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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, 2022**

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## **Independent Auditor's Report**

To the Board of Directors  
Rhode Island Airport Corporation

### **Report on the Audits of the Financial Statements**

#### ***Opinion***

We have audited the 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, 2022 and 2021 and the related notes to the financial statements, which collectively comprise RIAC's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of RIAC as of June 30, 2022 and 2021 and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of RIAC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As explained in Note 1 to the financial statements, during the year ended June 30, 2022, RIAC implemented the provisions of GASB Statement No. 87, *Leases*. This statement requires recognition of lease receivables and deferred inflows for leases that meet certain criteria based on the provisions of the contract. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RIAC's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Directors  
Rhode Island Airport Corporation

### ***Auditor's Responsibilities for the Audits of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 RIAC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RIAC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

To the Board of Directors  
Rhode Island Airport Corporation

***Other Supplemental Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise RIAC'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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information 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, 2022 on our consideration of RIAC'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RIAC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIAC's internal control over financial reporting and compliance.



September 30, 2022

### INTRODUCTION

The following Management's Discussion & Analysis (MD&A) of 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, 2022 and June 30, 2021. 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 Rhode Island T.F. Green International Airport (Airport or PVD) and 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)

### Rhode Island T.F. Green International Airport

RIAC operates Rhode Island T. F. Green International 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 Rhode Island T.F. Green International 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, 2022, airlines serving the Airport lease approximately 75,000 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, 2022. 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.

Public vehicular access is provided by a roadway system that directs vehicular traffic from Post Road and Interstate Route 95 to the Terminal curb fronts. These roads connect to a dual-level curb front 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 curb front to provide an unloading area for private vehicles and various commercial vehicles such as taxis, limousines, rental car companies, transportation network companies (TNC's) 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, fire and police stations, and other aviation-related facilities.

# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

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### Air Carriers Serving the Airport

In fiscal year 2022, the Airport had scheduled passenger service provided by ten mainline carriers, and nine affiliate carriers. Three additional airlines provide all-cargo service.

### AIRLINES SERVING THE AIRPORT

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#### **Mainline Carriers (10)**

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

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

#### **Domestic Affiliate Carriers (9)**

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

#### **All Cargo Carriers (3)**

Federal Express  
United Parcel Service  
Wiggins Airways (a)

(a) Wiggins Airways flies on behalf of FedEx

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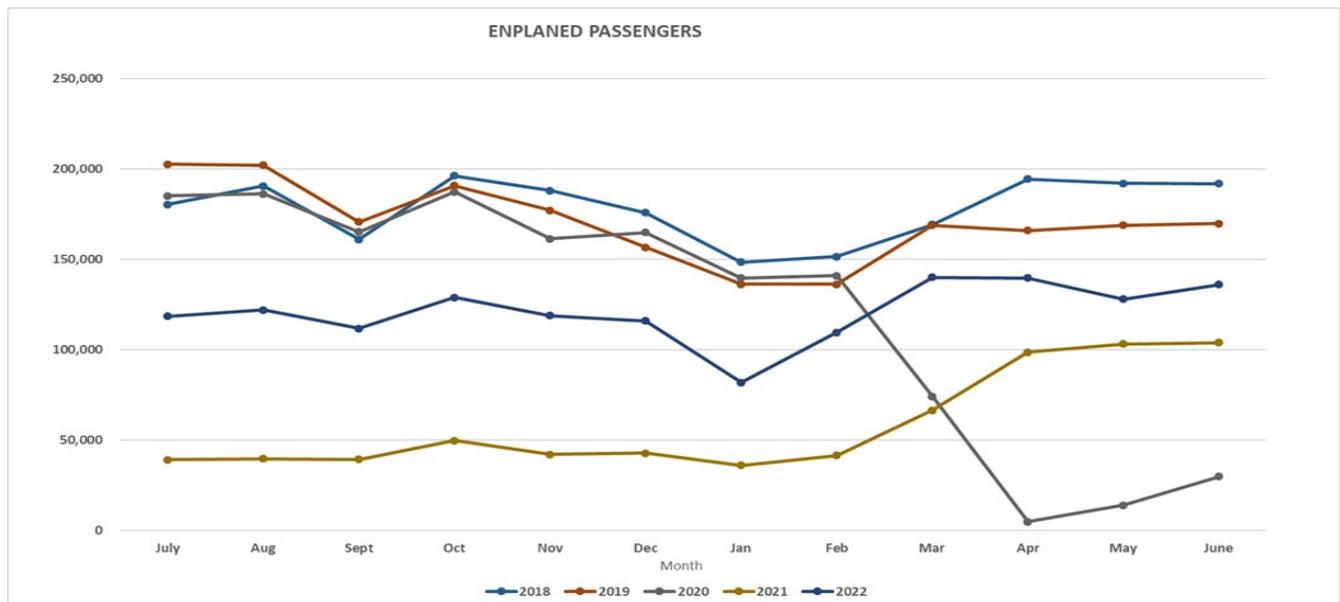
# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

### Historical Enplanement Data

The Airport was ranked as the 80<sup>th</sup> busiest airport in the country for calendar year 2021 according to the latest published preliminary data produced by the FAA. This compares with rankings of 77<sup>th</sup> busiest in calendar year 2020, 70<sup>th</sup> busiest in calendar year 2019, and 64<sup>th</sup> busiest in calendar year 2018.

Actual enplaned passengers for fiscal year 2022 were 748,568 above 2021 resulting in an increase of 106.5%. The following chart and table depict the historical trend of enplaned passenger traffic at the Airport for the fiscal years 2018 through 2022. Similar to airports across the country, the Airport was impacted by the COVID-19 pandemic, with significant reductions due to travel restrictions, significantly reducing the passenger traffic.



Fiscal Year	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
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
2021	39,096	39,682	39,387	49,740	42,133	42,857	36,127	41,467	66,512	98,701	103,136	103,981	702,819
2022	118,614	122,012	111,857	128,872	118,883	115,944	81,828	109,632	140,039	139,654	127,964	136,088	1,451,387

### 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. Breeze Airways, 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, 2023. 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 (SFZ)

Located approximately 15 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 (OQU)

This airport is located in North Kingstown, approximately 10 miles south of the Airport. The Rhode Island Air National Guard and the Rhode Island Army National Guard maintain presence at Quonset State Airport. Quonset State Airport has additional industrial facilities which are leased to several companies. Quonset State Airport is classified by the FAA as a reliever airport.

#### Westerly State Airport (WST)

This airport is located in Westerly, approximately 35 miles southwest of the Airport. Westerly State Airport is classified as a commercial service airport and enplaned approximately 16,900 commuter passengers in fiscal year 2022.

#### Newport State Airport (UUU)

This airport is located in Middletown, approximately 17 miles southeast of the Airport. Newport State Airport is classified as a general aviation airport.

#### Block Island State Airport (BID)

Situated on Block Island just off the southern coast of Rhode Island, Block Island State Airport is approximately 25 miles from the Airport. Block Island State Airport is classified as a commercial service airport and enplaned approximately 15,600 commuter passengers in fiscal year 2022.

# 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 changes in net position presents information on how RIAC's net position changed during the fiscal year.

### SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

	2022	2021	2020
Operating Revenues - Airports	\$ 51,383,720	\$ 35,146,406	\$ 51,092,912
Operating Revenues - Interlink	7,597,023	5,287,871	8,089,691
Operating Expenses - Airports	(35,702,847)	(30,427,301)	(33,886,074)
Operating Expenses - Interlink	(3,464,088)	(3,186,780)	(3,406,417)
Operating Income (Before Depreciation)	19,813,808	6,820,196	21,890,112
Depreciation and Amortization Expense - Airports	(22,882,042)	(22,172,399)	(22,643,423)
Depreciation and Amortization Expense - Interlink	(4,327,838)	(4,335,045)	(4,339,189)
Operating Loss	(7,396,072)	(19,687,248)	(5,092,500)
Non-operating Revenues (Expenses), total	8,158,998	5,208,845	(4,056,919)
Income (Loss) Before Capital Contributions	762,926	(14,478,403)	(9,149,419)
Capital Contributions, net	24,438,257	26,881,683	10,503,710
Change in Net Position	\$ 25,201,183	\$ 12,403,280	\$ 1,354,291

## Rhode Island Airport Corporation

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

#### FINANCIAL POSITION SUMMARY

	2022	2021	2020
<b>ASSETS</b>			
Current assets	\$ 121,574,232	\$ 112,434,503	\$ 103,164,487
Noncurrent assets	74,122,749	77,396,558	66,978,718
Capital assets, net	516,511,444	517,659,944	516,489,983
Total assets	712,208,425	707,491,005	686,633,188
<b>DEFERRED OUTFLOWS</b>	547,471	882,869	1,140,026
<b>LIABILITIES</b>			
Current liabilities	36,955,674	36,040,629	30,508,579
Long term obligations	237,271,913	257,107,139	276,720,446
Total liabilities	274,227,587	293,147,768	307,229,025
<b>DEFERRED INFLOWS</b>	20,716,618	22,615,598	336,961
<b>NET POSITION</b>			
Net investment in capital assets	282,274,807	265,518,483	249,177,646
Restricted	55,020,844	55,580,557	61,146,671
Unrestricted	80,516,040	71,511,468	69,882,911
<b>TOTAL NET POSITION</b>	\$ 417,811,691	\$ 392,610,508	\$ 380,207,228

Total assets increased approximately \$4,717,000 and \$20,858,000 in fiscal years 2022 and 2021, respectively, primarily due to the net effect of the timing of receipts and expenditures related to the operations and the capital improvement program.

Total liabilities decreased approximately \$18,920,000 and \$14,081,000 in fiscal years 2022 and 2021, respectively. In fiscal years 2022 and 2021, the decrease in long-term obligations primarily related 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 lease revenue as a result of the implementation of GASB 87, deferred pension costs and reductions in OPEB costs. Deferred inflows increased in fiscal year 2021 as a result of the implementation of GASB 87 which was effective in fiscal year 2021.

Net position for fiscal years 2022 and 2021 increased by approximately \$25,201,000 and \$12,403,000 respectively as a result of the changes in the assets, liabilities, deferred outflows and deferred inflows referenced above.

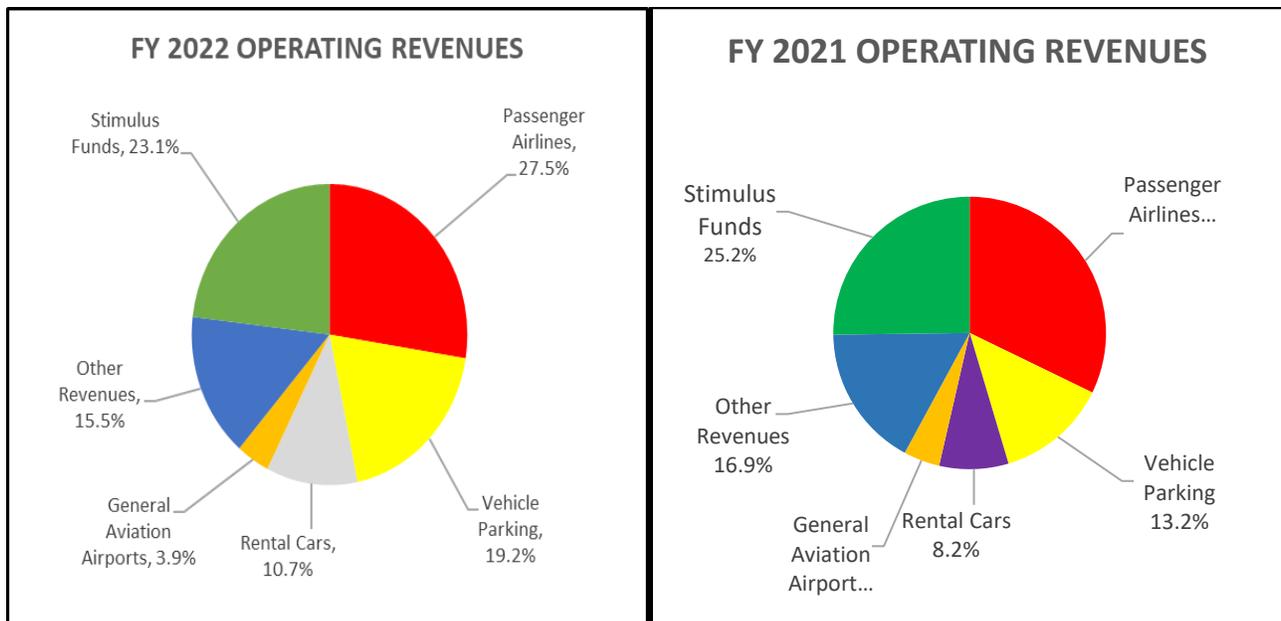
# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

### OPERATING REVENUES - AIRPORTS

The following chart shows the major sources and the percentage of total operating revenues and federal stimulus for the fiscal years ended June 30, 2022, 2021 and 2020.

	2022	% of Total Revenues	2021	% of Total Revenues	2020	% of Total Revenues
<b>OPERATING REVENUES AND FEDERAL STIMULUS</b>						
Passenger Airlines	17,517,996	27.5%	15,146,741	32.2%	16,506,561	32.3%
Vehicle Parking	14,694,315	23.1%	6,199,361	13.2%	16,003,340	31.3%
Stimulus Funds	12,204,718	19.2%	11,867,563	25.2%	-	0.0%
Rental Cars	6,810,687	10.7%	3,870,552	8.2%	5,431,002	10.6%
General Aviation Airports	2,489,343	3.9%	2,040,763	4.3%	2,140,690	4.2%
Tiedown & Hangar Rent	1,839,810	2.9%	1,690,607	3.6%	1,647,180	3.2%
Concession	1,629,446	2.6%	1,100,795	2.3%	2,999,868	5.9%
Fuel Flowage Fees	1,308,556	2.1%	883,657	1.9%	811,423	1.6%
Quonset Real Estate Income	1,227,598	1.9%	1,187,603	2.5%	1,127,365	2.2%
Off Airport Access Fees	1,135,832	1.8%	508,938	1.1%	1,113,967	2.2%
General Aviation, PVD & Cargo	1,015,659	1.6%	819,404	1.7%	997,235	2.0%
Non-Airline Rent	719,699	1.1%	706,834	1.5%	1,134,075	2.2%
Other Revenues	591,089	1.0%	579,585	1.4%	696,688	1.4%
Advertising	403,690	0.6%	411,566	0.9%	483,518	0.9%
<b>TOTAL OPERATING REVENUES AND FEDERAL STIMULUS</b>	<b>\$ 63,588,438</b>	<b>100.0%</b>	<b>\$ 47,013,969</b>	<b>100.0%</b>	<b>\$ 51,092,912</b>	<b>100.0%</b>



## Rhode Island Airport Corporation

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

Overall operating revenues increased by approximately \$16,574,000 in fiscal year 2022 primarily related to positive enplanement trends. Revenues decreased \$4,079,000 in fiscal year 2021 primarily as a result of the impacts of the COVID-19 pandemic. COVID-19 and related travel restrictions had a significant impact on many of the revenue streams that are directly impacted by enplanement trends. RIAC utilized federal operating stimulus funds of approximately \$12,200,000, and \$11,868,000, in fiscal year 2022 and 2021 respectively, from the Coronavirus Aid Relief and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriation Act, 2021 (CRRSA) and American Rescue Plan Act of 2021 (ARPA) grants to partially offset the reduction in operating revenues, in essence helping the airlines that operate in Rhode Island. Additional information on the stimulus funds can be found in the current operations section.

The following commentary includes revenue categories greater than 5% of total revenues and other line items to provide additional information.

Passenger Airline revenues increased by approximately \$2,371,000 for fiscal year 2022 and decreased by approximately \$1,360,000 for fiscal year 2021. 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 2022, 2021 and 2020 are \$12.07, \$22.08, and \$11.35, respectively. The decrease in CPE for fiscal year 2022 is primarily a result of stimulus funds used to reduce the cost for the airlines that operate at PVD. The increase in the CPE for fiscal year 2021 is primarily a result of the reduced enplanement levels due to the COVID-19 pandemic and related travel restrictions.

Vehicle Parking revenues increased in fiscal year 2022 by approximately \$8,495,000 primarily due to the positive enplanement trends. Vehicle parking decreased by approximately \$9,804,000 in fiscal year 2021, primarily due to the impacts of the COVID-19 pandemic and related travel restrictions.

Rental Car revenues increased by approximately \$2,940,000 in fiscal year 2022 primarily due to the positive enplanement trends. Rental Car revenues decreased \$1,560,000 in fiscal year 2021, primarily due to the impacts of the COVID-19 pandemic. These revenues include RIAC's share of rental car transactions, space rentals at the Airport, and audit recoveries.

General Aviation Airport revenue for fiscal year 2022 increased approximately \$449,000 primarily due to increases in rental income, fuel flowage, and landing fees. General Aviation Airport revenue for fiscal year 2021 decreased approximately \$100,000 primarily due to reductions in fuel flowage fees and equipment rental revenues.

Off-Airport Access Fees are derived primarily from three sources; hotels, off-airport parking companies and ground transportation companies. Off Airport Access fees increased approximately \$627,000 for the fiscal year 2022 primarily due to the positive enplanement trends. Off-Airport Access Fees decreased approximately \$604,000 for the fiscal year 2021 primarily due to the impacts of the COVID-19 pandemic and related travel.

General Aviation, PVD and Cargo revenue for fiscal year 2022 increased approximately \$196,000. General Aviation, PVD and Cargo revenue for fiscal year 2021 decreased by approximately \$178,000.

Other Revenues include operating grant revenues, utility revenues, aircraft registration fees and miscellaneous revenues.

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

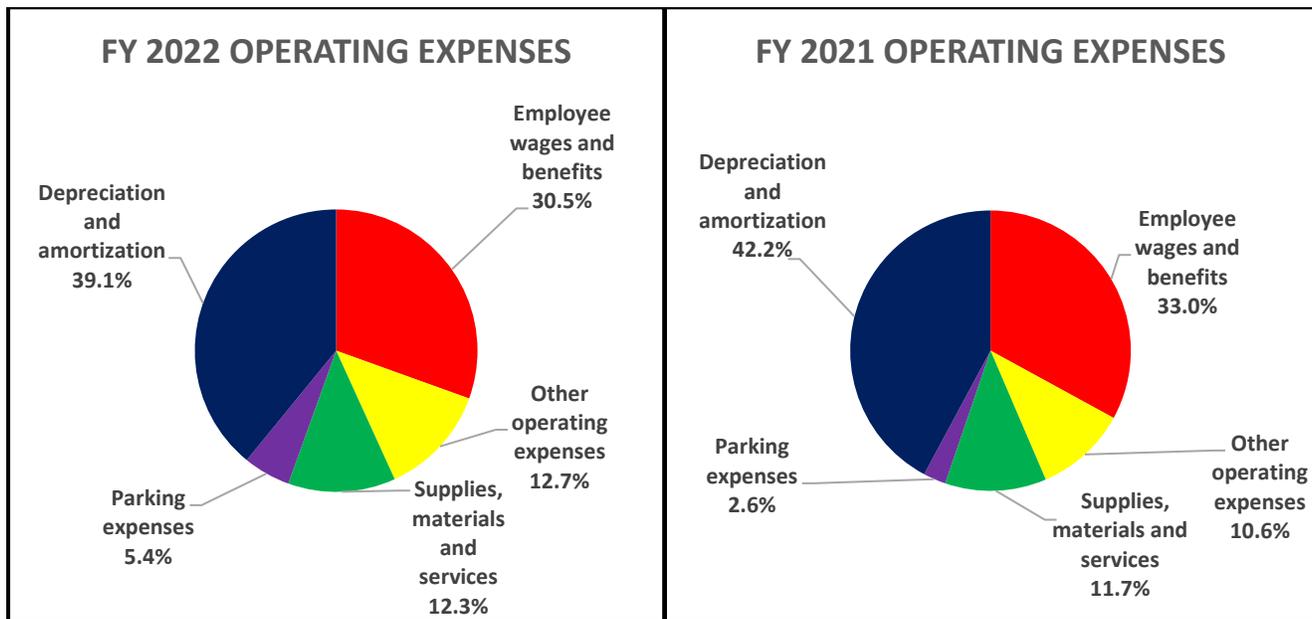
# Rhode Island Airport Corporation

## 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, 2022, 2021, and 2020:

	2022	% of Total Operating Expenses	2021	% of Total Operating Expenses	2020	% of Total Operating Expenses
<b>OPERATING EXPENSES</b>						
Employee wages and benefits	\$17,889,400	30.5%	\$17,335,812	33.0%	\$17,110,537	30.3%
Other operating expenses	7,446,264	12.7%	5,552,332	10.6%	6,384,404	11.3%
Supplies, materials and services	7,182,818	12.3%	6,170,720	11.7%	6,879,290	12.2%
Parking expenses	3,184,365	5.4%	1,368,437	2.6%	3,511,843	6.2%
Depreciation and amortization	22,882,042	39.1%	22,172,399	42.2%	22,643,423	40.1%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$58,584,889</b>	<b>100.0%</b>	<b>\$52,599,700</b>	<b>100.0%</b>	<b>\$56,529,497</b>	<b>100.0%</b>



Employee wages and benefits for fiscal year 2022 increased approximately \$554,000 primarily due to scheduled increases in employee wages per the approved Collective Bargaining Agreement. Employees' wages and benefits decreased in fiscal year 2021 by approximately \$225,000 primarily due to scheduled increase in employee wages, offset by savings in employee benefits as a result of credits related to COVID-19 and timing of filling vacancies and employees out on leave.

Other operating expenses for fiscal year 2022 increased by approximately \$1,894,000 primarily due to increased advertising and marketing campaigns, insurance and gas costs. Other operating expenses for fiscal year 2021 decreased approximately \$832,000. The decrease in fiscal year 2021 primarily relates to a reduction in electricity costs due to a net savings of approximately \$480,000 due to RIAC's efforts in virtual net metering, as well as a reduction to the allowance for doubtful accounts.

Supplies, materials and services for fiscal year 2022 increased approximately \$1,012,000 primarily related to janitorial services, and security services, and increased cost of supplies due to rising costs. Supplies, materials and services for fiscal year 2021 decreased approximately \$709,000 primarily related to outside services with Custom Border Protection (CBP).

## Rhode Island Airport Corporation

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

Parking expenses increased by approximately \$1,816,000 and \$2,143,000 for fiscal years 2022 and 2021, respectively. The increases are primarily due to the positive enplanement trends during the recovery, as the parking expenses related to the management of the parking facilities are based on revenues.

#### 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:

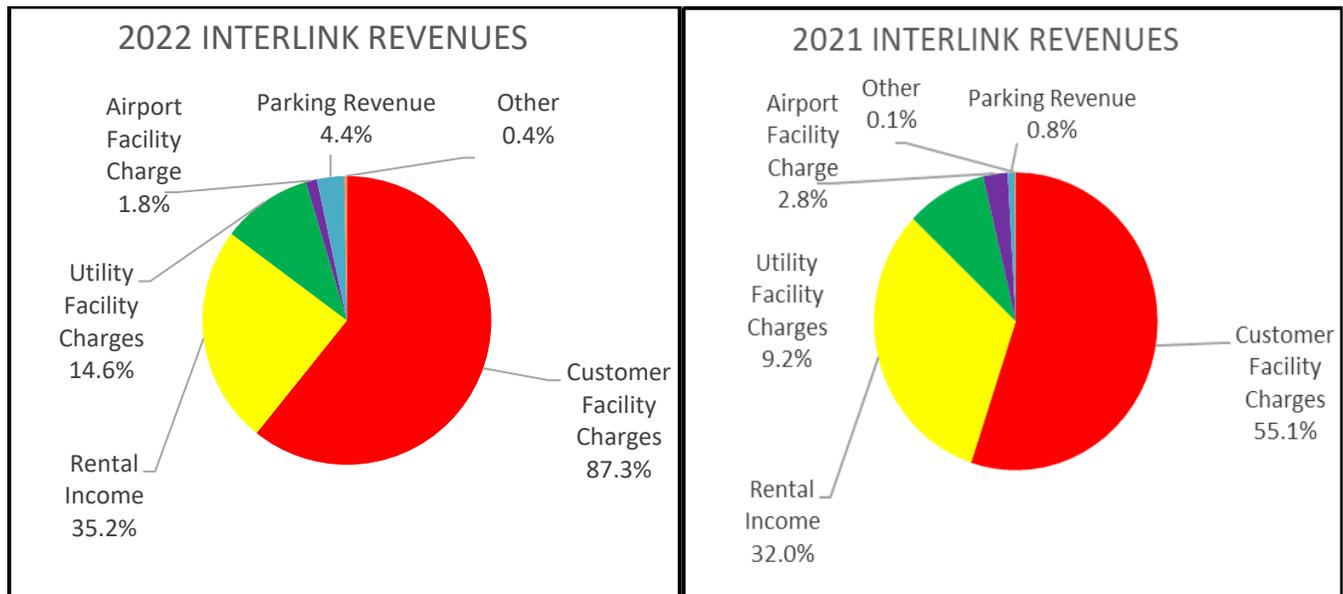
	2022	2021	2020
Operating Revenues	\$ 7,597,023	\$ 5,287,871	\$ 8,089,691
Operating and maintenance expense	3,464,088	3,186,780	3,406,417
InterLink operating income before depreciation and amortization	4,132,935	2,101,091	4,683,274
Depreciation and amortization	4,327,838	4,335,045	4,339,189
Operating Income (Loss)	\$ (194,903)	\$ (2,233,954)	\$ 344,085
Interest Expense	(3,922,360)	(3,812,343)	(3,958,840)
Investment Income	44,736	22,519	404,019
Capital Contributions - Net	-	(166,215)	(157,929)
Net loss InterLink Facility	\$ (4,072,527)	\$ (6,189,993)	\$ (3,368,665)

# 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, 2022, 2021, and 2020:

	2022	% of Total Facility Revenues	2021	% of Total Facility Revenues	2020	% of Total Facility Revenues
<b>OPERATING REVENUES</b>						
Customer Facility Charges	\$ 4,618,776	60.9%	\$ 2,914,698	55.1%	\$ 5,138,280	63.5%
Rental Income	1,860,126	24.5%	1,693,969	32.0%	1,686,164	20.8%
Utility Facility Charges	769,796	10.1%	485,783	9.2%	856,363	10.6%
Parking Revenue	94,650	1.2%	145,735	2.8%	147,204	1.8%
Airport Facility Charge	230,939	3.0%	39,893	0.8%	256,914	3.2%
Other	22,736	0.3%	7,793	0.1%	4,766	0.1%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 7,597,023</b>	<b>100.0%</b>	<b>\$ 5,287,871</b>	<b>100.0%</b>	<b>\$ 8,089,691</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 2022, CFC revenues including audit recoveries were \$4,619,000, as compared to \$2,915,000 in fiscal year 2021, and 5,138,000 in fiscal year 2020. 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 2022, UFC revenues were \$770,000 as compared to \$486,000 in fiscal year 2021, and \$856,000 in fiscal year 2020. 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,

## Rhode Island Airport Corporation

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

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 2022, the AFC revenues were \$231,000 as compared to \$146,000 in fiscal year 2021, and \$257,000 in fiscal year 2020. CFCs, UFCs, AFCs and Parking Revenue increased in fiscal year 2022, primarily due to the impacts of the increased enplanement trends during the recovery from the COVID-19 pandemic.

#### **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 Rhode Island T.F. Green Terminal as well as the payment of a portion of the debt service on certain bond issuances. 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. In fiscal year 2022, RIAC amended PFC Application 5 reducing the PFC impose and use authority by \$14,866,000 from \$295,115,000 to \$280,249,000, as a result of RIAC obtaining TSA funding for the in-line explosive detection system (EDS). As of June 30, 2022, RIAC has nine PFC applications with 44 projects.

PFC revenues were \$5,936,000 in fiscal year 2022, \$3,089,000 in fiscal year 2021, and \$5,293,000 in fiscal year 2020. As of June 30, 2022, \$203,864,000 (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 2022, \$8,804,000 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 2021, \$8,083,000 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 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.

#### **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 2022, RIAC capitalized approximately \$315,000 in land and easement acquisitions, \$33,786,000 in leasehold improvements and \$936,000 in machinery and equipment. Amounts to construction in progress (CIP) decreased to reflect the project completions and ongoing construction activities during the fiscal year, resulting in an ending balance of approximately \$11,471,000 at June 30, 2022.

In fiscal year 2021, RIAC capitalized approximately \$425,000 in land and easement acquisitions, \$11,387,000 in leasehold improvements and \$1,067,000 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 \$11,471,000 at June 30, 2022.

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)

### **SIGNIFICANT PROJECTS**

#### PVD Runway 16-34 Reconstruction

In fiscal year 2022, approximately \$11,958,000 was expended to continue to perform a full depth reconstruction of unimproved portions of runway 16-34, rehabilitation/reconstruction of the intersection of runway 5-23 and runway 16-34, installation of new runway and taxiway lighting, sign and associated electrical systems, improvement of drainage system, and placement of new runway and taxiway markings. The amount expended in fiscal year 2021 totaled approximately \$11,128,000.

#### PVD Restroom Renovations

In fiscal year 2022, approximately \$4,994,000 was expended for the completion of the North concourse bathroom which was opened to the public. Additionally, construction took place in the South Concourse and check-in bathroom, which included pipe fitting, tile, lighting, and plumbing fixture installations, and stone masonry. The amount expended in the fiscal year 2021 totaled approximately \$3,554,000.

#### OQU Runway 16-34 Reconstruction

In fiscal year 2022, approximately \$2,761,000 was expended to perform 30% design of the 16-34 runway reconstruction and taxiway A relocation at Quonset State Airport, including field investigations, and design of the runway pavement, grading, lighting, and markings, as well as stormwater and electrical improvements.

#### BID Terminal Apron Rehabilitation Phase I and II

In fiscal year 2022, approximately \$1,437,000 was expended to construct the apron rehabilitation at Block Island State Airport. These construction items included pavement rehabilitation, new tie downs and markings, and stormwater improvements.

#### SFZ Wildlife & Security Fencing

In fiscal year 2022, approximately \$1,310,000 was expended to complete design and construction of the airport perimeter fence at North Central State Airport. The scope of this work included fully enclosing the airport perimeter with new and replacement fence as well as 10-feet of vegetation clearing on each side of the perimeter fence and installation of a wildlife skirt along the entire fence perimeter to deter wildlife intrusions on the airfield.

#### PVD Security Camera & Video System Improvements

In fiscal year 2022, approximately \$631,000 was expended to design and construct a replacement of the existing camera system in the Rhode Island T.F. Green International Airport Terminal building. Phase 1 of this project included design and construction of the server replacement and Phase 2 included design of the replacement and installation of some new camera locations for approximately 500 surveillance system cameras.

#### PVD Taxiway C Reconstruction

In fiscal year 2022, approximately \$583,000 was expended to design the reconstruction of Taxiway C at Rhode Island T.F. Green International Airport. This design included field investigations, stormwater permitting and design.

### 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, 2022 and 2021 was \$25,000 and \$45,000, respectively.

In 2013, RIAC secured funds for the Deicer Management System at Rhode Island T.F. Green International 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 was 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 bonds as of June 30, 2022 and June 30, 2021 was \$23,803,000 and \$25,302,000, 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 matured 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, 2022 and June 30, 2021 was \$22,945,000 and \$25,660,000 and 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, 2022 and June 30, 2021 was \$11,815,000 and \$17,160,000, respectively.

In 2016, RIAC issued \$27,660,000 Series A Direct Placement Airport Revenue Refunding Bond, \$26,970,000 Series B Direct Placement Airport Revenue Refunding Bonds and \$30,930,000 Series C Direct Placement Airport Revenue Refunding Bond 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 Bond, 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, 2022 were \$6,942,000, \$26,970,000, and \$15,611,000, respectively. The outstanding balances for the 2016 Series A, B, and C as of June 30, 2021 were \$10,442,000, \$26,970,000, and \$18,194,000, 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, 2022 and June 30, 2021 was \$36,885,000. The outstanding balance for the Series 2016 E as of June 30, 2022 and June 30, 2021 was \$0 and \$725,000, respectively.

## Rhode Island Airport Corporation

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

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 were approximately \$12,868,000, and \$11,295,000, respectively, for both June 30, 2022 and June 30, 2021.

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, 2022 and June 30, 2021 was \$863,000 and \$1,283,000, 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 \$35,620,000 and \$36,905,000 as of June 30, 2022 and June 30, 2021, 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.

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 Date of Occupancy in an amount of \$3,328,000. The outstanding balance for the TIFIA Bond as of June 30, 2022 and June 30, 2021 was \$39,097,000 and \$39,637,000, 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, 2022 include the 2015 Series A Bonds (\$42,980,000 issued and insured by Assured Guaranty Municipal Corp. (AGM), with \$11,815,000 outstanding).

As of June 30, 2022, 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 stable outlook, Baa1 with a stable outlook and A- with a stable outlook, respectively.

# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

As of June 30, 2022, Commerce RI's/RIAC's Series 2018 First Lien Special Facility Revenue Refunding Bonds are rated by two firms, Moody's and S&P, as Baa1 with a stable outlook, and BBB+ with a stable outlook, respectively.

### CURRENT OPERATIONS AND FINANCIAL SITUATION

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. For the fiscal year ended June 30, 2022, RIAC expended approximately \$11,127,000 of these funds. For the fiscal year ended June 30, 2021, RIAC expended approximately \$11,868,000 of these funds.

On December 27, 2020, the Consolidated Appropriations Act, 2021 was enacted into law. Division M of that Act is the Coronavirus Response and Relief Supplemental Appropriation Act, 2021 (CRRSA). CRRSA provides approximately \$2 billion in economic relief to airports to prevent, prepare for, and respond to the COVID-19 public health emergency, including relief from rent and minimum annual guarantees for eligible airport concessions. RIAC was awarded funding of approximately \$5,800,000. For the fiscal year ended June 30, 2022, RIAC expended approximately \$34,300 of these funds. No funds were expended prior to fiscal year 2022.

On March 11, 2021, the president of the United States signed the American Rescue Plan Act of 2021 (ARPA), a \$1.9 trillion economic stimulus package designed to help the United States' economy recover from the adverse impacts of the COVID-19 pandemic. In addition to other economic relief, ARPA includes financial relief for certain eligible airports. For eligible airports, ARPA appropriates \$8 billion to assist to prevent, prepare for, and respond to COVID-19, and such amounts remain available until September 30, 2024. ARPA requires that, of the \$8 billion appropriated, no more than \$6.49 billion will be made available for primary airports, such as RIAC, for costs related to operations, personnel, cleaning, sanitation, janitorial services, combating the spread of pathogens at the airport, and debt service payments. ARPA further provides funding for sponsors of primary airports to provide relief from rent and minimum annual guarantees to airport concessions. RIAC is eligible to receive funding of approximately \$16,700,000. For the fiscal year ended June 30, 2022, RIAC expended approximately \$1,043,300 of these funds. No funds were expended prior to fiscal year 2022.

On May 9, 2022, Fitch revised the rating outlook of RIAC to Stable from Negative. The rating reflects strong financial management over the past few years and throughout the pandemic. In addition, the rating reflects RIAC's declining leverage profile supported by robust liquidity levels and a competitive cost per enplanement (CPE), which has trended lower since fiscal 2016.

Of the ten airlines that operated at Rhode Island T. F. Green International Airport (PVD) prior to the COVID-19 pandemic, only one, Air Canada, has not yet resumed flights from this airport. Seven airlines are operating again at near pre-pandemic levels and two are offering even more capacity than in 2019. In addition, RIAC was pleased to welcome a new airline, Breeze Airways, in 2021. Breeze Airways serves five destinations year-round or seasonally and has announced the start of three more in the spring of 2023. With the recent expansion by Breeze and other airlines, the count of nonstop routes from PVD has increased to 33 from 23 before the Covid-19 pandemic. The total number of available seats in the third quarter of 2022 is only 11% lower than in the third quarter of 2019.

Breeze Airways has announced that it will expand in 2023. Breeze will make PVD airport a base where it will station up to 8 aircraft and corresponding flight crews and mechanics. Breeze will serve up to 20 nonstop routes that no other airline previous had offered, including more nonstop flights to the West Coast and eventually flights to Europe.

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

# Rhode Island Airport Corporation

## Statement of Net Position

June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 85,542,682	\$ 79,150,888
Restricted cash and cash equivalents (Note 2)	23,038,435	22,931,273
Accounts receivable - Net (Note 3)	9,623,819	7,298,430
Lease receivable (Note 13)	2,854,090	2,842,734
Due from the State of Rhode Island (Note 7)	135,454	-
Prepaid expenses and deposits	379,752	211,178
Total current assets	121,574,232	112,434,503
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	44,947,314	42,452,826
Investments (Note 2)	9,580,988	9,582,560
Accounts receivable - Net (Note 3)	1,475,665	5,313,710
Lease receivable - Net of current portion (Note 13)	18,024,784	19,919,244
Capital assets: (Note 4)		
Assets not subject to depreciation	63,474,851	71,702,918
Assets subject to depreciation - Net	453,036,593	445,957,026
Notes receivable	34,311	46,826
Prepaid insurance on bonds - Net of accumulated amortization	59,687	81,392
Total noncurrent assets	590,634,193	595,056,502
Total assets	712,208,425	707,491,005
<b>Deferred Outflows of Resources</b>		
Deferred amounts on bond refundings	374,965	606,968
Deferred pension costs (Note 9)	131,444	229,735
Deferred OPEB costs (Note 10)	41,062	46,166
Total deferred outflows of resources	547,471	882,869

# Rhode Island Airport Corporation

## Statement of Net Position (Continued)

June 30, 2022 and 2021

	2022	2021
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses (Note 5)	\$ 8,829,395	\$ 8,524,836
Payables from restricted assets:		
Accounts payable and accrued expenses (Note 5)	2,065,359	1,745,162
Accrued interest payable	2,989,896	3,023,587
Bonds payable (Note 6)	17,983,180	18,162,524
Unearned revenue	1,226,346	1,313,780
Accrued payroll and employee benefits	3,198,728	2,615,162
Lease obligations (Note 6)	427,770	420,578
Due to other governmental unit (Notes 6 and 7)	235,000	235,000
Total current liabilities	36,955,674	36,040,629
Noncurrent liabilities:		
Bonds payable - Net of current portion (Note 6)	234,791,557	253,314,927
Lease obligations - Net of current portion (Note 6)	435,085	862,855
Due to other governmental unit - Net of current portion (Notes 6 and 7)	592,967	923,034
Due to the State of Rhode Island (Note 6)	25,000	45,000
Net pension liability (Note 9)	1,229,875	1,696,882
Net OPEB liability (Note 10)	197,429	264,441
Total noncurrent liabilities	237,271,913	257,107,139
Total liabilities	274,227,587	293,147,768
<b>Deferred Inflows of Resources</b>		
Deferred pension cost reductions (Note 9)	498,825	238,631
Deferred OPEB cost reductions (Note 10)	159,524	125,758
Deferred lease revenue (Note 13)	20,058,269	22,251,209
Total deferred inflows of resources	20,716,618	22,615,598
<b>Net Position</b>		
Net investment in capital assets	282,274,807	265,518,483
Restricted:		
Capital acquisition and construction	8,901,562	9,929,345
Passenger facility charges	14,964,212	13,627,772
InterLink	21,441,335	22,702,643
Operating and maintenance reserve - Airports	5,563,000	5,173,333
Operating and maintenance reserve - InterLink	1,650,735	1,647,464
Emergency renewal and replacement reserve - InterLink	2,000,000	2,000,000
Repair and rehabilitation reserve - Airports	500,000	500,000
Unrestricted	80,516,040	71,511,468
Total net position, as restated (Note 1)	<b>\$ 417,811,691</b>	<b>\$ 392,610,508</b>

## Rhode Island Airport Corporation

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

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Operating Revenue</b>		
Rental, concession fees, and other	\$ 26,209,652	\$ 20,645,815
Landing fees and airfield revenue	10,479,753	8,301,231
Parking revenue	14,694,315	6,199,360
InterLink facility revenue (Note 8)	<u>7,597,023</u>	<u>5,287,871</u>
Total operating revenue	58,980,743	40,434,277
<b>Operating Expenses</b>		
Employee wages and benefits	17,889,400	17,335,812
Parking operating expenses	3,184,365	1,368,437
Supplies, materials, and services	7,182,818	6,170,720
Other operating expenses	7,446,264	5,552,332
InterLink operating expenses (Note 8)	3,464,088	3,186,780
InterLink depreciation and amortization (Note 8)	4,327,838	4,335,045
Depreciation and amortization	<u>22,882,042</u>	<u>22,172,399</u>
Total operating expenses	<u>66,376,815</u>	<u>60,121,525</u>
<b>Operating Loss</b>	(7,396,072)	(19,687,248)
<b>Nonoperating Revenue (Expense)</b>		
InterLink investment income (Note 8)	44,736	22,519
Investment income	766,119	631,965
InterLink interest expense (Note 8)	(3,922,360)	(3,812,343)
Interest expense	(6,587,654)	(7,025,300)
Passenger facility charges	5,936,304	3,088,982
Grant revenue (Note 1)	12,217,416	12,465,583
Grant expenses (Note 1)	(50,842)	(190,885)
Other	<u>(244,721)</u>	<u>28,324</u>
Total nonoperating revenue	<u>8,158,998</u>	<u>5,208,845</u>
<b>Income (Loss) - Before capital contributions</b>	762,926	(14,478,403)
<b>Capital Contributions - Net</b>	<u>24,438,257</u>	<u>26,881,683</u>
<b>Change in Net Position</b>	25,201,183	12,403,280
<b>Net Position - Beginning of year, as restated (Note 1)</b>	<u>392,610,508</u>	<u>380,207,228</u>
<b>Net Position - End of year</b>	<u><u>\$ 417,811,691</u></u>	<u><u>\$ 392,610,508</u></u>

# Rhode Island Airport Corporation

## Statement of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Receipts from rentals, fees, and other services	\$ 46,690,630	\$ 32,724,778
Payments to suppliers and other	(14,684,101)	(11,103,087)
Payments to employees and fringes	(17,267,133)	(17,420,974)
InterLink receipts from rentals, fees, and other services	7,105,970	5,350,908
InterLink payments to suppliers and other	(3,261,722)	(3,140,216)
Net cash and cash equivalents provided by operating activities	18,583,644	6,411,409
<b>Cash Flows from Noncapital Financing Activities</b>		
Grants and subsidies	12,217,416	12,306,050
Payment of grant expenses	(50,842)	(31,352)
Net cash and cash equivalents provided by noncapital financing activities	12,166,574	12,274,698
<b>Cash Flows from Capital and Related Financing Activities</b>		
Collection of passenger facility charges	6,094,094	2,357,389
Capital contributions and grant revenue - Net	27,406,135	29,789,297
Proceeds from sale of capital assets	2,782	-
Purchase and construction of capital assets	(26,972,772)	(28,209,618)
Interest and other charges paid, long-term obligations	(10,543,705)	(11,040,419)
Payments on long-term obligations	(18,191,358)	(17,632,359)
Interest received on leases	555,416	525,192
Other	(364,404)	(443,083)
Net cash and cash equivalents used in capital and related financing activities	(22,013,812)	(24,653,601)
<b>Cash Flows from Investing Activities</b>		
Interest received on investments	255,466	135,421
Net proceeds from (reinvestment of) sale and repurchase of investment securities	1,572	(120,096)
Net cash and cash equivalents provided by investing activities	257,038	15,325
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	8,993,444	(5,952,169)
<b>Cash and Cash Equivalents - Beginning of year</b>	144,534,987	150,487,156
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 153,528,431</b>	<b>\$ 144,534,987</b>
<b>Classification of Cash and Cash Equivalents</b>		
Unrestricted cash and cash equivalents	\$ 85,542,682	\$ 79,150,888
Restricted cash and cash equivalents - Current	23,038,435	22,931,273
Restricted cash and cash equivalents - Noncurrent	44,947,314	42,452,826
Total cash and cash equivalents	<b>\$ 153,528,431</b>	<b>\$ 144,534,987</b>

## Rhode Island Airport Corporation

### Statement of Cash Flows (Continued)

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities</b>		
Operating loss	\$ (7,396,072)	\$ (19,687,248)
Adjustments to reconcile operating loss to net cash and cash equivalents from operating activities:		
Depreciation and amortization	27,209,880	26,507,444
Changes in assets and liabilities:		
Receivables	(1,775,718)	(692,966)
Prepaid expenses and deposits	(168,574)	200,518
Accounts payable and accrued expenses	654,164	752,254
Net pension and OPEB liability	(534,019)	(185,348)
Deferrals related to net pension and OPEB liability	397,355	52,582
Lease receivable and deferrals related to leases	(309,836)	(510,769)
Other assets and liabilities	506,464	(25,058)
Total adjustments	<u>25,979,716</u>	<u>26,098,657</u>
Net cash and cash equivalents provided by operating activities	<u><u>\$ 18,583,644</u></u>	<u><u>\$ 6,411,409</u></u>

June 30, 2022 and 2021

### 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 Rhode Island 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 7). 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 and serve without compensation but are entitled to reimbursement for necessary expenses incurred in performance of their duties relating to RIAC.

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

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

#### ***Accounting and Reporting Principles***

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

#### ***Report Presentation***

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

#### ***Fund Accounting***

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

#### ***Basis of Accounting***

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

June 30, 2022 and 2021

**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, grant revenue from the CARES Act, CRRSA, ARPA, and 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 expenditures and noise mitigation expenditures.

**Restricted Assets**

Restricted assets consist of moneys 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 9 for details on pension costs. See Note 10 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, OPEB cost reductions, and deferred lease revenue. See Note 9 for details on pension costs. See Note 10 for details on OPEB costs. See Note 13 for details on deferred lease revenue.

June 30, 2022 and 2021

**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, 2022 and 2021.

June 30, 2022 and 2021

**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, 2022 and 2021, 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 44 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 \$280,249,000 based on a rate of \$4.50 per enplaned passenger. Aggregate collections, including interest thereon, through June 30, 2022 were approximately \$203,864,000. 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 Note 8 for further discussion.

June 30, 2022 and 2021

**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.

Capital contributions represent federal grants (most commonly from the Federal Aviation Administration or the Transportation Security Administration) restricted for capital acquisitions and/or improvements within airport operations. When received, contributions of capital assets by the State are also 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 also reported as capital contributions at acquisition value.

See below for additional information related to specific programs partially or fully 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 90 percent to 100 percent of project costs in the fiscal years ended June 30, 2022 and 2021. 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. Federal grants covered approximately 90 percent to 100 percent of project costs in fiscal year ended June 30, 2022. There were no federal grants used to cover project costs in fiscal year ended June 30, 2021. Amounts can fluctuate based on the value of land capitalized and amount of federal funding.

*COVID-19 Assistance Packages*

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020, included \$10 billion in funds to be awarded as economic relief to eligible U.S. airports affected by the COVID-19 pandemic. RIAC was awarded approximately \$24,000,000 of the CARES Act funding in total, of which approximately \$11,100,000 and \$11,900,000 was utilized for the years ended June 30, 2022 and 2021, respectively, to partially offset reductions in revenue caused by the pandemic. Revenue for this grant is included in the nonoperating section of the statement of revenue, expenses, and changes in net position.

June 30, 2022 and 2021

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

On December 27, 2020, the Consolidated Appropriations Act, 2021 was enacted into law. Division M of that act is the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA). CRRSA provides approximately \$2 billion in economic relief to airports to prevent, prepare for, and respond to the COVID-19 public health emergency, including relief from rent and MAGs for eligible airport concessions. CRRSA grant funds must be obligated by no later than September 30, 2021. RIAC was awarded funding of approximately \$5,800,000, of which approximately \$34,000 was utilized for the year ended June 30, 2022 to provide relief to concessions. For the year ended June 30, 2021, RIAC did not expend any these funds. Revenue for this grant is included in the nonoperating section of the statement of revenue, expenses, and changes in net position.

On March 11, 2021, the president of the United States signed the American Rescue Plan Act of 2021 (ARPA), a \$1.9 trillion economic stimulus package designed to help the U.S. economy recover from the adverse impacts of the COVID-19 pandemic. In addition to other economic relief, ARPA includes financial relief for certain eligible airports. For eligible airports, ARPA appropriates \$8 billion to assist to prevent, prepare for, and respond to COVID-19, and such amounts remain available until September 30, 2024. ARPA requires that, of the \$8 billion appropriated, no more than \$6.492 billion will be made available for primary airports, such as RIAC, for “costs related to operations, personnel, cleaning, sanitation, janitorial services, combating the spread of pathogens at the airport, and debt service payments.” ARPA further appropriates no more than \$608 million to pay a federal share of 100 percent of the costs for any grant awarded in federal fiscal year 2021 (or in federal fiscal year 2020 with less than a 100 percent federal share) for any airport redevelopment project and provides for no more than \$800 million for sponsors of primary airports to provide relief from rent and minimum annual guarantees to airport concessions. RIAC is eligible to receive funding of approximately \$16,700,000, of which approximately \$1,043,000 was utilized for the year ended June 30, 2022 to provide relief to concessions. For the year ended June 30, 2021, RIAC did not expend any these funds. Revenue for this grant is included in the nonoperating section of the statement of revenue, expenses, and changes in net position.

**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.

**Leases**

Effective July 1, 2020, RIAC has adopted Governmental Accounting Standards Board Statement No. 87, *Leases*.

RIAC is a lessor for noncancelable leases of airport space and other property to airlines, concessionaires, advertisers, and other third parties. RIAC recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, RIAC initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how RIAC determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- RIAC uses its incremental borrowing rate at lease inception as the discount rate for leases.

June 30, 2022 and 2021

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

- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

RIAC monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

***Upcoming Accounting Pronouncements***

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 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.

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 2022, the GASB issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for RIAC's financial statements for the year ending June 30, 2025.

***Adoption of New Accounting Pronouncement***

During the current year, RIAC adopted GASB Statement No. 87, *Leases*. As a result, the financial statements now include receivables for the presented value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease. Lease activity is further described in Note 13. The financial statements for the year ended June 30, 2021 have been restated in order to adopt GASB Statement No. 87.

June 30, 2022 and 2021

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

The effect of this new standard on net position was as follows:

Net position - June 30, 2021 - As previously reported	\$ 392,099,739
Adjustment for GASB Statement No. 87	<u>510,769</u>
Net position - June 30, 2021 - As restated	<u>\$ 392,610,508</u>

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

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

	<u>2022</u>	<u>2021</u>
Unrestricted cash and cash equivalents - Deposits with financial institutions	\$ 85,542,682	\$ 79,150,888
Restricted cash, cash equivalents, and investments:		
Deposits with financial institutions	48,046,871	43,629,660
U.S. Treasury securities	9,580,988	9,582,560
Money market mutual funds	<u>19,938,878</u>	<u>21,754,439</u>
Total restricted cash, cash equivalents, and investments	<u>77,566,737</u>	<u>74,966,659</u>
Total	<u>\$ 163,109,419</u>	<u>\$ 154,117,547</u>

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

***Custodial Credit Risk of Bank Deposits***

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

Eligible collateral per the agreement and Rhode Island General Laws, Chapter 35-10.1, includes the following: obligations of the United States; obligations of the State of Rhode Island; obligations of any other state with a rating no 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, 2022 and 2021, RIAC had bank deposits of \$127,404,586 and \$116,864,387, respectively, 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, 2022 and 2021 pursuant to Chapter 35-10.1 of the General Laws.

June 30, 2022 and 2021

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

***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:

2022	Investment Maturities (in Years)		
	Less Than 1 Year	1-5 Years	Total
Type of Investment			
Money market mutual funds	\$ 19,938,878	\$ -	\$ 19,938,878
U.S. Treasury notes	9,580,988	-	9,580,988
Total	\$ 29,519,866	\$ -	\$ 29,519,866

2021	Investment Maturities (in Years)		
	Less Than 1 Year	1-5 Years	Total
Type of Investment			
Money market mutual funds	\$ 21,754,439	\$ -	\$ 21,754,439
U.S. Treasury securities	9,582,560	-	9,582,560
Total	\$ 31,336,999	\$ -	\$ 31,336,999

***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.

June 30, 2022 and 2021

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

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

Investment	2022	2021	Rating	Rating Organization
Money market mutual fund - First American Treasury Obligations Fund*	\$ 16,459,939	\$ 18,033,907	AAAm	S&P
Money market mutual fund - Federated Hermes U.S. Treasury Cash Reserves Fund*	3,478,939	3,720,532	AAAm	S&P
Total	<u>\$ 19,938,878</u>	<u>\$ 21,754,439</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, and 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.

RIAC has the following recurring fair value measurements as of June 30, 2022 and 2021:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
<b>Investments - Debt securities -</b> U.S. Treasury securities	<u>\$ 9,580,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,580,988</u>

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
<b>Investments - Debt securities -</b> U.S. Treasury securities	<u>\$ 9,582,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,582,560</u>

June 30, 2022 and 2021

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

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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Unrestricted accounts receivable:		
Accounts receivable - Trade	\$ 4,118,981	\$ 2,876,797
Due from federal government	5,933,036	4,892,339
Other receivables	1,129	3,229
Allowance for doubtful accounts	<u>(429,327)</u>	<u>(473,935)</u>
Net unrestricted accounts receivable	<u>\$ 9,623,819</u>	<u>\$ 7,298,430</u>

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

	<u>2022</u>	<u>2021</u>
Restricted accounts receivable:		
Due from airlines - Passenger facility charges	\$ 588,462	\$ 746,252
Due from car rental agencies - InterLink facility revenue	918,268	427,215
Due from federal government	-	4,171,281
Allowance for doubtful accounts	<u>(31,065)</u>	<u>(31,038)</u>
Total restricted accounts receivable	<u>\$ 1,475,665</u>	<u>\$ 5,313,710</u>

June 30, 2022 and 2021

**Note 4 - Capital Assets**

Capital asset activity of RIAC was as follows:

	Balance July 1, 2021	Reclassifications	Additions and Transfers	Disposals and Transfers	Balance June 30, 2022
Capital assets not being depreciated:					
Land	\$ 51,688,770	\$ -	\$ 314,710	\$ -	\$ 52,003,480
Construction in progress	20,014,148	(33,843,551)	25,673,121	(372,347)	11,471,371
Subtotal	71,702,918	(33,843,551)	25,987,831	(372,347)	63,474,851
Capital assets being depreciated:					
Assets leased from the State	30,608,849	-	-	-	30,608,849
Leasehold improvements	834,889,068	33,768,995	16,558	-	868,674,621
Machinery and equipment	60,984,566	74,556	861,496	(1,950,418)	59,970,200
Vehicles	2,246,290	-	106,887	(28,796)	2,324,381
Subtotal	928,728,773	33,843,551	984,941	(1,979,214)	961,578,051
Accumulated depreciation:					
Assets leased from the State	30,608,849	-	-	-	30,608,849
Leasehold improvements	400,210,453	-	24,974,037	-	425,184,490
Machinery and equipment	50,067,401	-	2,605,607	(1,947,345)	50,725,663
Vehicles	1,885,044	-	139,067	(1,655)	2,022,456
Subtotal	482,771,747	-	27,718,711	(1,949,000)	508,541,458
Net capital assets being depreciated	445,957,026	33,843,551	(26,733,770)	(30,214)	453,036,593
Net capital assets	\$ 517,659,944	\$ -	\$ (745,939)	\$ (402,561)	\$ 516,511,444
	Balance July 1, 2020	Reclassifications	Additions and Transfers	Disposals and Transfers	Balance June 30, 2021
Capital assets not being depreciated:					
Land	\$ 51,263,770	\$ -	\$ 425,000	\$ -	\$ 51,688,770
Construction in progress	4,762,165	(7,457,270)	22,730,109	(20,856)	20,014,148
Subtotal	56,025,935	(7,457,270)	23,155,109	(20,856)	71,702,918
Capital assets being depreciated:					
Assets leased from the State	30,608,849	-	-	-	30,608,849
Leasehold improvements	823,501,929	6,607,442	4,779,697	-	834,889,068
Machinery and equipment	59,948,762	849,828	217,788	(31,812)	60,984,566
Vehicles	2,189,266	-	57,024	-	2,246,290
Subtotal	916,248,806	7,457,270	5,054,509	(31,812)	928,728,773
Accumulated depreciation:					
Assets leased from the State	30,608,849	-	-	-	30,608,849
Leasehold improvements	375,952,017	-	24,258,436	-	400,210,453
Machinery and equipment	47,481,909	-	2,617,304	(31,812)	50,067,401
Vehicles	1,741,983	-	143,061	-	1,885,044
Subtotal	455,784,758	-	27,018,801	(31,812)	482,771,747
Net capital assets being depreciated	460,464,048	7,457,270	(21,964,292)	-	445,957,026
Net capital assets	\$ 516,489,983	\$ -	\$ 1,190,817	\$ (20,856)	\$ 517,659,944

June 30, 2022 and 2021

**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, 2022 and 2021, RIAC's commitments with contractors were approximately \$13,697,000 and \$21,795,000, respectively.

**Note 5 - Accounts Payable**

Accounts payable and accrued expenses as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Payable from unrestricted assets:		
Accounts payable and accrued expenses - Trade	\$ 2,324,705	\$ 2,112,179
Accounts payable and accrued expenses - Capital assets, grant expenses, and other	<u>6,504,690</u>	<u>6,412,657</u>
Total	<u>\$ 8,829,395</u>	<u>\$ 8,524,836</u>
	<u>2022</u>	<u>2021</u>
Payable from restricted assets:		
Accounts payable and accrued expenses - InterLink	\$ 449,387	\$ 247,021
Accounts payable and accrued expenses - Deposits	807,054	567,782
Accounts payable and accrued expenses - Capital assets, grant expenses, and other	<u>808,918</u>	<u>930,359</u>
Total	<u>\$ 2,065,359</u>	<u>\$ 1,745,162</u>

**Note 6 - Long-term Obligations**

Long-term obligations activity for the years ended June 30, 2022 and 2021 can be summarized as follows:

	<u>2022</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	\$ 122,230,806	\$ -	\$ (12,926,165)	\$ 109,304,641	\$ 13,226,823
Other debt:					
Revenue bonds	63,270,000	-	(3,440,000)	59,830,000	2,850,000
InterLink special facility bonds and TIFIA loan	76,541,906	-	(1,825,193)	74,716,713	1,395,000
Unamortized bond premiums	<u>9,434,739</u>	-	<u>(511,356)</u>	<u>8,923,383</u>	<u>511,357</u>
Total other debt outstanding	<u>149,246,645</u>	-	<u>(5,776,549)</u>	<u>143,470,096</u>	<u>4,756,357</u>
Total bonds payable	271,477,451	-	(18,702,714)	252,774,737	17,983,180
State of Rhode Island payable	45,000	-	(20,000)	25,000	-
Lease obligations	1,283,433	-	(420,578)	862,855	427,770
Due to other governmental unit	<u>1,158,034</u>	-	<u>(330,067)</u>	<u>827,967</u>	<u>235,000</u>
Total long-term obligations	<u>\$ 273,963,918</u>	<u>\$ -</u>	<u>\$ (19,473,359)</u>	<u>\$ 254,490,559</u>	<u>\$ 18,645,950</u>

June 30, 2022 and 2021

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

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Direct borrowings and direct placements - Revenue bonds	\$ 134,879,966	\$ -	\$ (12,649,160)	\$ 122,230,806	\$ 12,926,168
Other debt:					
Revenue bonds	66,555,000	-	(3,285,000)	63,270,000	3,440,000
InterLink special facility bonds and TIFIA loan	78,240,105	-	(1,698,199)	76,541,906	1,285,000
Unamortized bond premiums	9,944,167	-	(509,428)	9,434,739	511,356
Total other debt outstanding	<u>154,739,272</u>	<u>-</u>	<u>(5,492,627)</u>	<u>149,246,645</u>	<u>5,236,356</u>
Total bonds payable	289,619,238	-	(18,141,787)	271,477,451	18,162,524
State of Rhode Island payable	65,000	-	(20,000)	45,000	-
Lease obligations	1,696,940	-	(413,507)	1,283,433	420,578
Due to other governmental unit	1,471,619	-	(313,585)	1,158,034	235,000
Total long-term obligations	<u>\$ 292,852,797</u>	<u>\$ -</u>	<u>\$ (18,888,879)</u>	<u>\$ 273,963,918</u>	<u>\$ 18,818,102</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, 2022, RIAC was in compliance with all financial covenants. See Note 8 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, 2022 and 2021:

Description	Maturity Date	Interest Rate	2022	2021
2013 Series A bonds	09/01/2034	0.51%-2.73%	\$ 23,803,916	\$ 25,302,914
2013 Series B bonds	07/01/2028	4.1%-5.0%	22,945,000	25,660,000
2015 Series A bonds	07/01/2024	2.0%	11,815,000	17,160,000
2016 Series A bonds	07/01/2025	2.49%	6,942,007	10,441,635
2016 Series B bonds	07/01/2030	3.69%	26,970,000	26,970,000
2016 Series C bonds	07/01/2025	2.24%	15,611,057	18,193,596
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%	-	725,000
2019 Series A bonds	12/01/2038	2.98%	12,867,522	12,867,522
2019 Series B bonds	12/01/2038	2.98%	11,295,139	11,295,139
Total revenue bonds payable			<u>\$ 169,134,641</u>	<u>\$ 185,500,806</u>

June 30, 2022 and 2021

**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	
2023	\$ 13,226,823	\$ 3,085,447	\$ 2,850,000	\$ 2,808,631	\$ 21,970,901
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	5,602,744	2,105,640	3,275,000	2,382,047	13,365,431
2027	7,659,122	1,869,179	4,450,000	2,213,869	16,192,170
2028-2032	32,826,858	5,384,064	13,270,000	8,571,013	60,051,935
2033-2037	16,166,030	1,604,475	7,645,000	6,544,875	31,960,380
2038-2042	4,351,696	77,609	9,755,000	4,380,625	18,564,930
2043-2047	-	-	12,455,000	1,617,625	14,072,625
Total	\$ 109,304,641	\$ 19,253,613	\$ 59,830,000	\$ 33,701,147	\$ 222,089,401

See Note 8 for annual debt service requirements to maturity for RIAC's InterLink special facility bonds and TIFIA loan.

**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 \$169,135,000 in airport revenue and special facility bonds, including approximately \$52,955,000 of related interest as of June 30, 2022. Proceeds from the bonds were used for various airport improvement projects. Amounts available to pay debt service per the Master Indenture of Trust, including passenger facility charges, were approximately \$45,343,000 and \$45,070,000 for the years ended June 30, 2022 and 2021, respectively. Principal and interest debt service per the terms of the Master Indenture of Trust for the years ended June 30, 2022 and 2021 was approximately \$22,267,000 and \$23,028,000, respectively.

**TIFIA Loan**

In June 2006, RIAC, 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, 2022, RIAC had approximately \$39,097,000 in borrowings under this Agreement. See Note 8 for a schedule of obligations to be paid from InterLink net revenue.

**Lease Obligations**

In July 2016, RIAC entered into a lease agreement for machinery and equipment. Lease payments are due annually and expire in fiscal year 2024. Assets recorded under the lease amount to \$2,896,214, and there was accumulated depreciation of \$1,559,852 and \$1,271,230 as of June 30, 2022 and 2021, respectively.

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

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

Years Ending June 30	Principal	Interest	Total
2023	\$ 427,770	\$ 14,755	\$ 442,525
2024	435,085	7,440	442,525
Total	\$ 862,855	\$ 22,195	\$ 885,050

**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 7). As of June 30, 2022 and 2021, the amounts owed were \$25,000 and \$45,000, respectively. Annual debt service requirements to maturity are as follows:

Years Ending June 30	Principal	Interest	Total
2023	\$ -	\$ 656	\$ 656
2024	25,000	-	25,000
Total	\$ 25,000	\$ 656	\$ 25,656

**Note 7 - 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 totaled \$135,454 as of June 30, 2022. There were no accounts receivable from the State of Rhode Island at June 30, 2021. Amounts due from the State of Rhode Island related to capital project costs.

Net amounts due to the Quonset Development Corporation (QDC) totaled \$827,967 and \$1,158,034 as of June 30, 2022 and 2021, respectively. Amounts due to QDC relate to revenue from revenue-producing parcels less related operating expenses managed by QDC on behalf of RIAC. These amounts are categorized on the statement of net position as due to other governmental unit.

**Note 8 - 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.

June 30, 2022 and 2021

**Note 8 - Segment Information (Continued)**

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 \$4,618,776 and \$2,914,698 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 is as follows:

	Airport Operations 2022	Airport Operations 2021	InterLink 2022	InterLink 2021
<b>Operating Revenue</b>	\$ 51,383,720	\$ 35,146,406	\$ 7,597,023	\$ 5,287,871
<b>Operating Expenses</b>				
Operational expenses	35,702,847	30,427,301	3,464,088	3,186,780
Depreciation and amortization	22,882,042	22,172,399	4,327,838	4,335,045
Total operating expenses	58,584,889	52,599,700	7,791,926	7,521,825
<b>Operating Loss</b>	(7,201,169)	(17,453,294)	(194,903)	(2,233,954)
<b>Nonoperating Revenue (Expense)</b>				
Investment income	766,119	631,965	44,736	22,519
Interest expense	(6,587,654)	(7,025,300)	(3,922,360)	(3,812,343)
Passenger facility charges	5,936,304	3,088,982	-	-
Grant revenue	12,217,416	12,465,583	-	-
Grant expenses	(50,842)	(190,885)	-	-
Other	(244,721)	28,324	-	-
Total nonoperating revenue (expense)	12,036,622	8,998,669	(3,877,624)	(3,789,824)
<b>Income (Loss) - Before capital contributions</b>	4,835,453	(8,454,625)	(4,072,527)	(6,023,778)
<b>Capital Contributions - Net</b>	24,438,257	27,047,898	-	(166,215)
<b>Change in Net Position</b>	<u>\$ 29,273,710</u>	<u>\$ 18,593,273</u>	<u>\$ (4,072,527)</u>	<u>\$ (6,189,993)</u>

***Pledged Revenue from the InterLink Facility***

RIAC has pledged InterLink net revenue (defined below) to repay \$35,620,000 in Series 2018 First Lien Special Facility Bonds and \$39,096,713 in the TIFIA loan and related interest of approximately \$46,029,000 as of June 30, 2022. 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 \$4,177,671 and \$2,123,610 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 was approximately \$1,395,000 and \$1,285,000, 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, 2022 and 2021 was approximately \$540,000 and \$513,000, respectively. 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, 2022, RIAC was in compliance with all financial covenants.

**Note 8 - Segment Information (Continued)**

Obligations supported by pledged InterLink net revenue are as follows:

Years Ending June 30	Principal	Interest	Total
2023	\$ 1,395,000	\$ 3,670,257	\$ 5,065,257
2024	2,078,607	3,566,343	5,644,950
2025	2,223,516	3,455,184	5,678,700
2026	2,379,998	3,336,202	5,716,200
2027	2,548,136	3,208,815	5,756,951
2028-2032	15,447,065	13,950,969	29,398,034
2033-2037	20,894,795	9,514,476	30,409,271
2038-2042	22,512,378	5,051,110	27,563,488
2043	5,237,218	275,478	5,512,696
Total	<u>\$ 74,716,713</u>	<u>\$ 46,028,834</u>	<u>\$ 120,745,547</u>

**Note 9 - 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. 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 supplemental information for the plans. The report may be obtained at <http://www.ersri.org>.

***Membership and Benefits Provided***

The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the general assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates, and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80 percent or 75 percent. For those hired after June 30, 2012, the benefit accrual rate is 1 percent per year, with a maximum benefit accrual of 40 percent. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security normal retirement age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 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 5-year intervals.

The plan also provides non-service-connected disability benefits after 5 years of service and service-connected disability benefits with no minimum service requirement.

**Note 9 - Pension Plans (Continued)**

**Contributions**

The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For the fiscal year ended June 30, 2022, 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 28.01 percent of annual covered payroll for the fiscal year ended June 30, 2022. RIAC contributed \$117,261, \$141,181, and \$148,885 for the fiscal years ended June 30, 2022, 2021, and 2020, respectively, equal to 100 percent of the required contributions for each year.

**Net Pension Liability**

At June 30, 2022, RIAC reported a liability of \$1,229,875 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, 2021, 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, 2020 rolled forward to June 30, 2021. 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, 2021 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2021 and 2020 measurement dates, RIAC's proportion was 0.06915 percent and 0.07462 percent, respectively.

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

For the years ended June 30, 2022 and 2021, RIAC recognized pension expense of \$8,674 and \$36,346, respectively.

At June 30, 2022 and 2021, RIAC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,515	\$ 923	\$ 14,587	\$ 1,172
Changes in assumptions	5,668	23,516	40,040	33,383
Net difference between projected and actual earnings on pension plan investments	-	223,747	33,927	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	-	250,639	-	204,076
Employer contributions to the plan subsequent to the measurement date	117,261	-	141,181	-
<b>Total</b>	<b>\$ 131,444</b>	<b>\$ 498,825</b>	<b>\$ 229,735</b>	<b>\$ 238,631</b>

**Note 9 - Pension Plans (Continued)**

Contributions of \$117,261 are reported as deferred outflows of resources related to pensions resulting from RIAC's contributions in the fiscal year ended June 30, 2022 subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the fiscal year ended June 30, 2022. 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
2023	\$ (151,811)
2024	(130,180)
2025	(106,488)
2026	(92,630)
2027	(3,533)
Total	<u>\$ (484,642)</u>

**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 normal - Individual entry age actuarial cost
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 plan members were based on variants of the Pub-2010 Tables for Healthy and Disabled Retirees, projected with Scale Ultimate MP16.

The actuarial assumptions used in the June 30, 2020 valuation rolled forward to June 30, 2021 and the calculation of the total pension liability at June 30, 2021 were consistent with the results of an actuarial experience study performed as of June 30, 2020.

**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.

June 30, 2022 and 2021

**Note 9 - Pension Plans (Continued)****Investment Rate of Return**

The long-term expected rate of return best estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best estimate future expected real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class based on a collective summary of capital market expectations from multiple sources. The June 30, 2021 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	23.20 %	5.83 %
International developed equity	11.80	6.35
Emerging markets equity	5.00	8.04
Private growth:		
Private equity	11.25	9.47
Noncore real estate	2.25	5.32
Opportunistic private credit	1.50	9.47
Income:		
High-yield infrastructure	1.00	3.19
REITs	1.00	5.32
Equity options	2.00	5.59
EMD (50/50 blend)	2.00	1.96
Liquid credit	2.80	3.19
Private credit	3.20	3.19
Crisis protection class:		
Treasury duration	5.00	(0.32)
Systematic trend	5.00	3.39
Inflation protection:		
Core real estate	3.60	5.32
Private infrastructure	2.40	5.81
TIPs	2.00	0.30
Volatility protection:		
IG corp credit	3.25	1.14
Securitized credit	3.25	1.14
Absolute return	6.50	3.39
Cash	2.00	(0.32)

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

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

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

	1 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	\$ 1,524,932	\$ 1,229,875	\$ 853,310

**Note 9 - Pension Plans (Continued)**

***Pension Plan Fiduciary Net Position***

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

***Defined Contribution Plan Description***

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:

<u>Years of Service as of July 1, 2012</u>	<u>Employer Contribution Rate</u>
15-20	1.50%
10-15	1.25
0-10	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 \$1,751 and \$2,516 for the fiscal years ended June 30, 2021 and 2020, respectively, equal to 100 percent of the required contributions for these years. There were no required contributions for the fiscal year ended June 30, 2022.

***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 70½ or terminates employment, if later.

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

**Note 9 - Pension Plans (Continued)**

***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 144 in 2022 and 140 in 2021. RIAC's total payroll for the year ended June 30, 2022 was approximately \$15,661,000, of which \$12,156,000 was covered under the plan. RIAC's total payroll for the year ended June 30, 2021 was approximately \$14,669,000, of which \$11,805,000 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, 2022 were approximately \$972,000 by the employer and \$988,000 by the employees. Total contributions for the year ended June 30, 2021 were approximately \$944,000 by the employer and \$956,000 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 these financial statements.

**Note 10 - 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. 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.

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.

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**Note 10 - Other Postemployment Benefit Plan (Continued)****Contributions**

The funding policy, as set forth in the General Laws and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. RIAC is required to contribute at an actuarially determined rate; the rate was 5.28 percent of annual covered payroll for the fiscal year ended June 30, 2022. RIAC contributed \$22,104, \$34,091, and \$37,517 for the fiscal years ended June 30, 2022, 2021, and 2020, 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, 2022, RIAC reported a liability of \$197,429 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, 2021, 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, 2020 rolled forward to the June 30, 2021 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, 2021 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2021 and 2020, RIAC's proportion was 0.08511 percent and 0.07327 percent, respectively.

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

For the years ended June 30, 2022 and 2021, RIAC recognized an OPEB credit of \$5,208 and OPEB expense of \$5,574, respectively.

At June 30, 2022 and 2021, RIAC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 74,320	\$ -	\$ 53,782
Changes in assumptions	9,860	38,790	12,075	15,994
Changes in proportionate share or differences between amount contributed and proportionate share of contributions	9,098	-	-	44,691
Contributions subsequent to measurement date	22,104	-	34,091	-
Net difference between projected and actual investment earnings	-	46,414	-	11,291
Total	\$ 41,062	\$ 159,524	\$ 46,166	\$ 125,758

**Note 10 - Other Postemployment Benefit Plan (Continued)**

Contributions of \$22,104 are reported as deferred outflows of resources related to OPEB expense resulting from RIAC's contributions in the fiscal year ended June 30, 2022 subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability for the fiscal year ending June 30, 2023. 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
2023	\$ (31,780)
2024	(30,792)
2025	(29,600)
2026	(28,747)
2027	(14,163)
Thereafter	<u>(5,484)</u>
Total	<u>\$ (140,566)</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 - The individual entry age actuarial cost methodology is used
Amortization method	Level percent of payroll - Closed
Inflation	2.75%
Salary increases	3.25% to 6.25%
Investment rate of return	5.00%
Health care cost trend rate	Ranged from 7.50% in fiscal year 2021 to decrease annually to 3.50% in fiscal year 2033 and later

Mortality rates for male plan members were based on Pub-2010 Median Table for General Healthy Retiree Males, loaded by 115 percent, projected with Scale Ultimate MP16. Mortality rates for female plan members were based on Pub-2010 Median Table for General Healthy Retiree Females, loaded by 111 percent, projected with Scale Ultimate MP16.

**Discount Rate**

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

**Note 10 - 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, 2021 expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	65.00 %	5.72 %
Fixed income	35.00	1.73

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	\$ 262,877	\$ 197,429	\$ 142,749

**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 7.50 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	\$ 124,721	\$ 197,429	\$ 288,526

**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.

**Note 11 - Risk Management**

RIAC is self-insured for workers' unemployment. RIAC pays for unemployment claims as they are incurred. At June 30, 2022 and 2021, 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 12 - 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, 2022 and 2021, 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 13 - Leases**

RIAC leases certain assets to various third parties. The assets leased include land, wall space for advertising, office space, terminal space for concessions, building facilities, and other. Payments for almost all leases are received monthly, and the revenue varies based on the nature of the lease. Most of the leases, which include land leases and advertising leases, are a fixed monthly fee and often contain annual or periodic escalation clauses. For some leases for which the business conducts sales, the monthly fee is a percentage of gross revenue and varies each month. For fixed-fee leases, there are often minimum annual guarantees (MAGs) contained in the lease that provide a certain amount of revenue regardless of the operational success. The length of most leases is less than 5 years; however, there are some leases over 20 years.

RIAC has adopted the following policies to assist in determining lease treatment according to the requirements of GASB Statement No. 87 (GASB 87):

- The maximum possible lease term(s) is noncancelable by both lessee and lessor and is more than 12 months.
- The term of the lease will include possible extension periods that are deemed to be reasonably certain given all available information regarding the likelihood of renewal.
- For the fiscal years ended June 30, 2022 and 2021, all leases with associated receivables are based on fixed payments and do not have variable payment components.

During the year ended June 30, 2022 and 2021, RIAC recognized the following related to its lessor agreements:

	2022	2021
Lease revenue	\$ 3,152,565	\$ 2,847,659
Interest income related to its leases	555,416	525,192
Revenue from variable payments not previously included in the measurement of the lease receivable	12,882,266	6,924,918

June 30, 2022 and 2021

**Note 13 - Leases (Continued)**

RIAC has several bond repayments that are secured by the net revenue from its lease revenue, as described below.

- Certain revenue bonds have been issued by Commerce RI on behalf of RIAC to fund improvement and construction projects. These bonds are secured by the overall net revenue derived by airport operations.
- RIAC has specifically pledged InterLink revenue to repay First Lien Special Facility Bonds and amounts in the TIFIA loan. Proceeds from these bonds were used to construct the InterLink facility, and all InterLink revenue is used to secure these bonds.

See Notes 6 and 8 for more information regarding bonds that are secured or pledged by net revenue from leases.

Most leases do not contain any early termination provisions, and the few that do can only be terminated by either the lessor or lessee, but not both. In addition, they are long term in nature and expire in less than 10 years.

Future principal and interest payment requirements related to RIAC’s lease receivable at June 30, 2022 are as follows:

Years Ending	Principal	Interest	Total
2023	\$ 2,854,090	\$ 510,410	\$ 3,364,500
2024	2,343,979	459,887	2,803,866
2025	1,739,795	418,741	2,158,536
2026	1,478,360	381,639	1,859,999
2027	996,938	350,416	1,347,354
2028-2032	4,770,737	1,346,953	6,117,690
2033-2037	5,040,660	597,369	5,638,029
2038-2042	1,654,315	69,833	1,724,148
Total	\$ 20,878,874	\$ 4,135,248	\$ 25,014,122

**Regulated Leases**

RIAC is party to certain regulated leases, as defined by GASB 87. The leased assets include land that the lessee uses for a skydiving landing zone, hangar construction and use, FBO operations, an airline fueling consortium, terminal space, aircraft maintenance facilities, cargo facilities, hangars, and other building facilities.

In accordance with GASB 87, RIAC does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation and the Federal Aviation Administration, regulated aviation leases between airports and air carriers and other aeronautical users, and local regulations for fire and other.

RIAC has certain airline leases that are regulated by the FAA. However, they are not included within the following disclosures, as these leases have been extended for one year and are considered short term based on the qualifications of GASB 87.

June 30, 2022 and 2021

**Note 13 - Leases (Continued)**

During the years ended June 30, 2022 and 2021, RIAC recognized the following from regulated leases:

	<u>2022</u>	<u>2021</u>
Lease revenue	\$ 3,156,290	\$ 2,810,309
Revenue from variable payments excluded from the schedule of expected future minimum payments	2,697,525	2,000,395

Future expected minimum payments related to RIAC's regulated leases at June 30, 2022 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2023	\$ 2,594,874
2024	1,260,635
2025	1,285,719
2026	626,410
2027	421,842
2028-2032	2,168,179
2033-2037	2,764,778
2038-2042	1,165,051
2043-2047	164,297
Total	<u>\$ 12,451,785</u>

Most of these leases do not contain any early termination provisions, and the few that do can only be terminated by either the lessor or lessee, but not both. In addition, nearly all of the regulated leases are long term in nature. More than half of the leases expire in less than 5 years; however, there are a few leases whose terms are as long as 20 or 30 years.

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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 Eight Plan Years Plan Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015
RIAC's proportion of the net pension liability	0.06915 %	0.07462 %	0.07938 %	0.08566 %	0.09472 %	0.08660 %	0.11207 %	0.11073 %
RIAC's proportionate share of the net pension liability	\$ 1,229,875	\$ 1,696,882	\$ 1,799,009	\$ 1,928,084	\$ 2,135,747	\$ 1,837,970	\$ 2,226,207	\$ 1,973,129
RIAC's covered payroll (at measurement date)	\$ 512,640	\$ 564,171	\$ 582,316	\$ 597,373	\$ 621,137	\$ 589,865	\$ 750,686	\$ 716,797
RIAC's proportionate share of the net pension liability as a percentage of its covered payroll	239.91 %	300.77 %	308.94 %	322.76 %	343.84 %	311.59 %	296.56 %	275.27 %
Plan fiduciary net position as a percentage of total pension liability	63.20 %	52.60 %	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

#### Last Eight Fiscal Years Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 117,261	\$ 141,181	\$ 148,885	\$ 149,946	\$ 148,567	\$ 157,396	\$ 139,444	\$ 175,135
Contributions in relation to the statutorily required contribution	117,261	141,181	148,885	149,946	148,567	157,396	139,444	175,135
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>							
<b>RIAC's Covered Payroll</b>	<b>\$ 418,641</b>	<b>\$ 512,640</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>28.01 %</b>	<b>27.54 %</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's Employees' Retirement System are required by RI General Laws, Section 36-10-2, to contribute at 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

	Last Five Plan Years Plan Years Ended June 30				
	2022	2021	2020	2019	2018
RIAC's proportion of the net OPEB liability	0.08511 %	0.07327 %	0.07965 %	0.08518 %	0.08413 %
RIAC's proportionate share of the net OPEB liability	\$ 197,429	\$ 264,441	\$ 347,662	\$ 433,851	\$ 437,010
RIAC's covered payroll (at measurement date)	\$ 512,640	\$ 564,171	\$ 582,316	\$ 597,373	\$ 621,137
RIAC's proportionate share of the net OPEB liability as a percentage of its covered payroll	38.51 %	46.87 %	59.70 %	72.63 %	70.36 %
Plan fiduciary net position as a percentage of total OPEB liability	60.52 %	42.51 %	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 Five Fiscal Years</b>				
	<b>Years Ended June 30</b>				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily determined contribution	\$ 22,104	\$ 34,091	\$ 37,517	\$ 34,822	\$ 35,723
Contributions in relation to the actuarially determined contribution	<u>22,104</u>	<u>34,091</u>	<u>37,517</u>	<u>34,822</u>	<u>35,723</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>Covered Payroll</b>	\$ 418,641	\$ 512,640	\$ 564,171	\$ 582,316	\$ 597,373
<b>Contributions as a Percentage of Covered Payroll</b>	5.28 %	6.65 %	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 at 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, 2022 and 2021

### ***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 9 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

#### *June 30, 2021 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, 2021 measurement date compared to the June 30, 2020 measurement date.

#### *June 30, 2020 Measurement Date*

As part of the 2020 actuarial experience study for the six-year period ended June 30, 2019, as approved by the System's board on May 22, 2020, certain assumptions were modified and reflected in the determination of net pension liability at the June 30, 2020 measurement date. The following summarizes the more significant changes in assumptions:

- Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based Pub-2010 tables
- Slightly increased the probabilities of turnover
- Slightly decreased the probabilities of retirement
- Slightly modified the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not

#### *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, 2022 and 2021

### *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 they are eligible under a transition rule.
- 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 2022 for the plans was based on a valuation performed as of June 30, 2019.

June 30, 2022 and 2021

### **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 10 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

#### *June 30, 2021 Measurement Date*

- Updated the project salary increase range from 3.00 to 6.00 percent to 4.25 to 6.25 percent
- Updated mortality tables from RP-2014 Combined Healthy for Males/Females projected with MP-2016 ultimate rates to Pub-2010 Median Table for General Healthy Retiree Males/Females projected with Scale Ultimate MP16
- Updated health care trend rates from 8.25 percent decreasing annually to 3.50 percent to 7.50 percent decreasing annually to 3.50 percent

#### *June 30, 2020 Measurement Date*

The Cadillac tax, which was a tax provision from the federal Affordable Care Act (ACA), was repealed in December 2019. As a result, liability amounts previously included for the Cadillac tax within the development of the total OPEB liability have been removed as of the June 30, 2020 measurement date.

#### *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**

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 2022 for the plans was based on a valuation performed as of June 30, 2019.

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## Other Supplemental Information

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State of Rhode Island Attachment B  
Statement of Net Position

June 30, 2022

**Assets**

Current Assets:

Cash and cash equivalents	\$ 85,542,682
Investments	
Receivables (net)	9,623,819
Lease receivable	2,854,090
Restricted assets:	
Cash and cash equivalents	23,038,435
Investments	
Receivables (net)	
Other assets	
Due from primary government	135,454
Due from other component units	
Due from other governments	
Inventories	
Other assets	379,752
Total current assets	<u>121,574,232</u>

Noncurrent Assets:

Investments	
Receivables (net)	
Lease receivable - Net of current portion	18,024,784
Due from other govts and agencies	
Restricted assets:	
Cash and cash equivalents	44,947,314
Investments	9,580,988
Receivables (net)	1,475,665
Other assets	
Due from other component units	
Net Pension Asset	
Net OPEB Asset	
Capital assets - nondepreciable	63,474,851
Capital assets - depreciable (net)	453,036,593
Other assets, net of amortization	93,998
Total noncurrent assets	<u>590,634,193</u>
Total assets	<u>712,208,425</u>

**Deferred outflows of resources**

Deferred pension amounts	131,444
Deferred OPEB amounts	41,062
Other deferred outflows of resources	374,965
Total deferred outflows of resources	<u>\$ 547,471</u>

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

**June 30, 2022**

**Liabilities**

Current liabilities:

Cash overdraft		
Accounts payable and accrued expenses (unrestricted and restricted)	\$	4,524,450
Due to primary government		
Due to other component units		235,000
Due to other governments		
Accrued expenses (unrestricted and restricted)		6,370,304
Compensated absences		
Unearned revenue		1,226,346
Other current liabilities		6,616,394
Current portion of long-term debt		17,983,180
Total current liabilities		36,955,674

Noncurrent liabilities:

Due to primary government		25,000
Due to other component units		592,967
Due to other governments		
Net pension liability		1,229,875
Net OPEB liability		197,429
Unearned revenue		
Notes payable		
Loans payable		
Lease obligations		435,085
Compensated absences		
Bonds payable		234,791,557
Other liabilities		
Total noncurrent liabilities		237,271,913
Total liabilities		274,227,587

**Deferred inflows of resources**

Deferred pension amounts		498,825
Deferred OPEB amounts		159,524
Other deferred inflows of resources		20,058,269
Total deferred inflows of resources		20,716,618

**Net position**

Net investment in capital assets		282,274,807
Restricted for:		
Debt		28,156,844
Other		7,962,438
Nonexpendable		
Capital Projects		18,901,562
Unrestricted		80,516,040
Total net position	\$	417,811,691

State of Rhode Island Attachment C  
Statement of Activities

Year Ended June 30, 2022

<b>Expenses</b>	\$ <u>76,937,671</u>
<b>Program revenues:</b>	
Charges for services	64,917,047
Other grants and contributions	12,217,416
Capital grants and contributions	24,438,257
Total program revenues	<u>101,572,720</u>
Net (expenses) revenues	<u>24,635,049</u>
<b>General revenue:</b>	
Interest and investment earnings	810,855
Miscellaneous expense	(244,721)
Operating grants	
Gain on sale of capital assets	
Total general revenues	<u>566,134</u>
Special items	
Extraordinary items	
Change in net position	<u>25,201,183</u>
Total net position - beginning	<u>392,610,508</u>
Total net position - ending	\$ <u><u>417,811,691</u></u>

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

Fiscal Year Ending June 30	Principal	Interest
2023	\$ 17,471,823	\$ 9,564,335
2024	21,667,444	8,978,786
2025	18,236,047	8,352,402
2026	11,257,742	7,823,889
2027	14,657,258	7,291,863
2028-2032	61,543,923	27,906,046
2033-2037	44,705,825	17,663,826
2038-2042	36,619,074	9,509,344
2043-2047	17,692,218	1,893,103
2048-2052		
2053-2057		
2058-2062		
2063-2067		
	<u>\$ 243,851,354</u>	<u>\$ 98,983,594</u>

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

Year Ended June 30, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	\$ 139,811,906		\$ 5,265,193	\$ 134,546,713	\$ 4,245,000	\$ 130,301,713
Bonds payable - Direct Payment	122,230,806		12,926,165	109,304,641	13,226,823	96,077,818
Net unamortized premium/discount	9,434,739		511,356	8,923,383	511,357	8,412,026
<b>Bonds payable</b>	<b>271,477,451</b>		<b>18,702,714</b>	<b>252,774,737</b>	<b>17,983,180</b>	<b>234,791,557</b>
Notes payable						
Notes payable - Direct Borrowings						
Loans payable						
Lease obligations	1,283,433		420,578	862,855	427,770	435,085
Net pension liability	1,696,882		467,007	1,229,875		1,229,875
Net OPEB liability	264,441		67,012	197,429		197,429
Due to primary government	45,000		20,000	25,000		25,000
Due to component units	1,158,034		330,067	827,967	235,000	592,967
Due to other governments and agencies						
Unearned revenue	1,313,780		87,434	1,226,346	1,226,346	
Compensated absences						
Arbitrage rebate						
Pollution remediation						
Funds Held for Others						
Other liabilities - include explanation						
<b>Total other liabilities</b>	<b>\$ 277,239,021</b>	<b>\$ 0</b>	<b>\$ 20,094,812</b>	<b>\$ 257,144,209</b>	<b>\$ 19,872,296</b>	<b>\$ 237,271,913</b>

**Rhode Island Airport Corporation**

**Schedule of Travel and Business Development Expenses**

**Year Ended June 30, 2022**

<b>Employee</b>	<b>Purpose</b>	<b>Date</b>	<b>Place</b>	<b>Amount</b>
J. Ottaviano	Airport Law Enforcement Agencies Network Conference	09/21/21 - 09/23/21	San Antonio, TX	\$ 2,060
Various	Greater Providence Chamber of Commerce Legislative Meeting	9/21/2021	Virtual	240
B. Schattle	Airline Visit	10/05/21 - 10/06/21	Memphis, TN	1,115
D. Cloutier	Airline Visit	10/05/21 - 10/06/21	Memphis, TN	753
D. Nguyen	Airline Visit	10/05/21 - 10/06/21	Memphis, TN	901
N. Williams	Airline Visit	10/05/21 - 10/06/21	Memphis, TN	901
Y. Shurhan	Airline Visit	10/05/21 - 10/06/21	Memphis, TN	901
J. Warcup	Bell Helicopter Training Course	10/13/21 - 10/14/21	Fort Worth, TX	10,932
A. Khorsand	Kaplan Kirsch & Rockwell International Municipal Lawyers Association	10/17/21 - 10/19/21	Washington, DC	2,138
Various	34th Rhode Island Transportation Forum	10/29/2021	South Kingston, RI	1,000
Various	Greater Providence Chamber of Commerce Virtual Annual Meeting	10/28/2021	Virtual	900
K. Wright	2021 ACI-NA Annual Conference and Exhibition	11/06/21 - 11/09/21	Reno, NV	2,612
J. Goodman	2021 ACI-NA Annual Conference and Exhibition	11/06/21 - 11/09/21	Reno, NV	2,162
Various	Greater Providence Chamber of Commerce Legislative Meeting	1/21/2022	Warwick, RI	500
Various	Greater Providence Chamber of Commerce Congressional Breakfast	4/14/2022	Warwick, RI	650
S. Sadozai	2022 Risk Management Conference	01/12/22 - 01/14/22	San Diego, CA	2,004
D. Rave	Fire Academy Training	01/31/22 - 02/04/22	Columbia, SC	1,754
T. Bradley	Fire Academy Training	01/31/22 - 02/04/22	Columbia, SC	1,754
B. Belisle	Fire Academy Training	01/31/22 - 02/04/22	Columbia, SC	1,753
M. Berger	Routes Americas 2022 Conference	02/15/22 - 02/17/22	San Antonio, TX	2,230
S. Sadozai	2022 Airport CFO Summit	02/24/22 - 02/25/22	Orlando, FL	1,677
T. Pimental	ACI-NA/AAAE - Airport Customer Service Experience Symposium	03/07/22 - 03/09/22	Nashville, TN	2,283
M. Messier	Fire Academy Training	05/08/22 - 05/14/22	Columbia, SC	2,010
S. Sechow	Fire Academy Training	05/08/22 - 05/14/22	Columbia, SC	2,010
J. Ottaviano	Airport Law Enforcement Agencies Network Conference	05/09/22 - 05/11/22	Arlington, TX	1,815
I. Ahmad	Routes Europe 2022	05/15/22 - 05/20/22	Bergen, Norway	3,865
M. Berger	Routes Europe 2022	05/15/22 - 05/20/22	Bergen, Norway	4,149
M. Berger	Jumpstart 2022	06/13/22 - 06/16/22	Reno, NV	1,482
E. Zogheib	94th Annual AAAE Conference	06/04/22 - 06/08/22	Seattle, WA	4,552
Various	FAA Part 139 Triennial Drill Preparation/Planning Meeting	6/16/2022	Warwick, RI	774
Various	Employee Meeting and Functions	07/01/21 - 06/30/22	Warwick, RI	10,786
Various	Airline Events	07/01/21 - 06/30/22	Warwick, RI	26,448
Various	Board Meetings	07/01/21 - 06/30/22	Warwick, RI	1,037
Various	Business Meetings	07/01/21 - 06/30/22	Warwick, RI	6,254
Various	Miscellaneous Amounts Under \$200	07/01/21 - 06/30/22	Warwick, RI	514
<b>Total</b>				<b>\$ 106,914</b>

# Rhode Island Airport Corporation

## Schedule of Expenditures of Federal Awards\*

For the Year Ended June 30, 2022

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	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	\$ 90,905
Law Enforcement Officer Reimbursement Agreement Program	97.090	\$ 112,680
<b>Total Department of Homeland Security</b>		<u>203,585</u>
<b>U.S. Department of Defense - National Guard Bureau</b>		
Direct Programs:		
National Guard Military Operations and Maintenance (O&M) Projects	12.401	\$ 1,349,962
<b>Total Department of Defense</b>		<u>1,349,962</u>
<b>U.S. Department of Transportation:</b>		
Direct Programs:		
Airport Improvement Programs	20.106	18,743,404
CARES ACT/CRRSA/ARPA	20.106	12,068,138
<b>Total Department of Transportation</b>		<u>30,811,542</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 32,365,089</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, 2022. 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 collective programs under ALN #20.106 (including Airport Improvement Program, CARES Act, CRRSA, and ARPA) were required to be audited for grant compliance as a major program 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 fiscal year ended June 30, 2022 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, 2022.

**Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

**Report on 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 financial statements. 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 & Moren, PLLC*

September 30, 2022