southern Airways Express, Sun Country Airlines operate as Non-Signatory carriers.

The term of the Signatory Airline Agreement extends through June 30, 2021. 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.

# Rhode Island Airport Corporation

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## Management's Discussion and Analysis (Continued)

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### GENERAL AVIATION AIRPORTS

There are five General Aviation Airports operated and managed by RIAC, each of these airports is briefly described below. Effective July 1, 2018, RIAC entered into a Full Service Fixed Base Operator (FBO) Agreement with FlightLevel Aviation for the General Aviation Airports through June 30, 2023.

#### 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 18,000 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 17,000 commuter passengers annually.

# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

### 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.

### SUMMARY OF OPERATIONS AND CHANGE IN NET POSITION

	2020	2019	2018
Operating Revenues - Airports	\$ 51,092,912	\$ 63,767,018	\$ 71,853,386
Operating Revenues - Interlink	8,089,691	9,479,156	9,131,695
Operating Expenses - Airports	(33,886,074)	(36,276,741)	(41,867,554)
Operating Expenses - Interlink	(3,406,417)	(2,087,805)	(2,080,428)
Operating Income (Before Depreciation)	21,890,112	34,881,628	37,037,099
Depreciation Expense - Airports	(22,643,423)	(24,017,286)	(25,682,372)
Depreciation Expense - Interlink	(4,339,189)	(4,382,431)	(4,509,459)
Operating Income (Loss)	(5,092,500)	6,481,911	6,845,268
Non-operating Revenues (Expenses), total	(4,056,919)	(2,614,183)	(3,157,374)
Income (Loss) Before Capital Contributions	(9,149,419)	3,867,728	3,687,894
Capital Contributions, net	10,503,710	5,070,651	15,467,725
Change in Net Position	\$ 1,354,291	\$ 8,938,379	\$ 19,155,619

# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

### FINANCIAL POSITION SUMMARY

	2020	2019	2018
<b>ASSETS</b>			
Current assets	\$ 103,164,487	\$ 100,733,574	\$ 90,814,389
Noncurrent assets	66,978,718	71,695,768	67,088,716
Capital assets, net	516,489,983	535,908,383	560,828,939
Total assets	686,633,188	708,337,725	718,732,044
<b>DEFERRED OUTFLOWS</b>	1,140,026	783,699	1,052,700
<b>LIABILITIES</b>			
Current liabilities	30,508,579	32,928,513	33,426,153
Long term obligations	276,720,446	297,039,799	316,205,446
Total liabilities	307,229,025	329,968,312	349,631,599
<b>DEFERRED INFLOWS</b>	336,961	300,175	238,587
<b>NET POSITION</b>			
Net investment in capital assets	249,177,646	250,820,366	260,094,311
Restricted	61,146,671	63,176,506	55,582,047
Unrestricted	69,882,911	64,856,065	54,238,200
<b>TOTAL NET POSITION</b>	<u>\$ 380,207,228</u>	<u>\$ 378,852,937</u>	<u>\$ 369,914,558</u>

Total assets decreased approximately \$21,705,000 and \$10,394,000 in fiscal years 2020 and 2019, respectively, 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 liabilities decreased approximately \$22,739,000 in fiscal year 2020 primarily due to the reduction of accounts payable and accrued expenses associated with RIAC's capital improvement program, the reduction of bonds payable, and the reduction of amounts due to other governmental units related to capital project costs. Total liabilities decreased approximately \$19,663,000 in fiscal year 2019 primarily due to the reduction of bonds payable.

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.

Net position for fiscal year 2020 and 2019 increased by approximately \$1,354,000 and \$8,938,000, respectively as a result in the assets, liabilities, deferred outflows and deferred inflows referenced above.

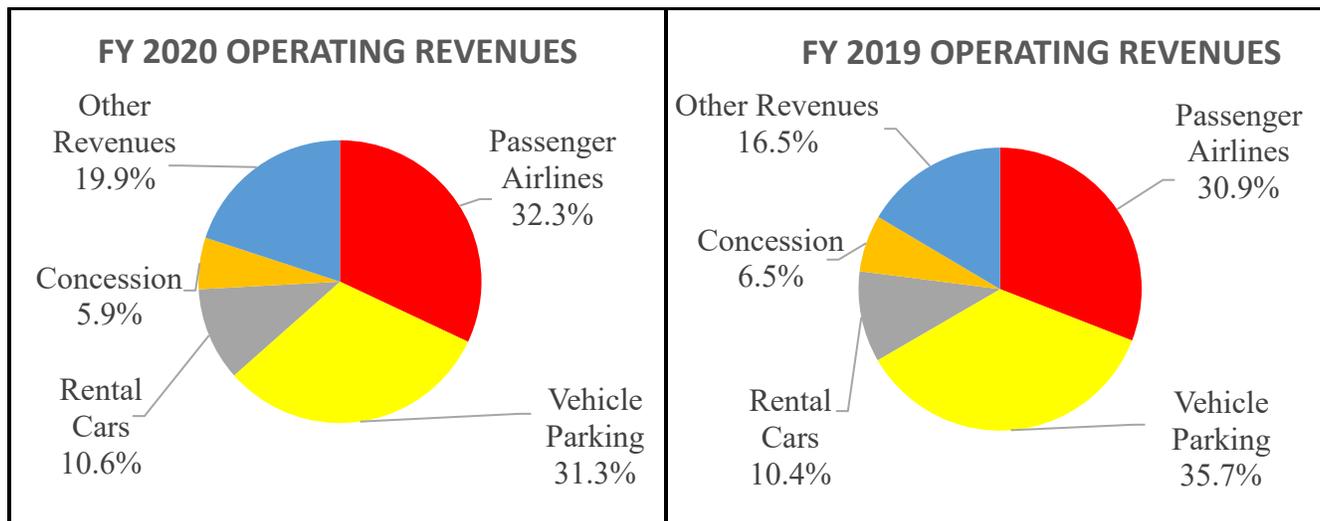
# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

### OPERATING REVENUES - AIRPORTS

The following chart shows the major sources and the percentage of total operating revenues for the fiscal years ended June 30, 2020, 2019 and 2018.

	2020	% of Total Revenues	2019	% of Total Revenues	2018	% of Total Revenues
<b>OPERATING REVENUES</b>						
Passenger Airlines	\$ 16,506,561	32.3%	\$ 19,716,557	30.9%	\$ 21,133,476	29.4%
Vehicle Parking	16,003,340	31.3%	22,769,228	35.7%	25,859,522	36.0%
Rental Cars	5,431,002	10.6%	6,629,171	10.4%	6,332,815	8.8%
Concession	2,999,868	5.9%	4,143,341	6.5%	4,016,661	5.6%
General Aviation Airports	2,140,690	4.2%	1,902,162	3.0%	3,805,530	5.3%
Tiedowns, Hangar & Miscellaneous	1,647,180	3.2%	1,622,292	2.5%	1,547,487	2.2%
Non-Airline Rent	1,134,075	2.2%	1,265,620	2.0%	1,244,280	1.7%
Quonset Real Estate Income	1,127,365	2.2%	1,104,178	1.7%	1,099,574	1.5%
Off Airport Access Fees	1,113,967	2.2%	1,365,040	2.1%	844,183	1.2%
Fuel Flowage Fees	811,423	1.6%	827,395	1.3%	822,110	1.1%
General Aviation, PVD & Cargo	997,235	2.0%	1,057,912	1.7%	1,915,874	2.7%
Other Revenues	696,688	1.4%	868,991	1.4%	931,895	1.3%
Advertising	483,518	0.9%	495,131	0.8%	299,979	0.4%
Air Service Development Funds	-	0.0%	-	0.0%	2,000,000	2.8%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 51,092,912</b>	<b>100%</b>	<b>\$ 63,767,018</b>	<b>100%</b>	<b>\$ 71,853,386</b>	<b>100%</b>



Overall revenues for fiscal year 2020 decreased by approximately \$12,674,000, primarily as a result of the impacts of the COVID-19 pandemic experienced from March 2020 through June 2020. COVID-19 and related travel restrictions have had a significant impact on many of the revenue streams that are directly impacted by enplanement trends. Overall revenues for fiscal year 2019 decreased by approximately \$8,086,000. The following commentary includes revenue categories greater than 5% of total revenues and other line items to provide additional information.

## Rhode Island Airport Corporation

### Management's Discussion and Analysis (Continued)

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Passenger Airline revenues decreased by approximately \$3,210,000 and \$1,417,000 for fiscal years 2020 and 2019 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 2020, 2019, and 2018 are \$11.35, \$9.63, and \$9.87, respectively. The increase in the CPE for fiscal year 2020 is primarily a result of the reduced enplanement levels due to the COVID-19 pandemic and related travel restrictions.

Vehicle parking revenues for fiscal years 2020 decreased by approximately \$6,766,000 primarily due to the impacts of the COVID-19 pandemic and related travel restrictions, and decreased for fiscal year 2019 by approximately \$3,090,000, as a result of enplanement trends and the full year impact of the transition of Garage C to an off-airport location during fiscal year 2018.

Rental Car revenues for fiscal year 2020 decreased by approximately \$1,198,000 primarily due to the impacts of the COVID-19 pandemic and related travel restrictions, and increased in fiscal year 2019 by approximately \$296,000 due to the Airport Facility Charge which was implemented in January 2019. These revenues include RIAC's share of rental car transactions, space rentals at the Airport, and audit recoveries.

Concession revenues for fiscal year 2020 decreased by approximately \$1,143,000 primarily due to the impacts of the COVID-19 pandemic and related travel restrictions. Concession revenues increased for fiscal year 2019 by approximately \$127,000. These revenues include revenues from food and retail concessionaires at the Airport.

General Aviation Airports revenue for fiscal year 2020 increased by approximately \$254,000 due to increased rental income, and decreased in fiscal year 2019 by approximately \$1,902,000, primarily related to a change in operations with a new FBO agreement.

Off-Airport Access Fees are derived primarily from three sources, hotels, off-airport parking companies and ground transportation companies. Off Airport Access fees decreased for fiscal year 2020 by approximately \$252,000 primarily due to the impacts of the COVID-19 pandemic and related travel restrictions, and increased for fiscal year 2019 by approximately \$521,000 due to increased revenues from transportation network companies.

General Aviation, PVD and Cargo revenue for fiscal years 2020 and 2019 decreased by approximately \$61,000 and \$858,000, respectively, primarily due to the impacts of the COVID-19 pandemic and related travel restrictions in 2020, and additional cargo service that operated during fiscal year 2018 and only during a portion of fiscal year 2019.

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

Quonset Real Estate Income includes rental fees on certain revenue producing parcels located at Quonset State Airport.

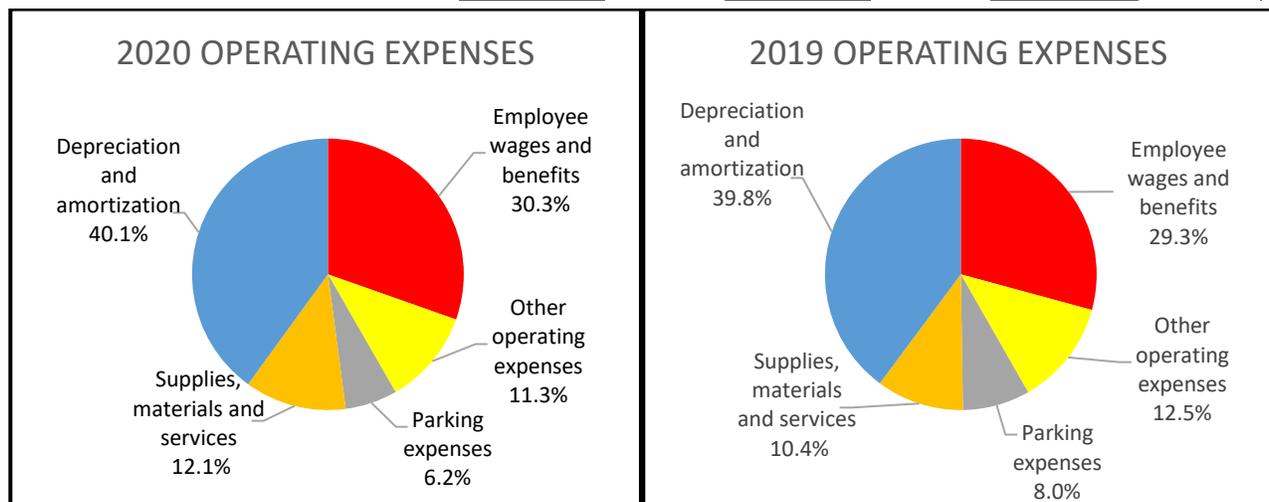
# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

### OPERATING EXPENSES - AIRPORTS

The following chart illustrates major categories of operating expenses for the fiscal years ended June 30, 2020, 2019, and 2018:

	2020	% of Total Operating Expenses	2019	% of Total Operating Expenses	2018	% of Total Operating Expenses
<b>OPERATING EXPENSES</b>						
Employee wages and benefits	\$17,110,537	30.3%	\$17,619,496	29.3%	\$19,161,862	28.4%
Supplies, materials and services	6,879,290	12.1%	6,284,697	10.4%	6,502,720	9.6%
Other operating expenses	6,384,404	11.3%	7,554,242	12.5%	10,477,561	15.5%
Parking expenses	3,511,843	6.2%	4,818,306	8.0%	5,725,411	8.5%
Depreciation and amortization	22,643,423	40.1%	24,017,286	39.8%	25,682,372	38.0%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$56,529,497</b>	<b>100.0%</b>	<b>\$60,294,027</b>	<b>100.0%</b>	<b>\$67,549,926</b>	<b>100.0%</b>



Employee wages and benefits for fiscal years 2020 and 2019 decreased by approximately \$509,000 and \$1,542,000 respectively. The decrease in fiscal year 2020 is primarily due to classifying employee wages and benefits attributed to the InterLink to that cost center. The decrease in fiscal year 2019 was primarily due to the structure of the new FBO agreement at the general aviation airports whereby the FBO manages and assumes the payroll costs of fueling activities and related FBO expenses. Vacancies and employees out on leave also contributed to the decrease.

Supplies, materials and services for fiscal year 2020 increased by \$595,000 primarily due to increase in outside services relating to the baggage handling services and security services. This increase was offset by a decrease related to reduction in outside services with Custom Border Protection (CBP) for staffing as a result of fewer international flights. Fiscal year 2019 decreased approximately \$218,000 primarily related to reduction in outside services with CBP for staffing, as a result of fewer international flights.

Other operating expenses for fiscal years 2020 decreased approximately \$1,170,000 primarily related to less advertising as a result of the impacts of the COVID-19 pandemic, timing of incentive initiatives and offset by an increase in bad debt related to COVID-19. Fiscal year 2019 decreased approximately \$2,923,000, primarily due to less marketing and advertising initiatives.

Parking expenses for fiscal year 2020 decreased by approximately \$1,306,000 primarily due to the impacts of the COVID-19 pandemic and related travel restrictions on parking revenues, as the parking expenses related to the management of the parking facilities are based on revenues. Fiscal year 2019 decreased approximately \$907,000 primarily due to the new structure of the parking management agreement, enplanement trends, and the full fiscal year impact of the transition of Garage C to an off-airport location.

## Rhode Island Airport Corporation

### Management's Discussion and Analysis (Continued)

#### INTERLINK OPERATIONS

Operating revenues for the InterLink include Customer Facility Charges (CFCs), Rental Car Rental Fees, Utility Facility Charges (UFCs), Parking Revenues and Airport Facility Charges (AFC) which RIAC began collecting in January 2019. 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:

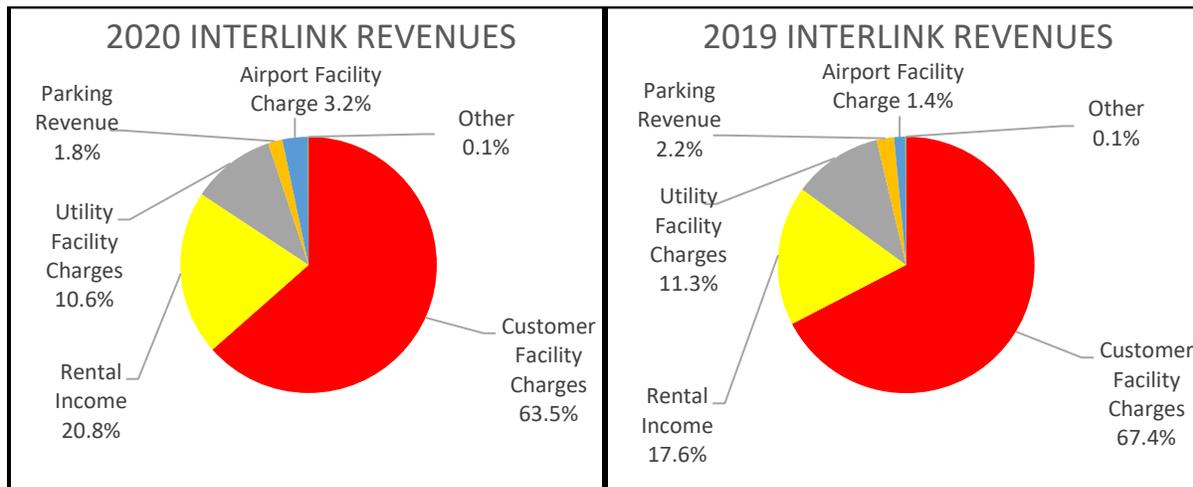
	2020	2019	2018
Operating Revenues	\$ 8,089,691	\$ 9,479,156	\$ 9,131,695
Operating and maintenance expense	3,406,417	2,087,805	2,080,428
InterLink operating income before depreciation and amortization	4,683,274	7,391,351	7,051,267
Depreciation and amortization	4,339,189	4,382,431	4,509,459
Operating Income	\$ 344,085	\$ 3,008,920	\$ 2,541,808
Interest Expense	(3,958,840)	(3,995,896)	(4,778,535)
Investment Income	404,019	640,093	409,143
Capital Contributions - Net	(157,929)	-	-
Net Loss InterLink Facility	\$ (3,368,665)	\$ (346,883)	\$ (1,827,584)

# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

The following chart illustrates the categories of InterLink Operating Revenues for the fiscal years ended June 30, 2020, 2019, and 2018:

	2020	% of Total Facility Revenues	2019	% of Total Facility Revenues	2018	% of Total Facility Revenues
<b>OPERATING REVENUES</b>						
Customer Facility Charges	\$ 5,138,280	63.5%	\$ 6,399,822	67.4%	\$ 6,275,274	68.7%
Rental Income	1,686,164	20.8%	1,667,776	17.6%	1,642,552	18.0%
Utility Facility Charges	856,363	10.6%	1,066,637	11.3%	1,017,043	11.1%
Parking Revenue	147,204	1.8%	205,409	2.2%	190,388	2.1%
Airport Facility Charge	256,914	3.2%	131,963	1.4%	-	0.0%
Other	4,766	0.1%	7,549	0.1%	6,438	0.1%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 8,089,691</b>	<b>100.0%</b>	<b>\$ 9,479,156</b>	<b>100.0%</b>	<b>\$ 9,131,695</b>	<b>100.0%</b>



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

### CUSTOMER FACILITY CHARGES (CFC), UTILITY FACILITY CHARGES (UFC), AND AIRPORT FACILITY CHARGES (AFC)

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 2020, CFC revenues including audit recoveries were \$5,138,000 as compared to 6,400,000 in fiscal year 2019 and \$6,275,000 in fiscal year 2018. 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 2020, UFC revenues were \$856,000 as compared to \$1,067,000 in fiscal year 2019. Effective January 1, 2019, RIAC began collecting AFC's of \$0.95 per transaction day from the rental car companies that operate at, or near, the Airport and service customers who utilize the Airport. The AFC is comprised of two components, \$0.65 per transaction day of Airport Revenue, and \$0.30 per transaction day is InterLink Facility Revenue to fund an Other Improvement Account for capital repairs and improvements at the InterLink. During the fiscal year 2020 the AFC revenues were \$257,000. In fiscal year 2019, the AFC revenues were \$132,000. CFCs, UFCs, and Parking Revenue decreased in fiscal year 2020, primarily due to the impacts of the COVID-19 pandemic and related travel restrictions. The Airport Facility Charge increased as a result of the first full fiscal year.

### **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. In fiscal year 2020, RIAC received approval of an additional application for certain airport projects in the amount of \$ 30,343,000 to be collected at \$4.50 per enplaned passenger, bringing the total PFC Authority to \$ 292,279,000.

PFC revenues were \$5,293,000 in fiscal year 2020, \$8,000,000 in fiscal year 2019, and \$8,668,000 in fiscal year 2018. As of June 30, 2020, \$195,373,000 (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 2020 \$13,079,000 of PFCs were expended for capital acquisition, construction and debt service payments on the 2013 Series A bonds, 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 2019, \$5,170,000 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 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.

### **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 2020, RIAC capitalized \$43,000 in land and easement acquisitions, \$4,744,000 in leasehold improvements and \$1,049,000 in machinery and equipment. Additional amounts were added to construction in progress (CIP) to reflect ongoing construction activities during the fiscal year, resulting in an ending balance of \$4,762,000 at June 30, 2020.

In fiscal year 2019, RIAC capitalized \$176,000 in land and easement acquisitions, \$3,149,000 in leasehold improvements and \$1,471,000 in machinery and equipment. Additional amounts were added to construction in progress (CIP) to reflect ongoing construction activities during the fiscal year, resulting in an ending balance of \$2,601,000 at June 30, 2019.

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

# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

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### **SIGNIFICANT PROJECTS - AIRPORTS**

#### Noise Mitigation-Voluntary Land Acquisition

In fiscal year 2020, approximately \$290,000 was expended for acquisition, relocation, demolition, and related program costs associated one additional home being acquired in connection with the Voluntary Land Acquisition program. The amount expended in fiscal year 2019 totaled approximately \$1,600,000.

#### Master Plan Update

In fiscal year 2020, approximately \$618,000 was expended on elements of the T.F. Green Master Plan that were advanced through individual task order assignments. These assignments included facility requirements, alternative development analysis and exhibits, implementation and financial planning. Additionally, community and stakeholder outreach occurred during this period as well. The amount expended in fiscal year 2019 totaled approximately \$738,000.

#### Runway 16-34 Reconstruction

In fiscal year 2020, approximately \$1,877,000 was expended designing improvements necessary on Runway 16-34. The design was for a full depth reconstruction of the runway, widening of shoulders, and a mill and overlay, continuing previous work performed to the Runway 34 end.

#### Pavement Management System

In fiscal year 2020, approximately \$515,000 was expended under this project to assess the pavement at all six airports both landside and airside, to define the current condition and define the expected remaining life. The pavement data was summarized in a prioritized long term plan for pavement repairs and/or replacement to prolong pavement life.

#### OQU Apron Rehabilitation

In fiscal year 2020, approximately \$2,780,000 was expended for the construction project to rehabilitate several areas of apron that are mostly outside of RIANG's lease area, but are utilized and traversed by their aircraft in order to access their leased areas. The primary elements of this effort included removal and replacement of concrete slabs, repair of concrete slabs ranging from crack repair to partial removal and replacement, minor bituminous milling and inlay of pavement, aircraft tie down installation in secure area, drainage catch basin replacement in secure area, repainting apron markings and resealing joints.

#### ARFF Trucks & Ancillary Equipment

In fiscal year 2020, approximately \$866,000 was expended for purchase of ARFF vehicle.

### 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, 2020 and 2019 was \$65,000 and \$110,000, 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, 2020 and June 30, 2019 was \$0, and \$27,285,000 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, 2020 and June 30, 2019 was \$26,771,000 and \$28,216,000, respectively. In December 2019, Rhode Island Infrastructure Bank (formerly Rhode Island Clean Water Finance Agency), issued refunding bonds to refund the underlying bonds used to fund the Deicer Management System. RIAC received its pro-rata share of the net present value savings which equated to \$817,845. The savings will be recognized over the remaining term.

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 as of June 30, 2020 and June 30, 2019 was \$28,240,000 and 30,700,000 respectively. 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, 2020 and June 30, 2019 was \$22,400,000 and \$27,530,000, respectively.

## Rhode Island Airport Corporation

### Management's Discussion and Analysis (Continued)

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, 2020 were \$13,860,000, \$26,970,000, and \$20,716,000, respectively. The outstanding balances for the 2016 Series A, B, and C as of June 30, 2019 were \$17,191,000, \$26,970,000, and \$23,185,000, 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 balance for the 2016 Series D as of June 30, 2020 and June 30, 2019 was \$36,885,000. The outstanding balance for the Series 2016 E as of June 30, 2020 and June 30, 2019 was \$1,430,000 and \$2,115,000 respectively.

In July 2019, RIAC issued approximately \$12,867,000 Series A Direct Placement Airport Revenue Refunding Bonds and approximately \$11,295,000 Series B Direct Placement Airport Revenue Refunding Bonds to enable the defeasance of \$14,090,000 in 2008 Series A General Airport Revenue Bonds and \$12,370,000 in 2008 Series B General Airport Revenue Bonds, respectively. The 2019 Series A and Series B refund issues mature monthly from 2026 through 2038 with an interest rate of 2.98%. RIAC's defeasance of the 2008 Series A and B Bonds resulted in present value savings of approximately \$4,800,000 or 18% of the refunded bonds. The outstanding balances for the 2019 Series A and B as of June 30, 2020 and June 30, 2019 were \$12,868,000, and \$11,295,000, 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, 2020 and June 30, 2019 was \$1,697,000 and \$2,103,000, 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.

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 \$38,090,000 and \$39,185,000 as of June 30, 2020 and June 30, 2019, respectively.

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.

## Rhode Island Airport Corporation

### Management's Discussion and Analysis (Continued)

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, 2020 and June 30, 2019 was \$40,150,000 and \$40,638,000, 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 eight 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, all of the 2005 debt, and all of the 2008 debt.

The insured Airport Revenue Refunding Bonds outstanding at June 30, 2020 include the 2015 Series A Bonds (\$42,980,000 issued and insured by Assured Guaranty Municipal Corp. (AGM), with \$22,400,000 outstanding).

As of June 30, 2020, 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, 2019 Series A and B 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 negative outlook, Baa1 with a stable outlook and A with a stable outlook, respectively. Fitch updated the outlook subsequent to the COVID-19 pandemic.

As of June 30, 2020, 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 A with a stable outlook, respectively.

#### **CURRENT OPERATIONS AND FINANCIAL SITUATION**

RIAC continues to manage its operations through the continuing COVID-19 pandemic. RIAC received a grant for approximately \$24,000,000 of Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds. The purpose of the grant is to maintain safe and efficient airport operations, and the funds are only to be used for purposes directly related to the airports. RIAC intends to utilize these funds for debt service and operating expenses of the airports.

In August 2020, S&P placed most airports across the country, including RIAC's General Airport Revenue Bonds and the Interlink's First Lien Special Facility Bonds on Credit Watch Negative as a result of the continuing impacts of the COVID-19 Pandemic, and since has been updating ratings on airports across the country. In September 2020, S&P updated the rating on RIAC's General Airport Revenue Bonds to A- with a negative outlook, and updated the rating on RIAC's Series 2018 First Lien Special Facility Bonds to BBB+ with a negative outlook.

Since the COVID-19 Pandemic, passenger activity levels at T.F. Green have similar trends to other airports and have recently been estimated at approximately 23% of prior year levels. All ten airlines that operated at T.F. Green prior to the COVID-19 pandemic, have either continued to operate, returned, or indicated that they plan to return service to T.F. Green. In addition, JetBlue announced new service to Ft. Myers and Tampa that is scheduled to begin in October 2020 and Frontier announced new service to Miami, scheduled to begin in December 2020.

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.

# Rhode Island Airport Corporation

## Statement of Net Position

June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 77,478,938	\$ 67,414,309
Restricted cash and cash equivalents (Note 2)	21,933,655	24,409,255
Accounts receivable - Net (Note 3)	3,287,824	7,752,245
Due from the State of Rhode Island (Note 8)	52,374	596,173
Prepaid expenses and deposits	411,696	561,592
Total current assets	103,164,487	100,733,574
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	51,074,563	59,706,149
Investments (Note 2)	9,462,464	9,304,065
Accounts receivable - Net (Note 3)	6,041,710	1,922,500
Capital assets: (Note 4)		
Assets not subject to depreciation	56,025,935	53,821,633
Assets subject to depreciation - Net	460,464,048	482,086,750
Notes receivable	297,692	314,462
Prepaid insurance on bonds - Net of accumulated amortization	102,289	448,592
Total noncurrent assets	583,468,701	607,604,151
Total assets	686,633,188	708,337,725
<b>Deferred Outflows of Resources</b>		
Deferred amounts on bond refundings	838,971	414,972
Deferred pension costs (Note 10)	246,513	306,795
Deferred OPEB costs (Note 11)	54,542	61,932
Total deferred outflows of resources	1,140,026	783,699

# Rhode Island Airport Corporation

## Statement of Net Position (Continued)

June 30, 2020 and 2019

	2020	2019
<b>Liabilities</b>		
Current liabilities:		
Accounts payable (Note 5)	\$ 2,640,164	\$ 1,289,289
Payables from restricted assets:		
Accounts and retainage payable (Note 5)	147,819	218,118
Accrued expenses (Note 5)	928,958	1,761,104
Accrued interest payable	3,226,363	4,011,000
Bonds payable (Note 6)	17,630,515	18,419,033
Unearned revenue	1,612,810	924,316
Accrued payroll and employee benefits	2,166,358	1,762,065
Accrued expenses (Note 5)	1,507,085	2,102,041
Capital lease obligations (Note 6)	413,507	406,555
Due to other governmental unit (Notes 6 and 8)	235,000	2,034,992
Total current liabilities	<u>30,508,579</u>	<u>32,928,513</u>
Noncurrent liabilities:		
Bonds payable - Net of current portion (Note 6)	271,988,723	291,604,295
Capital lease obligations - Net of current portion (Note 6)	1,283,433	1,696,940
Due to other governmental unit - Net of current portion (Notes 6 and 8)	1,236,619	1,266,629
Due to the State of Rhode Island (Note 6)	65,000	110,000
Net pension liability (Note 10)	1,799,009	1,928,084
Net OPEB liability (Note 11)	347,662	433,851
Total noncurrent liabilities	<u>276,720,446</u>	<u>297,039,799</u>
Total liabilities	<u>307,229,025</u>	<u>329,968,312</u>
<b>Deferred Inflows of Resources</b>		
Deferred pension cost reductions (Note 10)	258,117	270,260
Deferred OPEB cost reductions (Note 11)	78,844	29,915
Total deferred inflows of resources	<u>336,961</u>	<u>300,175</u>
<b>Net Position</b>		
Net investment in capital assets	249,177,646	250,820,366
Restricted:		
Capital acquisition and construction	10,171,026	9,644,183
Passenger facility charges	14,446,233	16,485,893
InterLink	26,286,227	27,639,730
Operating and maintenance reserve - Airports	6,097,167	5,838,500
Operating and maintenance reserve - InterLink	1,646,018	1,068,200
Emergency renewal and replacement reserve - InterLink	2,000,000	2,000,000
Repair and rehabilitation reserve - Airports	500,000	500,000
Unrestricted	69,882,911	64,856,065
Total net position	<u>\$ 380,207,228</u>	<u>\$ 378,852,937</u>

## Rhode Island Airport Corporation

### Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Operating Revenue</b>		
Rental, concession fees, and other	\$ 24,257,456	\$ 27,341,699
Landing fees and airfield revenue	10,832,116	13,656,091
Parking revenue	16,003,340	22,769,228
InterLink facility revenue (Note 9)	8,089,691	9,479,156
Total operating revenue	59,182,603	73,246,174
<b>Operating Expenses</b>		
Employee wages and benefits	17,110,537	17,619,496
Parking operating expenses	3,511,843	4,818,306
Supplies, materials, and services	6,879,290	6,284,697
Other operating expenses	6,384,404	7,554,242
InterLink operating expenses (Note 9)	3,406,417	2,087,805
InterLink depreciation and amortization (Note 9)	4,339,189	4,382,431
Depreciation and amortization	22,643,423	24,017,286
Total operating expenses	64,275,103	66,764,263
<b>Operating (Loss) Income</b>	(5,092,500)	6,481,911
<b>Nonoperating Revenue (Expense)</b>		
InterLink investment income (Note 9)	404,019	640,093
Investment income	1,670,112	2,185,483
InterLink interest expense (Note 9)	(3,958,840)	(3,995,896)
Interest expense	(7,563,261)	(8,755,427)
Passenger facility charges	5,292,584	8,000,438
Grant revenue (Note 1)	3,528,452	5,468,679
Grant expenses (Note 1)	(3,510,494)	(6,172,020)
Other	80,509	14,467
Total nonoperating expense	(4,056,919)	(2,614,183)
<b>(Loss) Income - Before capital contributions</b>	(9,149,419)	3,867,728
<b>Capital Contributions - Net (Note 9)</b>	10,503,710	5,070,651
<b>Change in Net Position</b>	1,354,291	8,938,379
<b>Net Position - Beginning of year</b>	378,852,937	369,914,558
<b>Net Position - End of year</b>	<b>\$ 380,207,228</b>	<b>\$ 378,852,937</b>

# Rhode Island Airport Corporation

## Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Receipts from rentals, fees, and other services	\$ 50,743,264	\$ 57,726,678
Payments to suppliers and other	(14,582,432)	(16,839,571)
Payments to employees and fringes	(16,832,112)	(17,805,653)
InterLink receipts from rentals, fees, and other services	8,089,691	9,479,156
InterLink payments to suppliers and other	(3,406,417)	(2,087,805)
Net cash and cash equivalents provided by operating activities	24,011,994	30,472,805
<b>Cash Flows from Noncapital Financing Activities</b>		
Grants and subsidies	362,872	1,009,261
Payment of grant expenses	(344,914)	(1,712,602)
Net cash and cash equivalents provided by (used in) noncapital financing activities	17,958	(703,341)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Collection of passenger facility charges	6,381,963	8,075,865
Capital contributions and grant revenue - Net	7,369,159	17,576,680
Proceeds from sale of capital assets	68,001	17,802
Purchase and construction of capital assets	(8,167,937)	(4,066,583)
Issuance of bonds	24,162,661	-
Interest and other charges paid, long-term obligations	(12,306,738)	(12,812,623)
Payments on long-term obligations	(44,387,031)	(16,419,772)
Other	(122,748)	(7,037)
Net cash and cash equivalents used in capital and related financing activities	(27,002,670)	(7,635,668)
<b>Cash Flows from Investing Activities</b>		
Interest received on investments	2,088,560	2,831,125
Net proceeds from sale and repurchase of investment securities	(158,399)	(434,128)
Net cash and cash equivalents provided by investing activities	1,930,161	2,396,997
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(1,042,557)	24,530,793
<b>Cash and Cash Equivalents - Beginning of year</b>	151,529,713	126,998,920
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 150,487,156</b>	<b>\$ 151,529,713</b>
<b>Classification of Cash and Cash Equivalents</b>		
Unrestricted cash and cash equivalents	\$ 77,478,938	\$ 67,414,309
Restricted cash and cash equivalents - Current	21,933,655	24,409,255
Restricted cash and cash equivalents - Noncurrent	51,074,563	59,706,149
Total cash and cash equivalents	<b>\$ 150,487,156</b>	<b>\$ 151,529,713</b>

## Rhode Island Airport Corporation

### Statement of Cash Flows (Continued)

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash and Cash Equivalents from Operating Activities</b>		
Operating (loss) income	\$ (5,092,500)	\$ 6,481,911
Adjustments to reconcile operating (loss) income to net cash and cash equivalents from operating activities:		
Depreciation and amortization	26,982,612	28,399,717
Changes in assets and liabilities:		
Receivables	3,308,869	(1,552,812)
Prepaid and other assets	149,896	295,567
Accounts payable	(1,630,370)	(2,969,113)
Net pension and OPEB liability	(215,264)	(210,822)
Deferrals related to net pension and OPEB liability	104,458	131,385
Other assets and liabilities	404,293	(103,028)
Total adjustments	<u>29,104,494</u>	<u>23,990,894</u>
Net cash and cash equivalents provided by operating activities	<u><u>\$ 24,011,994</u></u>	<u><u>\$ 30,472,805</u></u>

June 30, 2020 and 2019

### 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) 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.

June 30, 2020 and 2019

**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.

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.

June 30, 2020 and 2019

**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 "OPEB System") administered by the State of Rhode Island and additions to/deductions from the OPEB System's fiduciary net position have been determined on the same basis as they are reported by the OPEB 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 of 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, 2020 and 2019.

June 30, 2020 and 2019

**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, audit recoveries, and other miscellaneous items.

*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.

RIAC entered into a new parking management agreement effective July 1, 2018, under which the company manages parking operations and related expenses and collects remittances of gross revenue, net of an established fee. For the years ended June 30, 2020 and 2019, both revenue and expenses on the statement of revenue, expenses, and changes in net position have been grossed up for the net effect of the established fee per the agreement.

**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 41 projects that compose a significant portion of RIAC's capital improvement program. RIAC has been authorized to collect PFCs in the aggregate amount of approximately \$292,279,000 based on a rate of \$4.50 per enplaned passenger. Aggregate collections, including interest thereon, through June 30, 2020 were approximately \$195,373,000. Passenger facility charges are recorded as nonoperating revenue as earned based on enplaned passengers.

**Customer, Utility, and Airport Facility Charges**

Rental car agencies operating under lease agreements with RIAC are required to impose a customer facility charge (CFC), utility facility charge (UFC), and airport facility charge (AFC) 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. Effective January 1, 2019, the AFC is \$0.95. CFC, UFC, and AFC revenue is recorded as operating revenue as earned based upon daily car rentals reported by the rental car agencies. Additional CFC, UFC, and AFC revenue resulting from audits of the rental car agency records is recognized when such amounts become known. See Notes 9 and 14 for further discussion.

June 30, 2020 and 2019

**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, 2020 and 2019. Amounts can fluctuate based on the value of the land capitalized and amount of federal funding.

*Runway Protection Zone - Land Acquisition Program*

The Land Acquisition Program consists of the voluntary acquisition of properties located in the newly defined runway 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. There were no federal grants used to cover project costs in the fiscal years ended June 30, 2020 and 2019. 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.

June 30, 2020 and 2019

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

***Upcoming Accounting Pronouncements***

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. 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 June 2017, the GASB issued 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, 2022.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for RIAC's financial statements for the year ending June 30, 2023.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. RIAC does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation. The provisions of this statement are effective for RIAC's financial statements for the year ending June 30, 2021.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for RIAC's financial statements for the year ending June 30, 2023.

June 30, 2020 and 2019

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

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. 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, 2023.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 plan should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. RIAC is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for RIAC's financial statements for the year ending June 30, 2022.

**Note 2 - Cash, Cash Equivalents, and Investments**

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

	2020	2019
Unrestricted cash and cash equivalents - Deposits with financial institutions	\$ 77,478,938	\$ 67,414,309
Restricted cash, cash equivalents, and investments:		
Deposits with financial institutions	48,240,263	54,651,471
U.S. Treasury notes	9,462,464	9,304,065
Money market mutual funds	24,767,955	29,463,933
Total restricted cash, cash equivalents, and investments	82,470,682	93,419,469
Total	\$ 159,949,620	\$ 160,833,778

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.

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

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 & Poor's Rating Services or Moody's Investors Service, 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, 2020 and 2019, RIAC had \$119,587,812 and \$116,726,218, 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. None of RIAC's bank deposits were specifically required to be collateralized at June 30, 2020 and 2019 pursuant to Chapter 35-10.1 of the General Laws.

**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.

**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 a segmented time distribution model at June 30 is as follows:

2020		Investment Maturities (in Years)		
Type of Investment	Less Than 1 Year	1-5 Years	Total	
Money market mutual funds	\$ 24,767,955	\$ -	\$ 24,767,955	
U.S. Treasury notes	9,462,464	-	9,462,464	
Total	<u>\$ 34,230,419</u>	<u>\$ -</u>	<u>\$ 34,230,419</u>	
2019		Investment Maturities (in Years)		
Type of Investment	Less Than 1 Year	1-5 Years	Total	
Money market mutual funds	\$ 29,463,933	\$ -	\$ 29,463,933	
U.S. Treasury notes	9,304,065	-	9,304,065	
Total	<u>\$ 38,767,998</u>	<u>\$ -</u>	<u>\$ 38,767,998</u>	

June 30, 2020 and 2019

**Note 2 - Cash, Cash Equivalents, and Investments (Continued)*****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 (the "Indentures") and Rhode Island General Laws. Rhode Island General Laws and the Indentures permit RIAC to invest in certificates of deposit; 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 Investors Service, Inc.

As of June 30, the credit quality ratings of debt-type securities are as follows:

Investment	2020	2019	Rating	Rating Organization
Money market mutual fund - First American Treasury Obligations Fund*	\$ 21,047,856	\$ 25,787,980	AAAm	S&P
Money market mutual fund - Federated Hermes U.S. Treasury Cash Reserves Fund*	3,720,099	3,675,953	AAAm	S&P
Total	<u>\$ 24,767,955</u>	<u>\$ 29,463,933</u>		

\*Investments are valued at amortized cost rather than fair value.

***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.

***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 net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where 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.

June 30, 2020 and 2019

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

RIAC has the following recurring fair value measurements as of June 30, 2020 and 2019:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2020			
Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
<b>Investments - Debt securities - U.S. Treasury notes</b>	\$ 9,462,464	\$ -	\$ 9,462,464
Assets Measured at Carrying Value on a Recurring Basis at June 30, 2019			
Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
<b>Investments - Debt securities - U.S. Treasury notes</b>	\$ 9,304,065	\$ -	\$ 9,304,065

Debt 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, 2020 and 2019 are as follows:

	2020	2019
Unrestricted accounts receivable:		
Accounts receivable - Trade	\$ 2,312,776	\$ 4,224,790
Due from federal government	1,589,572	3,789,078
Other receivables	56,889	10,208
Allowance for doubtful accounts	(671,413)	(271,831)
Net unrestricted accounts receivable	\$ 3,287,824	\$ 7,752,245

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

	2020	2019
Restricted accounts receivable:		
Due from airlines - Passenger facility charges	\$ 14,659	\$ 1,104,038
Due from car rental agencies - InterLink facility revenue	585,775	797,877
Due from federal government	5,561,708	-
Other receivables	6,156	20,585
Allowance for doubtful accounts	(126,588)	-
Total restricted accounts receivable	\$ 6,041,710	\$ 1,922,500

June 30, 2020 and 2019

**Note 4 - Capital Assets**

Capital asset activity of RIAC was as follows:

	Balance July 1, 2019	Reclassifications	Additions and Transfers	Disposals and Transfers	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 51,220,770	\$ -	\$ 43,000	\$ -	\$ 51,263,770
Construction in progress	2,600,863	(5,467,405)	7,719,079	(90,372)	4,762,165
Subtotal	53,821,633	(5,467,405)	7,762,079	(90,372)	56,025,935
Capital assets being depreciated:					
Assets leased from the State	30,608,849	-	-	-	30,608,849
Leasehold improvements	818,764,150	4,680,727	62,902	(5,850)	823,501,929
Machinery and equipment	58,998,923	786,678	262,161	(99,000)	59,948,762
Vehicles	2,217,324	-	80,795	(108,853)	2,189,266
Subtotal	910,589,246	5,467,405	405,858	(213,703)	916,248,806
Accumulated depreciation:					
Assets leased from the State	30,604,424	-	4,425	-	30,608,849
Leasehold improvements	351,270,461	-	24,685,406	(3,850)	375,952,017
Machinery and equipment	44,926,134	-	2,654,775	(99,000)	47,481,909
Vehicles	1,701,477	-	149,359	(108,853)	1,741,983
Subtotal	428,502,496	-	27,493,965	(211,703)	455,784,758
Net capital assets being depreciated	482,086,750	5,467,405	(27,088,107)	(2,000)	460,464,048
Net capital assets	\$ 535,908,383	\$ -	\$ (19,326,028)	\$ (92,372)	\$ 516,489,983
	Balance July 1, 2018	Reclassifications	Additions and Transfers	Disposals and Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 50,365,136	\$ 679,933	\$ 175,701	\$ -	\$ 51,220,770
Construction in progress	4,095,632	(3,426,790)	1,932,021	-	2,600,863
Subtotal	54,460,768	(2,746,857)	2,107,722	-	53,821,633
Capital assets being depreciated:					
Assets leased from the State	30,608,849	-	-	-	30,608,849
Leasehold improvements	815,615,506	2,668,986	479,658	-	818,764,150
Machinery and equipment	59,701,264	77,871	1,393,539	(2,173,751)	58,998,923
Vehicles	2,375,619	-	-	(158,295)	2,217,324
Subtotal	908,301,238	2,746,857	1,873,197	(2,332,046)	910,589,246
Accumulated depreciation:					
Assets leased from the State	30,596,209	-	8,215	-	30,604,424
Leasehold improvements	325,747,989	-	25,522,472	-	351,270,461
Machinery and equipment	43,896,453	-	3,203,432	(2,173,751)	44,926,134
Vehicles	1,692,416	-	158,496	(149,435)	1,701,477
Subtotal	401,933,067	-	28,892,615	(2,323,186)	428,502,496
Net capital assets being depreciated	506,368,171	2,746,857	(27,019,418)	(8,860)	482,086,750
Net capital assets	\$ 560,828,939	\$ -	\$ (24,911,696)	\$ (8,860)	\$ 535,908,383

June 30, 2020 and 2019

**Note 4 - Capital Assets (Continued)**

**Construction Commitments**

RIAC has active construction projects expected to be funded from available resources and future operations that relate to certain airport improvements. As of June 30, 2020 and 2019, RIAC's commitments with contractors were approximately \$5,245,000 and \$3,069,000, respectively.

**Note 5 - Accounts Payable**

Accounts payable and accrued expenses as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Payable from unrestricted assets:		
Accounts payable and accrued expenses - Trade	\$ 1,892,951	\$ 2,770,908
Accounts payable and accrued expenses - Capital assets, grant expenses, and other	<u>2,254,298</u>	<u>620,422</u>
Total	<u>\$ 4,147,249</u>	<u>\$ 3,391,330</u>
	<u>2020</u>	<u>2019</u>
Payable from restricted assets:		
Accounts payable and accrued expenses - InterLink	\$ 200,457	\$ 254,937
Accounts payable and accrued expenses - Deposits	555,282	762,382
Accounts payable and accrued expenses - Capital assets, grant expenses, and other	<u>321,038</u>	<u>961,903</u>
Total	<u>\$ 1,076,777</u>	<u>\$ 1,979,222</u>

**Note 6 - Long-term Obligations**

Long-term obligations activity for the years ended June 30, 2020 and 2019 can be summarized as follows:

	<u>2020</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable:					
Direct borrowings and direct placements					
- Revenue bonds	\$ 123,091,783	\$ 24,162,661	\$ (12,374,478)	\$ 134,879,966	\$ 12,649,160
Other debt:					
Revenue bonds	96,985,000	-	(30,430,000)	66,555,000	3,285,000
InterLink special facility bonds and TIFIA loan	79,822,658	-	(1,582,553)	78,240,105	1,185,000
Unamortized bond premiums	<u>10,123,887</u>	<u>331,404</u>	<u>(511,124)</u>	<u>9,944,167</u>	<u>511,355</u>
Total other debt outstanding	<u>186,931,545</u>	<u>331,404</u>	<u>(32,523,677)</u>	<u>154,739,272</u>	<u>4,981,355</u>
Total bonds payable	310,023,328	24,494,065	(44,898,155)	289,619,238	17,630,515
State of Rhode Island payable	110,000	-	(45,000)	65,000	-
Capital lease	2,103,495	-	(406,555)	1,696,940	413,507
Due to other governmental unit	<u>3,301,621</u>	<u>204,990</u>	<u>(2,034,992)</u>	<u>1,471,619</u>	<u>235,000</u>
Total long-term obligations	<u>\$ 315,538,444</u>	<u>\$ 24,699,055</u>	<u>\$ (47,384,702)</u>	<u>\$ 292,852,797</u>	<u>\$ 18,279,022</u>

June 30, 2020 and 2019

**Note 6 - Long-term Obligations (Continued)**

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Direct borrowings and direct placements					
- Revenue bonds	\$ 135,213,365	\$ -	\$ (12,121,582)	\$ 123,091,783	\$ 12,373,580
Other debt:					
Revenue bonds	100,820,000	-	(3,835,000)	96,985,000	3,970,000
InterLink special facility bonds and TIFIA loan	80,285,848	-	(463,190)	79,822,658	1,582,553
Unamortized bond premiums	10,617,685	-	(493,798)	10,123,887	492,900
Total other debt outstanding	<u>191,723,533</u>	<u>-</u>	<u>(4,791,988)</u>	<u>186,931,545</u>	<u>6,045,453</u>
Total bonds payable	326,936,898	-	(16,913,570)	310,023,328	18,419,033
State of Rhode Island payable	180,000	-	(70,000)	110,000	-
Capital lease	2,503,215	-	(399,720)	2,103,495	406,555
Due to other governmental unit	1,940,239	1,976,654	(615,272)	3,301,621	2,034,992
Total long-term obligations	<u>\$ 331,560,352</u>	<u>\$ 1,976,654</u>	<u>\$ (17,998,562)</u>	<u>\$ 315,538,444</u>	<u>\$ 20,860,580</u>

**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 and meet other nonfinancial covenants. As of June 30, 2020, RIAC was in compliance with all financial covenants. See Note 9 for information related to the InterLink special facility bonds and TIFIA loan.

Revenue bonds payable consist of the following bond issues as of June 30, 2020 and 2019:

Description	Maturity Date	Interest Rate	2020	2019
2008 Series A, B, and C bonds	07/01/2038	3.50%-5.25%	\$ -	\$ 27,285,000
2013 Series A bonds	09/01/2034	0.51%-2.73%	26,771,914	28,215,899
2013 Series B bonds	07/01/2028	4.1%-5.0%	28,240,000	30,700,000
2015 Series A bonds	07/01/2024	2.0%	22,400,000	27,530,000
2016 Series A bonds	07/01/2025	2.49%	13,859,533	17,190,880
2016 Series B bonds	07/01/2030	3.69%	26,970,000	26,970,000
2016 Series C bonds	07/01/2025	2.24%	20,715,858	23,185,004
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%	1,430,000	2,115,000
2019 Series A bonds	12/01/2038	2.98%	12,867,522	-
2019 Series B bonds	12/01/2038	2.98%	11,295,139	-
Total revenue bonds payable			<u>\$ 201,434,966</u>	<u>\$ 220,076,783</u>

June 30, 2020 and 2019

**Note 6 - Long-term Obligations (Continued)****Debt Service Requirements to Maturity**

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

Years Ending June 30	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2021	\$ 12,649,160	\$ 3,655,898	\$ 3,285,000	\$ 3,109,410	\$ 22,699,468
2022	12,926,168	3,375,812	3,440,000	2,957,725	22,699,705
2023	13,227,791	3,085,447	2,850,000	2,808,631	21,971,869
2024	16,598,837	2,749,812	2,990,000	2,662,631	25,001,280
2025	12,872,531	2,377,387	3,140,000	2,519,831	20,909,749
2026-2030	38,192,767	7,902,438	18,420,000	10,051,053	74,566,258
2031-2035	19,964,371	2,724,433	6,940,000	7,273,750	36,902,554
2036-2040	8,448,341	414,095	8,845,000	5,310,125	23,017,561
2041-2045	-	-	11,295,000	2,804,375	14,099,375
2046-2047	-	-	5,350,000	270,750	5,620,750
Total	\$ 134,879,966	\$ 26,285,322	\$ 66,555,000	\$ 39,768,281	\$ 267,488,569

See Note 9 for annual debt service requirements to maturity for RIAC's InterLink special facility bonds and TIFIA loan.

**Bond Refunding**

In July 2019, RIAC issued approximately \$12,867,500 in Series A Direct Placement Airport Revenue Refunding Bonds, approximately \$11,295,100 in Series B Direct Placement Airport Revenue Refunding Bonds to enable the defeasance of \$14,090,000 in 2008 Series A General Airport Revenue Bonds, and \$12,370,000 in 2008 Series B General Airport Revenue Bonds. The 2019 Series A and B refund issue matures monthly from 2026 through 2038 with an interest rate of 2.98 percent. RIAC's defeasance of the 2008 Series A and B Bonds resulted in present value savings of approximately \$4,800,000 or 18.09 percent of the refunded bonds.

**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 \$201,435,000 in airport revenue and special facility bonds, including approximately \$66,054,000 of related interest as of June 30, 2020. 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 \$41,188,000 and \$45,654,000 for the years ended June 30, 2020 and 2019, respectively. Principal and interest debt service per the terms of the Master Indenture for the years ended June 30, 2020 and 2019 was approximately \$23,128,000 and \$24,136,000, respectively.

**Note 6 - Long-term Obligations (Continued)**

**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, 2020, RIAC had approximately \$40,150,000 in borrowings under this Agreement. See Note 9 for a 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 \$982,608 and \$693,986 as of June 30, 2020 and 2019, respectively.

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

Years Ending June 30	Principal	Interest	Total
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	\$ 1,696,940	\$ 73,160	\$ 1,770,100

**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, 2020 and 2019, the amounts owed were approximately \$65,000 and \$110,000, respectively. Annual debt service requirements to maturity are as follows:

Years Ending June 30	Principal	Interest	Total
2021	\$ -	\$ 2,887	\$ 2,887
2022	20,000	1,837	21,837
2023	20,000	656	20,656
2024	25,000	-	25,000
Total	\$ 65,000	\$ 5,380	\$ 70,380

**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
2021	\$ 14,968,535
2022	822,822
2023	66,684
2024	68,688
2025	70,752
2026	72,876
Total	<u>\$ 16,070,357</u>

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
2021	\$ 1,689,914
2022	1,667,775
2023	1,667,775
2024	1,667,775
2025	1,667,775
2026-2030	8,338,873
Total	<u>\$ 16,699,887</u>

**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 \$52,374 and \$596,173 as of June 30, 2020 and 2019, respectively. Amounts due from the State of Rhode Island related to an airport joint use agreement and capital project costs.

Net amounts due to the Quonset Development Corporation (QDC) totaled \$1,471,619 and \$3,301,621 as of June 30, 2020 and 2019, respectively. Amounts due to QDC of \$1,471,619 and \$1,501,629 as of June 30, 2020 and 2019, respectively, 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 of \$1,799,992 as of June 30, 2019 paid by QDC and may fluctuate annually based on year-over-year activity. There were no capital or grant project costs due to QDC as of June 30, 2020. These amounts are categorized on the statement of net position as due to other governmental unit.

**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, utility facility charges, airport facility charges, rental car fees, and commuter parking revenue. CFC revenue, including audit recoveries, was \$5,138,280 and \$6,399,822 for the years ended June 30, 2020 and 2019, 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 and the U.S. DOT's TIFIA loan. Interest income on accounts associated with the InterLink is also included in this line item.

Segment income statement information for RIAC's primary airport operations and the InterLink facility for the years ended June 30, 2020 and 2019 is as follows:

	Airport Operations 2020	Airport Operations 2019	InterLink 2020	InterLink 2019
<b>Operating Revenue</b>	\$ 51,092,912	\$ 63,767,018	\$ 8,089,691	\$ 9,479,156
<b>Operating Expenses</b>				
Operational expenses	33,886,074	36,276,741	3,406,417	2,087,805
Depreciation and amortization	22,643,423	24,017,286	4,339,189	4,382,431
Total operating expenses	56,529,497	60,294,027	7,745,606	6,470,236
<b>Operating (Loss) Income</b>	(5,436,585)	3,472,991	344,085	3,008,920
<b>Nonoperating Revenue (Expense)</b>				
Investment income	1,670,112	2,185,483	404,019	640,093
Interest expense	(7,563,261)	(8,755,427)	(3,958,840)	(3,995,896)
Passenger facility charges	5,292,584	8,000,438	-	-
Grant revenue	3,528,452	5,468,679	-	-
Grant expenses	(3,510,494)	(6,172,020)	-	-
Other	80,509	14,467	-	-
Total nonoperating (expense) revenue	(502,098)	741,620	(3,554,821)	(3,355,803)
<b>(Loss) Income - Before capital contributions</b>	(5,938,683)	4,214,611	(3,210,736)	(346,883)
<b>Capital Contributions - Net</b>	10,661,639	5,070,651	(157,929)	-
<b>Change in Net Position</b>	<u>\$ 4,722,956</u>	<u>\$ 9,285,262</u>	<u>\$ (3,368,665)</u>	<u>\$ (346,883)</u>

June 30, 2020 and 2019

**Note 9 - Segment Information (Continued)*****Pledged Revenue from the InterLink Facility***

RIAC has pledged InterLink net revenue (defined below) to repay \$38,090,000 in Series 2018 First Lien Special Facility Bonds and \$40,150,105 in the TIFIA loan and related interest of approximately \$53,653,000 as of June 30, 2020. 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, was \$5,087,293 and \$8,031,444 for the years ended June 30, 2020 and 2019, respectively. Principal and interest debt service 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, 2020 and 2019 was approximately \$2,964,000 and \$2,928,000, respectively. Principal and interest debt service per the terms of the Master Indenture of Trust on the TIFIA loan for the years ended June 30, 2020 and 2019 was approximately \$488,000 and \$2,625,000, respectively. For the year ended June 30, 2020, debt service does not include interest for the purpose of the debt service coverage calculation. As required by the First Supplemental Indenture of Trust, RIAC must attain a debt service coverage ratio of 1.25 and meet other nonfinancial covenants. As of June 30, 2020, RIAC was in compliance with all financial covenants.

Obligations supported by pledged InterLink net revenue are as follows:

Years Ending June 30	Principal	Interest	Total
2021	\$ 1,185,000	\$ 3,856,897	\$ 5,041,897
2022	1,798,197	3,767,002	5,565,199
2023	1,935,193	3,670,257	5,605,450
2024	2,078,607	3,566,343	5,644,950
2025	2,223,516	3,455,184	5,678,700
2026-2030	13,649,262	15,362,085	29,011,347
2031-2035	18,521,611	11,419,359	29,940,970
2036-2040	21,909,116	6,957,116	28,866,232
2041-2043	14,939,603	1,598,490	16,538,093
Total	<u>\$ 78,240,105</u>	<u>\$ 53,652,733</u>	<u>\$ 131,892,838</u>

**Note 10 - Pension Plans*****Plan Description***

Certain employees of RIAC participate in a cost-sharing multiemployer defined benefit plan, the 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>.

**Note 10 - Pension Plans (Continued)**

***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 non-service-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

***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, 2020, employees, with less than 20 years of service as of July 1, 2012 were required to contribute 3.75 percent of their annual covered salary. Employees with more than 20 years of service as of July 1, 2012 were required to contribute 11 percent of their annual covered salary. RIAC is required to contribute at an actuarially determined rate; the rate was 26.39 percent of annual covered payroll for the fiscal year ended June 30, 2020. RIAC contributed \$148,885, \$149,946, and \$148,567 for the fiscal years ended June 30, 2020, 2019, and 2018, respectively, equal to 100 percent of the required contributions for each year.

***Net Pension Liability***

At June 30, 2020, RIAC reported a liability of \$1,799,009 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, 2019, 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, 2018 rolled forward to June 30, 2019. 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, 2019 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2019 and 2018 measurement dates, RIAC's proportion was 0.07938 percent and 0.08566 percent, respectively.

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

For the years ended June 30, 2020 and 2019, RIAC recognized pension expense of \$67,949 and \$71,883, respectively.

**Note 10 - Pension Plans (Continued)**

At June 30, 2020 and 2019, RIAC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 18,946	\$ 9,377	\$ 12,868	\$ 24,754
Changes in assumptions	78,682	-	123,858	1,474
Net difference between projected and actual earnings on pension plan investments	-	3,338	20,123	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	-	245,402	-	244,032
Employer contributions to the plan subsequent to the measurement date	148,885	-	149,946	-
<b>Total</b>	<b>\$ 246,513</b>	<b>\$ 258,117</b>	<b>\$ 306,795</b>	<b>\$ 270,260</b>

Contributions of \$148,885 are reported as deferred outflows of resources related to pensions resulting from RIAC's contributions in the fiscal year ended June 30, 2020 subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the fiscal year ending June 30, 2021. 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
2021	\$ (78,823)
2022	(6,479)
2023	(46,740)
2024	(25,774)
2025	(2,673)
<b>Total</b>	<b>\$ (160,489)</b>

**Actuarial Methods and Assumptions**

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

Actuarial cost method	Entry age
Amortization method	Level percent of payroll - Closed
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 the ultimate values of the MP scale. Mortality rates for female plan members were based on RP-2014 Combined Healthy for Females, projected with ultimate values of the MP scale.

June 30, 2020 and 2019

**Note 10 - Pension Plans (Continued)**

The actuarial assumptions used in the June 30, 2018 valuation rolled forward to June 30, 2019 and the calculation of the total pension liability at June 30, 2019 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.

**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, 2019 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	22.10 %	6.16 %
International developed equity	13.20	6.83
Emerging markets equity	4.70	8.90
Private growth:		
Private equity	11.25	9.81
Non-Core RE	2.25	5.51
Opportunistic private credit	1.50	9.81
Income:		
High-yield infrastructure	1.00	3.98
REITs	1.00	5.51
Liquid credit	2.80	3.98
Private credit	3.20	3.98
Crisis protection class:		
Treasury duration	4.00	0.77
Systematic trend	4.00	4.20
Inflation protection:		
Core real estate	3.60	5.51
Private infrastructure	2.40	5.85
TIPs	1.00	1.37
Natural resources	1.00	3.76
Volatility protection:		
IG fixed income	11.50	2.15
Absolute return	6.50	4.20
Cash	3.00	0.77

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.

**Note 10 - Pension Plans (Continued)**

***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 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
RIAC's proportionate share of the net pension liability of the Employees' Retirement System	\$ 2,208,121	\$ 1,799,009	\$ 1,464,103

***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***

Certain employees participating in the defined benefit plan (those with less than 20 years of service as of July 1, 2012), 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. The Retirement Board is the plan administrator and plan trustee. The employees may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

Certain employees (those with less than 20 years of service as of July 1, 2012) contribute 5 percent of their annual covered salary, and employers contribute at the following percentages of annual covered salary for these employees based on their years of service as of July 1, 2012:

Years of Service As of July 1, 2012	Employer Contribution Rate
15-20 years	1.50%
10-15 years	1.25%
0-10 years	1.00%

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 \$2,516, \$1,226, and \$1,247 for the fiscal years ended June 30, 2020, 2019, and 2018, 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.

**Note 10 - Pension Plans (Continued)**

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, a defined contribution plan administered by RIAC. The number of RIAC employees covered by this plan throughout the year averaged 138 in 2020 and 135 in 2019. RIAC's total payroll for the year ended June 30, 2020 was approximately \$14,193,000, of which \$11,245,000 was covered under the plan. RIAC's total payroll for the year ended June 30, 2019 was approximately \$13,220,000, of which \$11,017,000 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, 2020 were approximately \$900,000 by the employer and \$908,000 by the employees. Total contributions for the year ended June 30, 2019 were approximately \$881,000 by the employer and \$888,000 by the employees.

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

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 "OPEB System"). RIAC participates in the State Employees' plan within the OPEB 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 health care benefits to plan members.

The OPEB 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 OPEB 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 OPEB System generally provide health care 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.

June 30, 2020 and 2019

**Note 11 - Other Postemployment Benefit Plan (Continued)**

Members of the OPEB 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 OPEB 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 6.65 percent of annual covered payroll for the fiscal year ended June 30, 2020. RIAC contributed \$37,517, \$34,822, and \$35,723 for the fiscal years ended June 30, 2020, 2019, and 2018, 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, 2020, RIAC reported a liability of \$347,662 for its proportionate share of the net OPEB liability related to its participation in the OPEB System. The net OPEB liability was measured as of June 30, 2019, 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, 2018 rolled forward to the June 30, 2019 measurement date. RIAC's proportion of the net OPEB liability was based on its share of contributions to the OPEB System for fiscal year ended June 30, 2019 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2019 and 2018, RIAC's proportion was 0.07965 percent and 0.08518 percent, respectively.

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

For the year ended June 30, 2020 and 2019, RIAC recognized OPEB expense of \$7,760 and \$33,727, respectively.

At June 30, 2020 and 2019, RIAC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 43,920	\$ -	\$ 21,894
Changes in assumptions	17,025	3,053	22,378	-
Changes in proportionate share or differences between amount contributed and proportionate share of contributions	-	20,806	4,732	-
Contributions subsequent to measurement date	37,517	-	34,822	-
Net difference between projected and actual investment earnings	-	11,065	-	8,021
Total	\$ 54,542	\$ 78,844	\$ 61,932	\$ 29,915

**Note 11 - Other Postemployment Benefit Plan (Continued)**

Contributions of \$37,517 are reported as deferred outflows of resources related to OPEB expense resulting from RIAC's contributions in the fiscal year ended June 30, 2020 subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability for the fiscal year ending June 30, 2021. 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
2021	\$ (11,298)
2022	(11,298)
2023	(10,031)
2024	(9,106)
2025	(7,991)
Thereafter	<u>(12,095)</u>
Total	<u>\$ (61,819)</u>

**Actuarial Methods and Assumptions**

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

Actuarial cost method	Entry age normal - Individual entry age
Amortization method	Level percent of payroll - Closed
Inflation	2.75%
Salary increases	3.00% to 6.00%
Investment rate of return	5.00%
Health care cost trend rate	8.25 percent in fiscal 2019 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 the MP-2016 ultimate rates. Mortality rates for female plan members were based on RP-2014 Combined Healthy for Females, projected with the MP-2016 ultimate rates.

**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 multiple sources. The June 30, 2019 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 %	6.05 %
Fixed income	35.00	1.48

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 Percentage Point Decrease (4.00%)	Current Discount Rate (5.00%)	1 Percentage Point Increase (6.00%)
RIAC's proportionate share of the net OPEB liability of the State Employees' and Electing Teachers OPEB System	\$ 392,623	\$ 347,662	\$ 269,967

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate**

The following presents the net OPEB liability of RIAC, calculated using the health care cost trend rate of 8.25 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 health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Lower	Baseline	1 Percentage Point Higher
RIAC's proportionate share of the net OPEB liability of the State Employees' and Electing Teachers OPEB System	\$ 254,555	\$ 347,662	\$ 414,720

**OPEB Plan Fiduciary Net Position**

The OPEB 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.

June 30, 2020 and 2019

### Note 12 - Risk Management

RIAC is self-insured for workers' unemployment. RIAC pays for unemployment claims as they are incurred. At June 30, 2020 and 2019, 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, 2020 and 2019, 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.

### Note 14 - COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. These measures included international travel restrictions and, in some states, orders to stay home. As a result, domestic travel across the United States has significantly declined. The pandemic and the resulting restrictions have caused disruption in aviation activity and passenger traffic at RIAC and at airports around the world.

On March 25, 2020, Congress and the White House agreed to a COVID-19 assistance package, which includes \$10 billion from the federal General Fund to remain available until expended for airports to prevent, prepare for, and respond to coronavirus. Through the assistance package, which was signed into law as the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), RIAC received a grant award of approximately \$24,000,000.

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## Required Supplemental Information

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## Rhode Island Airport Corporation

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

	Last Six Plan Years					
	Plan Years Ended June 30					
	2020	2019	2018	2017	2016	2015
RIAC's proportion of the net pension liability	0.07938 %	0.08566 %	0.09472 %	0.08660 %	0.11207 %	0.11073 %
RIAC's proportionate share of the net pension liability	\$1,799,009	\$1,928,084	\$2,135,747	\$1,837,970	\$2,226,207	\$1,973,129
RIAC's covered payroll	\$ 564,171	\$ 582,316	\$ 597,373	\$ 621,137	\$ 589,865	\$ 750,686
RIAC's proportionate share of the net pension liability as a percentage of its covered payroll	318.88 %	331.11 %	357.52 %	295.90 %	377.41 %	262.84 %
Plan fiduciary net position as a percentage of total pension liability	52.80 %	52.50 %	51.83 %	51.88 %	55.00 %	58.60 %

*Notes:*

- 1) The amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year end.
- 2) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

## Rhode Island Airport Corporation

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

	<b>Last Six Fiscal Years Years Ended June 30</b>					
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 148,885	\$ 149,946	\$ 148,567	\$ 157,396	\$ 139,444	\$ 175,135
Contributions in relation to the statutorily required contribution	<u>148,885</u>	<u>149,946</u>	<u>148,567</u>	<u>157,396</u>	<u>139,444</u>	<u>175,135</u>
<b>Contribution Deficiency (Excess)</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>RIAC's Covered Payroll</b>	<b>\$ 564,171</b>	<b>\$ 582,316</b>	<b>\$ 597,373</b>	<b>\$ 621,137</b>	<b>\$ 589,865</b>	<b>\$ 750,686</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>26.39 %</b>	<b>25.75 %</b>	<b>24.87 %</b>	<b>25.34 %</b>	<b>23.64 %</b>	<b>23.33 %</b>

*Notes:*

1) Employers participating in the State Employees' Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

2) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

## Rhode Island Airport Corporation

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

	<b>Last Three Plan Years Plan Years Ended June 30</b>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
RIAC's proportion of the net OPEB liability	0.07965 %	0.08518 %	0.08413 %
RIAC's proportionate share of the net OPEB liability	\$ 347,662	\$ 433,851	\$ 437,010
RIAC's covered payroll	\$ 564,171	\$ 582,316	\$ 597,373
RIAC's proportionate share of the net OPEB liability as a percentage of its covered payroll	61.62 %	74.50 %	73.16 %
Plan fiduciary net position as a percentage of total OPEB liability	33.57 %	26.25 %	22.38 %

*Notes:*

- 1) The amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year end.
- 2) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

**Rhode Island Airport Corporation**

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

	<b>Last Three Fiscal Years</b>		
	<b>Years Ended June 30</b>		
	2020	2019	2018
Actuarially determined contribution	\$ 37,517	\$ 34,822	\$ 35,723
Contributions in relation to the actuarially determined contribution	37,517	34,822	35,723
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</b>	\$ 564,171	\$ 582,316	\$ 597,373
<b>Contributions as a Percentage of Covered Payroll</b>	6.65 %	5.98 %	5.98 %

*Notes:*

1) Employers participating in the State Employees' and Electing Teachers OPEB System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

2) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

June 30, 2020 and 2019

### ***Pension Plan Information***

- Schedule of RIAC's Proportionate Share of the Net Pension Liability - Employees' Retirement System Plan
- Schedule of Pension Contributions - Employees' Retirement System Plan

### **1. Actuarial Methods and Assumptions Used to Calculate the Net Pension Liability of the Participating Employers**

The actuarial methods and assumptions used to calculate the net pension liability of the participating employers are described in Note 10 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

#### **June 30, 2019 Measurement Date**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability of the plans as of the June 30, 2019 measurement date compared to the June 30, 2018 measurement date.

#### **June 30, 2018 Measurement Date**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability of the plans as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

#### **June 30, 2017 Measurement Date**

- Decreased the general inflation assumption from 2.75 to 2.50 percent
- Decreased the nominal investment return assumption from 7.50 to 7.00 percent
- Decreased the general wage growth assumption from 3.25 to 3.00 percent
- Decreased salary increase assumptions
- Updated the postretirement mortality tables to variants of the RP-2014 table. For the improvement scale, updated to the ultimate rates of the MP-2016 projection scale.

#### **June 30, 2016 Measurement Date**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability of the plans as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date.

#### **June 30, 2015 Measurement Date**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability of the plans as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date.

- Benefit changes are reflected in the calculation of the net pension liability at the June 30, 2015 measurement date. The following is a summary of those benefit changes that resulted from the settlement of the pension litigation and the subsequent enactment of those settlement provisions by the General Assembly.
- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11 percent for state employees, and municipal general employees will contribute 8.25 percent (9.25 percent for units with a COLA provision) and participate solely in the defined benefit plan going forward - service credit accruals will increase from 1 to 2 percent per year.
- Members are eligible to retire upon the attainment of age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.

**June 30, 2020 and 2019**

- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan. Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.
- Members who retired from a COLA-eligible plan before July 1, 2012 will received a one-time cost of living adjustment of 2 percent of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at four-year rather than five-year intervals.
- The COLA formula was adjusted; 50 percent of the COLA is calculated by taking the previous five-year average investment return, less 5.5 percent (five-year return - 5.5 percent, with a max of 4 percent) and 50 percent calculated using previous year's CPI-U (max of 3 percent) for a total max COLA of 3.5 percent. This COLA is calculated on the first \$25,855, effective January 1, 2016, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

### **2. Actuarially Determined Contributions**

Actuarially determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contributions are reported. For example, the contribution rate for fiscal year 2019 for the plans was based on a valuation performed as of June 30, 2016.

June 30, 2020 and 2019

### **Other Postemployment Benefits (OPEB) Plan Information**

- Schedule of RIAC's Proportionate Share of the Net OPEB Liability - State Employees' OPEB Plan
- Schedule of OPEB Contributions - State Employees' OPEB Plan

### **1. Actuarial Assumptions and Methods Used to Calculate the Net OPEB Liability of the Participating Employers**

The actuarial methods and assumptions used to calculate the net OPEB liability of the participating employers are described in Note 11 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

#### **June 30, 2019 Measurement Date**

The June 30, 2018 actuarial valuation rolled forward to the June 30, 2019 measurement date reflected a change in excise tax load on pre-65 liabilities from 11.0 to 9.5 percent.

#### **June 30, 2018 Measurement Date**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plans as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

#### **June 30, 2017 Measurement Date**

Certain actuarial assumptions for state employees were updated to match the assumptions used for state employees in the pension valuation for the Employees' Retirement System of Rhode Island (ERSRI) and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rates of separation from active membership
- Rates of retirement
- Rates of disability
- The rate of wage inflation
- The mortality assumption
- The trend assumption
- Aging factors and health and inflation trends

The excise tax load on pre-65 liabilities was changed from 13.8 to 11.0 percent. The Patient Protection and Affordable Care Act includes an excise tax on high-cost health plans beginning in 2022. The excise tax is 40 percent of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the plans will be subject to the excise tax in 2022.

### **2. Actuarially Determined Contributions**

The annual required contributions for fiscal year 2020 were determined based on the June 30, 2017 valuation of the State Employees' OPEB Plan.

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## Other Supplemental Information

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State of Rhode Island Attachment B  
Statement of Net Position

June 30, 2020

**Assets**

Current Assets:

Cash and cash equivalents	\$ 77,478,938
Investments	
Receivables (net)	3,287,824
Restricted assets:	
Cash and cash equivalents	21,933,655
Investments	
Receivables (net)	
Other assets	
Due from primary government	52,374
Due from other component units	
Due from other governments	
Inventories	
Other assets	411,696
Total current assets	<u>103,164,487</u>

Noncurrent Assets:

Investments	
Receivables (net)	
Due from other govts and agencies	
Restricted assets:	
Cash and cash equivalents	51,074,563
Investments	9,462,464
Receivables (net)	6,041,710
Other assets	
Due from other component units	
Net Pension Asset	
Net OPEB Asset	
Capital assets - nondepreciable	56,025,935
Capital assets - depreciable (net)	460,464,048
Other assets, net of amortization	399,981
Total noncurrent assets	<u>583,468,701</u>
Total assets	<u>686,633,188</u>

**Deferred outflows of resources**

Deferred pension amounts	246,513
Deferred OPEB amounts	54,542
Other deferred outflows of resources	838,971
Total deferred outflows of resources	<u>\$ 1,140,026</u>

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

June 30, 2020

**Liabilities**

Current liabilities:

Cash overdraft	
Accounts payable (unrestricted and restricted)	\$ 2,787,983
Due to primary government	
Due to other component units	235,000
Due to other governments	
Accrued expenses (unrestricted and restricted)	2,436,043
Compensated absences	
Unearned revenue	1,612,810
Other current liabilities	5,806,228
Current portion of long-term debt	17,630,515
Total current liabilities	30,508,579

Noncurrent liabilities:

Due to primary government	65,000
Due to other component units	1,236,619
Due to other governments	
Net pension liability	1,799,009
Net OPEB liability	347,662
Unearned revenue	
Notes payable	
Loans payable	
Obligations under capital leases	1,283,433
Compensated absences	
Bonds payable	271,988,723
Other liabilities	
Total noncurrent liabilities	276,720,446
Total liabilities	307,229,025

**Deferred inflows of resources**

Deferred pension amounts	258,117
Deferred OPEB amounts	78,844
Other deferred inflows of resources	
Total deferred inflows of resources	336,961

**Net position**

Net investment in capital assets	249,177,646
Restricted for:	
Debt	21,644,274
Other	12,808,484
Nonexpendable	
Capital Projects	26,693,913
Unrestricted	69,882,911
Total net position	\$ 380,207,228

State of Rhode Island Attachment C  
Statement of Activities

Year Ended June 30, 2020

<b>Expenses</b>	\$ <u>79,307,698</u>
<b>Program revenues:</b>	
Charges for services	64,475,187
Operating grants and contributions	
Capital grants and contributions	14,032,162
Total program revenues	<u>78,507,349</u>
Net (expenses) revenues	<u>(800,349)</u>
<b>General revenue:</b>	
Interest and investment earnings	2,074,131
Miscellaneous revenue	80,509
Operating grants	
Gain on sale of capital assets	
Total general revenues	<u>2,154,640</u>
Special items	
Extraordinary items	
Change in net position	<u>1,354,291</u>
Total net position - beginning	<u>378,852,937</u>
Total net position - ending	\$ <u><u>380,207,228</u></u>

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

Fiscal Year Ending June 30	Principal	Interest
2021	\$ 17,119,160	\$ 10,622,205
2022	18,164,365	10,100,540
2023	18,012,984	9,564,336
2024	21,667,444	8,978,786
2025	18,236,047	8,352,403
2026-2030	70,262,029	33,315,576
2031-2035	45,425,982	21,417,542
2036-2040	39,201,544	12,681,336
2041-2045	26,234,603	4,402,865
2046-2050	5,350,913	270,750
2051-2055		
2056-2060		
2061-2065		
	<u>\$ 279,675,071</u>	<u>\$ 119,706,339</u>

## Rhode Island Airport Corporation

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

Year Ended June 30, 2020

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	\$ 176,807,658		\$ 32,012,553	\$ 144,795,105	\$ 4,470,000	\$ 140,325,105
Bonds payable - Direct Payment	123,091,783	24,162,661	12,374,478	134,879,966	12,649,160	122,230,806
Net unamortized premium/discount	10,123,887	331,404	511,124	9,944,167	511,355	9,432,812
Bonds payable	310,023,328		44,898,155	289,619,238	17,630,515	271,988,723
Notes payable						
Notes payable - Direct Borrowings						
Loans payable						
Obligations under capital leases	2,103,495		406,555	1,696,940	413,507	1,283,433
Net pension liability	1,928,084		129,075	1,799,009		1,799,009
Net OPEB liability	433,851		86,189	347,662		347,662
Due to primary government	110,000		45,000	65,000		65,000
Due to component units	3,301,621	204,990	2,034,992	1,471,619	235,000	1,236,619
Due to other governments and agencies						
Unearned revenue	924,316	688,494		1,612,810	1,612,810	
Compensated absences						
Arbitrage rebate						
Pollution remediation						
Funds Held for Others						
Other liabilities - include explanation						
Total other liabilities	\$ 318,824,695	\$ 893,484	\$ 47,599,966	\$ 296,612,278	\$ 19,891,832	\$ 276,720,446

**Rhode Island Airport Corporation**

**Schedule of Travel and Business Development Expenses**

**Year Ended June 30, 2020**

<b>Employee</b>	<b>Purpose</b>	<b>Date</b>	<b>Place</b>	<b>Amount</b>
I. Ahmad	24th Annual Boyd Group International Aviation Forecast Summit	08/24/19 - 08/28/19	Las Vegas, NV	1,257
K. Fadden	NASAO's 88th Annual Convention & Tradeshow	09/07/19-09/11/19	St. Paul, MN	1,555
Various	Greater Providence Chamber of Commerce Legislative Luncheon	9/18/2019	Providence, RI	850
I. Ahmad	Routes World 2019	09/21/19-09/24/19	Adelaide, Australia	6,870
M. Berger	Routes World 2019	09/21/19-09/24/19	Adelaide, Australia	6,557
B. Semple	AAAE Airport Law Workshop	10/13/19-10/15/19	Denter CO	1,366
I. Ahmad	AAAE Airport Issues Conference	10/28/19 - 10/30/19	Bucharest, Romania	1,934
Various	Rhode Island Aviation Hall of Fame Annual Dinner	11/23/2019	Providence, RI	440
I. Ahmad	Airline Visit	01/02/20 - 01/04/20	Lisbon, Portugal	5,407
M. Berger	Airline Visit	01/02/20 - 01/04/20	Lisbon, Portugal	5,273
T. Marcello	Explosive Detection Canine Handler Training Course	01/23/20 - 04/20/20	Lackland Air Force Base, TX	2,322
I. Ahmad	Routes Americas 2020	02/04/20 - 02/06/20	Indianapolis, IN	2,542
M. Berger	Routes Americas 2020	02/04/20 - 02/06/20	Indianapolis, IN	1,474
A. Seabury	Routes Americas 2020	02/04/20 - 02/06/20	Indianapolis, IN	1,524
I. Ahmad	61st Annual McIntyre-Shaheen 100 Club Dinner	02/08/20 - 02/09/20	Manchester, NH	409
Various	Greater Providence Legislative Luncheon 2020	2/12/2020	Providence, RI	900
T. Pimental	ACI-NA Airport Customer Experience Symposium	03/09/20 - 03/12/20	New Orleans, LA	1,389
Various	Board Meeting Expenses	07/01/19 - 06/30/20	Warwick, RI	2,247
Various	Employee Meeting and Functions	07/01/19 - 06/30/20	Warwick, RI	5,674
Various	Miscellaneous Amounts Under \$200	07/01/19 - 06/30/20	Warwick, RI	856
<b>Total</b>				<b>\$ 50,846</b>

# Rhode Island Airport Corporation

## Schedule of Expenditures of Federal Awards\*

For the Year Ended June 30, 2020

Federal Grantor Pass-Through Grantor Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Provided to Sub-Recipient	Federal Expenditures
<b>U.S. Department of Homeland Security:</b>			
Direct Programs:			
Office of Law Enforcement/Federal Air Marshall Service, National Explosives Detection Canine Team Program	97.072		\$ 122,780
Law Enforcement Officer Reimbursement Agreement Program	97.090		\$ 53,136
<b>Total Department of Homeland Security</b>			<u>175,916</u>
<b>U.S. Department of Defense - National Guard Bureau</b>			
Direct Programs:			
National Guard Military Operations and Maintenance (O&M) Projects	12.401	\$ 3,165,580	\$ 5,945,278
<b>Total Department of Defense</b>		<u>3,165,580</u>	<u>5,945,278</u>
<b>U.S. Department of Transportation:</b>			
Direct Programs:			
Airport Improvement Programs	20.106		1,638,746
<b>Total Department of Transportation</b>			<u>1,638,746</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 3,165,580</u>	<u>\$ 7,759,940</u>

\* 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, 2020. 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.

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, 2020 and the related notes to the financial statements, which collectively comprise RIAC's basic financial statements, and have issued our report thereon dated September 30, 2020.

#### **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 & Moreau, PLLC*

September 30, 2020