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# Rhode Island Airport Corporation

(a component unit of the State of Rhode Island)

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**Financial Report**  
**with Supplementary Information**  
**June 30, 2023**

<b>Independent Auditor's Report</b>	1-3
<b>Management's Discussion and Analysis</b>	4-20
<b>Basic Financial Statements</b>	
Statement of Net Position	21-22
Statement of Revenue, Expenses, and Changes in Net Position	23
Statement of Cash Flows	24-25
Notes to Financial Statements	26-55
<b>Required Supplementary Information</b>	56
Schedule of RIAC's Proportionate Share of the Net Pension Liability	57
Schedule of Pension Contributions	58
Schedule of RIAC's Proportionate Share of the Net OPEB Liability	59
Schedule of OPEB Contributions	60
Notes to Required Supplementary Information	61-64
<b>Other Supplementary Information</b>	65
State of Rhode Island Attachment B - Statement of Net Position	66-67
State of Rhode Island Attachment C - Statement of Activities	68
State of Rhode Island Attachment D - Schedule of Debt Service to Maturity - Long-Term Debt	69
State of Rhode Island Attachment E - Schedule of Changes in Long-Term Debt	70
Schedule of Travel and Business Development Expenses	71
Schedule of Expenditures of Federal Awards*	72
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	73-74

## 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, 2023 and 2022 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, 2023 and 2022 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.

#### **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.

#### **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.

To the Board of Directors  
Rhode Island Airport Corporation

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 Supplementary Information***

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

#### ***Other Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise RIAC's basic financial statements. The other supplementary 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors  
Rhode Island Airport Corporation

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023 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.

*Plante & Moran, PLLC*

September 27, 2023

### 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, 2023 and June 30, 2022. 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)

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#### 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, 2023. 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)**

Air Carriers Serving the Airport

In fiscal year 2023, the Airport had scheduled passenger service provided by ten mainline carriers, and ten affiliate carriers. Two additional airlines provide international service and three additional airlines provide all-cargo service.

**AIRLINES SERVING THE AIRPORT**

**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 (10)**

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>Air Wisconsin Airlines</li> <li>CommutAir</li> <li>Endeavor Air</li> <li>Envoy Airlines</li> <li>GoJet</li> <li>Mesa Airlines</li> <li>Piedmont Airlines</li> <li>PSA Airlines</li> <li>Republic Airlines</li> <li>SkyWest Airlines</li> </ul> | <ul style="list-style-type: none"> <li>United Express</li> <li>United Express</li> <li>Delta Connection</li> <li>American Express</li> <li>United Express</li> <li>United Express</li> <li>American Express</li> <li>American Express</li> <li>American Express and United Express, Delta Airlines</li> <li>American Express and United Express, Delta Connection</li> </ul> |
|---|--|

**International Carriers (2)**

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>Air Georgian</li> <li>Sky High Aviation</li> </ul> | <ul style="list-style-type: none"> <li>Air Canada Express</li> </ul> |
|---|--|

**All Cargo Carriers (3)**

- Federal Express
- United Parcel Service
- Wiggins Airways (a)

(a) Wiggins Airways flies on behalf of FedEx



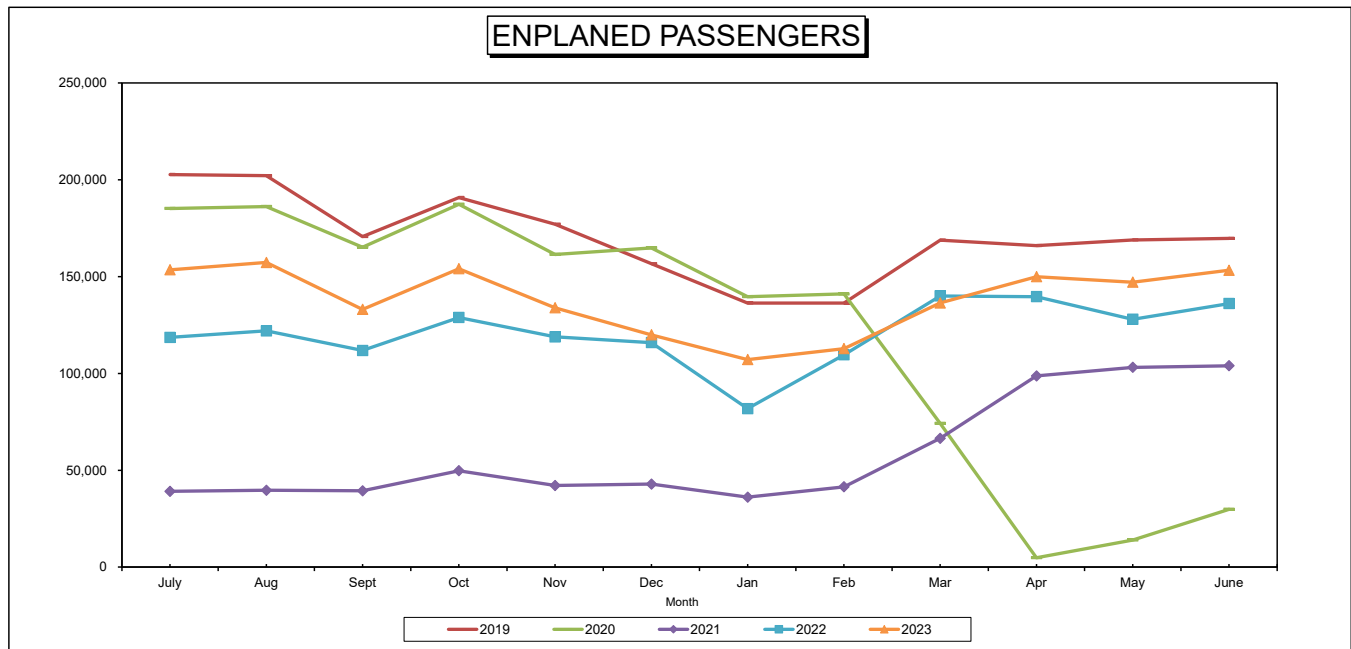
# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

### Historical Enplanement Data

The Airport was ranked as the 70<sup>th</sup> busiest airport in the country for calendar year 2022 according to the latest published preliminary data produced by the FAA. This compares with rankings of 80<sup>th</sup> busiest airport in the calendar year 2021, 77<sup>th</sup> busiest in calendar year 2020, and 70<sup>th</sup> busiest in calendar year 2019.

Actual enplaned passengers for fiscal year 2023 were 207,127 above 2022 resulting in an increase of 14.3%. The following chart and table depict the five-year historical trend of enplaned passenger traffic at the Airport for the fiscal years 2019 through 2023. Consistent with airports throughout the US, COVID-19 pandemic travel restrictions led to substantially reduce passenger traffic during fiscal years 2020 and 2021 impacting enplanement volumes.



Fiscal Year	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
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
2023	153,519	157,318	133,060	154,055	133,888	119,926	107,150	112,802	136,399	149,979	147,122	153,296	1,658,514

### 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 Flight Level 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 15,200 commuter passengers in fiscal year 2023.

#### 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 14,900 commuter passengers in fiscal year 2023.

# 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 CHANGE IN NET POSITION

	2023	2022	2021
Operating Revenues - Airports	\$ 58,894,506	\$ 51,383,720	\$ 35,146,406
Operating Revenues - Interlink	8,410,033	7,597,023	5,287,871
Operating Expenses - Airports	(38,920,102)	(35,702,847)	(30,427,301)
Operating Expenses - Interlink	(3,955,323)	(3,464,088)	(3,186,780)
Operating Income (Before Depreciation)	24,429,114	19,813,808	6,820,196
Depreciation and Amortization Expense - Airports	(23,617,352)	(22,882,042)	(22,172,399)
Depreciation and Amortization Expense - Interlink	(4,352,085)	(4,327,838)	(4,335,045)
Operating Income (Loss)	(3,540,323)	(7,396,072)	(19,687,248)
Non-operating Revenues (Expenses), total	12,568,994	8,158,998	5,208,845
Income (Loss) Before Capital Contributions	9,028,671	762,926	(14,478,403)
Capital Contributions, net	11,374,105	24,438,257	26,881,683
Change in Net Position	\$ 20,402,776	\$ 25,201,183	\$ 12,403,280

# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

### FINANCIAL POSITION SUMMARY

	2023	2022	2021
<b>ASSETS</b>			
Current assets	\$ 136,937,129	\$ 121,574,232	\$ 112,434,503
Noncurrent assets	68,984,330	74,122,749	77,396,558
Capital assets, net	499,984,563	516,511,444	517,659,944
Total assets	705,906,022	712,208,425	707,491,005
<b>DEFERRED OUTFLOWS</b>			
	309,238	547,471	882,869
<b>LIABILITIES</b>			
Current liabilities	36,367,744	36,955,674	36,040,629
Long term obligations	213,992,958	237,271,913	257,107,139
Total liabilities	250,360,702	274,227,587	293,147,768
<b>DEFERRED INFLOWS</b>			
	17,640,091	20,716,618	22,615,598
<b>NET POSITION</b>			
Net investment in capital assets	284,330,275	282,274,807	265,518,483
Restricted	55,921,306	55,020,844	55,580,557
Unrestricted	97,962,886	80,516,040	71,511,468
<b>TOTAL NET POSITION</b>	<b>\$ 438,214,467</b>	<b>\$ 417,811,691</b>	<b>\$ 392,610,508</b>

Total assets decreased approximately \$6,302,000 for fiscal year 2023 primarily due to the depreciation of capital assets offset by the increase in cash and investments. Total assets increased by approximately \$4,717,000 for fiscal year 2022, primarily due to the increase in cash and investments.

Total liabilities decreased approximately \$23,867,000 and \$18,920,000 in fiscal years 2023 and 2022, respectively. In fiscal years 2023 and 2022, the decrease is 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.

Net position for fiscal years 2023 and 2022 increased by approximately \$20,403,000 and \$25,201,000 respectively reflecting operating income (loss) and capital contributions.

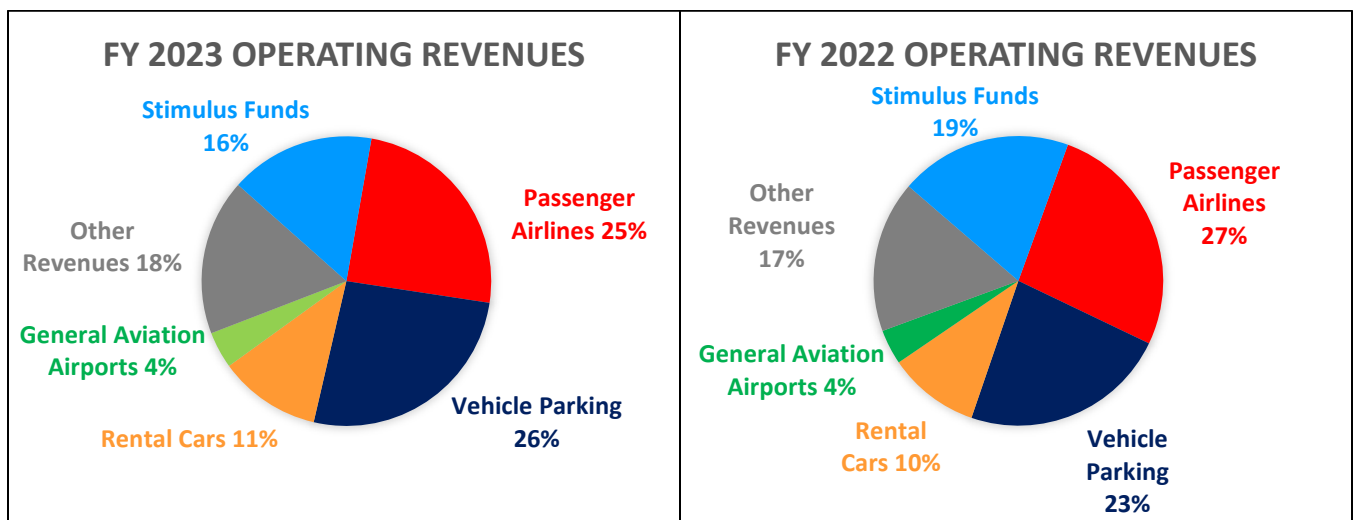
# Rhode Island Airport Corporation

## 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, 2023, 2022 and 2021.

	2023	% of Total Revenues	2022	% of Total Revenues	2021	% of Total Revenues
<b>OPERATING REVENUES AND FEDERAL STIMULUS</b>						
Vehicle Parking	17,161,615	26.2%	14,694,315	23.1%	6,199,361	13.2%
Passenger Airlines	16,111,542	24.6%	17,517,996	27.5%	14,969,123	31.8%
Stimulus Funds	10,615,476	16.2%	12,204,718	19.2%	11,867,563	25.2%
Rental Cars	7,463,536	11.4%	6,810,687	10.7%	3,870,552	8.2%
Concession	2,993,843	4.6%	1,629,446	2.6%	1,100,795	2.3%
General Aviation Airports	2,660,805	4.1%	2,489,343	3.9%	2,040,763	4.3%
Tiedown & Hangar Rent	2,068,759	3.2%	1,839,810	2.9%	1,690,607	3.6%
Off Airport Access Fees	1,408,440	2.2%	1,135,832	1.8%	508,938	1.1%
Fuel Flowage Fees	1,329,812	2.0%	1,308,556	2.1%	883,656	1.9%
Quonset Real Estate Income	1,226,925	1.9%	1,227,598	1.9%	1,187,603	2.5%
General Aviation, PVD & Cargo	899,615	1.4%	1,015,659	1.6%	997,023	2.1%
Other Revenues	625,596	1.0%	591,089	1.0%	579,585	1.2%
Non-Airline Rent	447,259	0.7%	719,699	1.1%	706,834	1.5%
Advertising	399,470	0.5%	403,690	0.6%	411,566	1.1%
<b>TOTAL OPERATING REVENUES AND FEDERAL STIMULUS</b>	<b>\$ 65,412,693</b>	<b>100.0%</b>	<b>\$ 63,588,438</b>	<b>100.0%</b>	<b>\$ 47,013,969</b>	<b>100.0%</b>



Overall operating revenues increased by approximately \$1,824,000 and \$16,574,000 for fiscal years 2023 and 2022, respectively reflecting increased enplanement volumes. For fiscal year 2022, revenues increased significantly as fiscal year 2021 was adversely impacted by COVID-19 travel restrictions resulting in unusually low enplanement levels. Passenger airline revenues decreased approximately 9% representing the Airport's strategy of lowering the overall cost to the airlines. COVID-19 and related travel restrictions had a significant impact on many of the revenue streams that are directly impacted by enplanements. RIAC utilized federal operating stimulus funds of approximately \$10,615,000, \$12,200,000, and \$11,868,000, in fiscal year 2023, 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 assisting airlines, operating in Rhode Island.

## Rhode Island Airport Corporation

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

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

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 2023, 2022 and 2021 are \$9.71, \$12.07, and \$22.08, respectively. The decrease in CPE for fiscal years 2023 and 2022 is primarily a result of stimulus funds used to subsidize the cost for the airlines operating 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 by approximately \$2,467,000 and \$8,495,000 for fiscal years 2023 and 2022, respectively primarily due to the positive enplanement trends.

Rental Car revenues increased by approximately \$653,000 and \$2,940,000 for fiscal years 2023 and 2022 respectively. The increases are primarily due to the positive enplanement trends. These revenues include RIAC's share of rental car transactions, space rentals at the Airport, and audit recoveries.

General Aviation Airport revenue increased approximately \$171,000 and \$449,000 for fiscal years 2023 and 2022, respectively. These increases are primarily due to increases in rental income, fuel flowage, and landing fees.

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 \$273,000 and \$627,000 for fiscal years 2023 and 2022, respectively. These increases are primarily due to the positive enplanement trends.

General Aviation, PVD and Cargo revenue for fiscal year 2023 decreased approximately \$116,000. General Aviation, PVD and Cargo revenue for fiscal year 2022 increased by approximately \$17,000.

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.

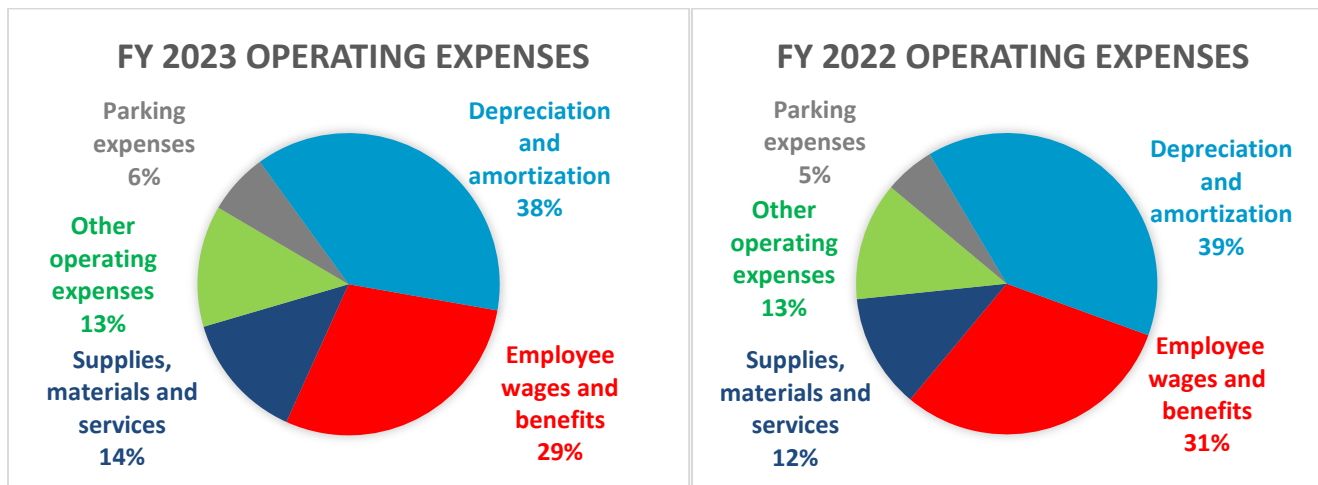
# Rhode Island Airport Corporation

## 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, 2023, 2022, and 2021:

	2023	% of Total Operating Expenses	2022	% of Total Operating Expenses	2021	% of Total Operating Expenses
<b>OPERATING EXPENSES</b>						
Employee wages and benefits	\$18,118,823	29.0%	\$17,889,400	30.5%	\$17,335,812	33.0%
Supplies, materials and services	8,573,318	13.7%	7,182,818	12.3%	6,170,720	11.7%
Other operating expenses	8,130,674	12.9%	7,446,264	12.7%	5,552,332	10.5%
Parking expenses	4,097,287	6.6%	3,184,365	5.4%	1,368,437	2.6%
Depreciation and amortization	23,617,352	37.8%	22,882,042	39.1%	22,172,399	42.2%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$62,537,454</b>	<b>100.0%</b>	<b>\$58,584,889</b>	<b>100.0%</b>	<b>\$52,599,700</b>	<b>100.0%</b>



Employee wages and benefits for fiscal year 2023 and 2022 increased approximately \$229,000 and \$554,000, respectively primarily due to scheduled increases in employee wages per the approved Collective Bargaining Agreement.

Supplies, materials and services for fiscal year 2023 and 2022 increased approximately \$1,390,500 and \$1,012,000, respectively primarily related to baggage handling services, janitorial services, and security services, as passenger activity levels and operations have increased in fiscal year 2023. In addition, supplies expense has increased due to inflation.

Other operating expenses for fiscal year 2023 and 2022 increased by approximately \$684,000, and \$1,894,000, respectively. The increase in fiscal year 2023 is primarily due to higher insurance and utility costs. The increase in fiscal year 2022 is primarily due to increased advertising and marketing campaigns, insurance, and gas.

Parking expenses increased by approximately \$913,000 and \$1,816,000 for fiscal years 2023 and 2022, 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 a percentage of revenues.

## Rhode Island Airport Corporation

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

#### INTERLINK OPERATIONS

Operating revenues for the InterLink include Customer Facility Charges (CFCs), Rental Car Rental Fees, Utility Facility Charges (UFCs), Parking Revenues and Airport Facility Charges (AFC) which RIAC began collecting in January 2019. Operating expenses include utilities, contracted maintenance, insurance and other costs associated with the InterLink. Depreciation related to the InterLink is reflected in this line item. Interest Expense includes the interest component of RIAC's debt service on the 2006 Series Special Facility Bonds, the Series 2018 Bonds (which refunded the Series 2006 Bonds), and the US Department of Transportation's (USDOT's) Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and is shown after non-operating revenues/expenses in RIAC's Statement of Revenues, Expenses and Changes in Net Position. Investment Income on accounts associated with the InterLink is also included in this line item.

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

	2023	2022	2021
Operating Revenues	\$ 8,410,033	\$ 7,597,023	\$ 5,287,871
Operating and maintenance expense	3,955,323	3,464,088	3,186,780
InterLink operating income before depreciation and amortization	4,454,710	4,132,935	2,101,091
Depreciation and amortization	4,352,085	4,327,838	4,335,045
Operating Income (Loss)	<u>\$ 102,625</u>	<u>\$ (194,903)</u>	<u>\$ (2,233,954)</u>
Interest Expense	(3,538,989)	(3,922,360)	(3,812,343)
Investment Income	627,719	44,736	22,519
Capital Contributions - Net	(160,958)	-	(166,215)
Net Loss InterLink Facility	<u>\$ (2,969,603)</u>	<u>\$ (4,072,527)</u>	<u>\$ (6,189,993)</u>

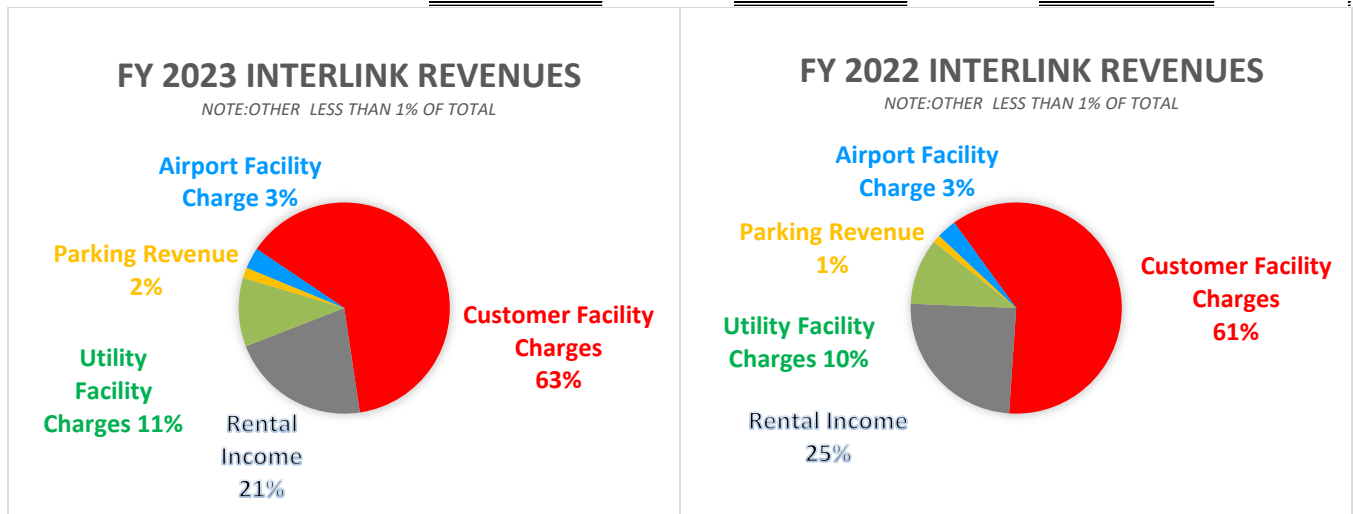


# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

The following chart illustrates the categories of InterLink Operating Revenues for the fiscal years ended June 30, 2023, 2022, and 2021:

	2023	% of Total Facility Revenues	2022	% of Total Facility Revenues	2021	% of Total Facility Revenues
<b>OPERATING REVENUES</b>						
Customer Facility Charges	\$ 5,306,178	63.0%	\$ 4,618,776	60.9%	\$ 2,914,698	55.1%
Rental Income	1,796,337	21.4%	1,860,126	24.5%	1,693,969	32.0%
Utility Facility Charges	884,363	10.5%	769,796	10.1%	485,783	9.2%
Parking Revenue	130,555	1.6%	94,650	1.2%	145,735	2.8%
Airport Facility Charge	265,309	3.2%	230,939	3.0%	39,893	0.8%
Other	27,291	0.3%	22,736	0.3%	7,793	0.1%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 8,410,033</b>	<b>100.0%</b>	<b>\$ 7,597,023</b>	<b>100.0%</b>	<b>\$ 5,287,871</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 2023, CFC revenues including audit recoveries were \$5,306,000, as compared to \$4,619,000 in fiscal year 2022, and \$2,915,000 in fiscal year 2021. 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 2023, UFC revenues were \$884,000 as compared to \$770,000 in fiscal year 2022, and \$486,000 in fiscal year 2021. Effective January 1, 2019, RIAC began collecting AFC's of \$0.95 per transaction day from the rental car companies that operate at, or near, the Airport and service customers who utilize the Airport. The AFC is comprised of two components, \$0.65 per transaction day of Airport Revenue, and \$0.30 per transaction day is InterLink Facility Revenue to fund an Other Improvement Account for capital repairs and improvements at the InterLink. During the fiscal year 2023, the AFC revenues were \$265,000 as compared to

# Rhode Island Airport Corporation

## Management's Discussion and Analysis (Continued)

\$231,000 in fiscal year 2022, and \$146,000 in fiscal year 2021. 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). In fiscal year 2023, RIAC received approval of an additional application for certain airport projects in the amount of \$1,292,000 to be collected at \$4.50 per enplaned passenger, bringing the total PFC Authority to \$ 281,541,000. As of June 30, 2023, RIAC has ten PFC applications with 52 projects.

PFC revenues were \$6,621,069 in fiscal year 2023, \$5,936,000 in fiscal year 2022, and \$3,089,000 in fiscal year 2021. As of June 30, 2023, \$210,680,000 (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 2023, \$7,996,000 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 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.

### **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 2023, RIAC capitalized approximately \$110,000 in land and easement acquisitions, \$6,619,000 in leasehold improvements and \$1,224,000 in machinery and equipment. Amounts to construction in progress (CIP) increased to reflect the project completions and ongoing construction activities during the fiscal year, resulting in an ending balance of approximately \$14,558,000 at June 30, 2023.

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.

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 2023, approximately \$465,000 was expended to complete the 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 2022 totaled approximately \$11,958,000.

#### PVD Restroom Renovations

In fiscal year 2023, approximately \$802,000 was expended for the restroom renovation project which included pipe fitting, tile, lighting, and plumbing fixture installations, and stone masonry. The amount expended in the fiscal year 2022 totaled approximately \$4,994,000.

#### PVD Public Address System Project

In fiscal year 2023, approximately \$1,316,000 was expended for the public address system project which included replacement of select speakers, and associated cabling and wall finishes throughout the public-facing areas of the terminal building at Rhode Island T. F. Green International Airport. The upgraded system will improve sound quality throughout the building and will include new visual paging. The amount expended in the fiscal year 2022 totaled approximately \$106,000.

#### PVD Taxiway C Reconstruction

In fiscal year 2023, approximately \$483,000 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. The amount expended in the fiscal year 2022 totaled approximately \$583,000.

#### OQU Runway 16-34 Reconstruction

In fiscal year 2023, approximately \$2,548,000 was expended to finish 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. The amount expended in the fiscal year 2022 totaled approximately \$2,761,000.

#### SFZ Wildlife & Security Fencing

In fiscal year 2023, approximately \$20,000 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. The amount expended in the fiscal year 2022 totaled approximately \$1,310,000.

### **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, 2023 and 2022 was \$0 and \$25,000, 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

## Rhode Island Airport Corporation

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

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, 2023 and June 30, 2022 was \$20,704,000 and \$22,271,000, 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, 2023 and June 30, 2022 was \$20,095,000 and \$22,945,000 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, 2023 and June 30, 2022 was \$6,360,000 and \$11,815,000, 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, 2023 were \$5,269,633, \$26,970,000, and \$14,297,793, respectively. The outstanding balances for the 2016 Series A, B, and C as of June 30, 2022 were \$8,702,493, \$26,970,000, and \$16,909,708, 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, 2023 and June 30, 2022 was \$36,885,000. The outstanding balance for the Series 2016 E as of June 30, 2023 and June 30, 2022 was \$0 and \$725,000, respectively.

In July 2019, RIAC issued approximately \$12,867,000 Series A Direct Placement Airport Revenue Refunding Bonds and approximately \$11,295,000 Series B Direct Placement Airport Revenue Refunding Bonds to enable the defeasance of \$14,090,000 in 2008 Series A General Airport Revenue Bonds and \$12,370,000 in 2008 Series B General Airport Revenue Bonds, respectively. The 2019 Series A and Series B refund issues mature monthly from 2026 through 2038 with an interest rate of 2.98%. RIAC's defeasance of the 2008 Series A and B Bonds resulted in present value savings of approximately \$4,800,000 or 18% of the refunded bonds. The outstanding balances for the 2019 Series A and B were approximately \$12,867,522, and \$11,295,139, respectively, for both June 30, 2023 and June 30, 2022.

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, 2023 and June 30, 2022 was \$435,000 and \$863,000, 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 \$34,225,000 and \$35,620,000 as of June 30, 2023 and June 30, 2022, 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, 2023 and June 30, 2022 was \$38,528,106 and \$39,097,000, 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, 2023 include the 2015 Series A Bonds (\$42,980,000 issued and insured by Assured Guaranty Municipal Corp. (AGM), with \$6,360,000 outstanding).

As of June 30, 2023, 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.

As of June 30, 2023, Commerce RI's/RIAC's Series 2018 First Lien Special Facility Revenue Refunding Bonds are rated by two firms, Moody's and S&P, as Baa1 with a stable outlook, and A with a stable outlook, respectively.

### CURRENT OPERATIONS AND FINANCIAL SITUATION

RIAC continues to experience improvements in both its financial condition and outlook resulting from favorable trends and improved performance. The more significant matters include:

On April 21, 2023, S&P Global Ratings raised its rating of RIAC's InterLink first-lien special facility revenue bonds from BBB+ to A on. The rating reflects the Airport's strong liquidity and financial flexibility along with improved passenger volumes and a strong rebound in national air travel demand.

## Rhode Island Airport Corporation

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

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The Signatory Airline Agreement has been extended for five years from July 1, 2024, through June 30, 2028. Breeze Airways has executed the Signatory Airline Agreement, for a total of six Signatory air carriers.

With the recent expansion by Breeze and other airlines, the count of nonstop routes from PVD has increased to 31 from 23 before the Covid-19 pandemic. Since March 2023, Breeze is using PVD airport as a base where it stations up to 8 aircraft and corresponding flight crews, mechanics and other support personnel.

RIAC entered into a parking management agreement and shuttle bus operation agreement, effective July 1, 2023, under which the company remits parking revenues to RIAC, and the company manages parking operations and shuttle bus operations for a fee.

Any questions or comments concerning any of the information provided in this report, or requests for additional information, should be addressed to the Chief Accounting Officer, Vice President, Finance & Accounting 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, 2023 and 2022

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 52,946,227	\$ 85,542,682
Restricted cash and cash equivalents (Note 2)	25,557,640	23,038,435
Investments (Note 2)	50,767,738	-
Accounts receivable - Net (Note 3)	4,791,032	9,623,819
Lease receivable (Note 13)	2,393,360	2,854,090
Due from the State of Rhode Island (Note 7)	20,742	135,454
Prepaid expenses and other assets	460,390	379,752
Total current assets	136,937,129	121,574,232
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (Note 2)	42,141,964	44,947,314
Investments (Note 2)	9,614,010	9,580,988
Accounts receivable - Net (Note 3)	1,369,661	1,475,665
Lease receivable - Net of current portion (Note 13)	15,799,589	18,024,784
Capital assets: (Note 4)		
Assets not subject to depreciation	66,671,160	63,474,851
Assets subject to depreciation - Net	433,313,403	453,036,593
Notes receivable	21,123	34,311
Prepaid insurance on bonds - Net of accumulated amortization	37,983	59,687
Total noncurrent assets	568,968,893	590,634,193
Total assets	705,906,022	712,208,425
<b>Deferred Outflows of Resources</b>		
Deferred amounts on bond refundings	142,959	374,965
Deferred pension costs (Note 9)	136,216	131,444
Deferred OPEB costs (Note 10)	30,063	41,062
Total deferred outflows of resources	309,238	547,471

# Rhode Island Airport Corporation

## Statement of Net Position (Continued)

June 30, 2023 and 2022

	2023	2022
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses (Note 5)	\$ 5,899,070	\$ 8,829,395
Payables from restricted assets:		
Accounts payable and accrued expenses (Note 5)	1,267,309	2,065,359
Bonds payable (Note 6)	21,610,195	17,983,180
Accrued interest payable	2,680,136	2,989,896
Unearned revenue	2,079,122	1,226,346
Accrued payroll and employee benefits	2,169,142	3,198,728
Due to other governmental unit (Notes 6 and 7)	235,000	235,000
Lease obligations (Note 6)	427,770	427,770
Total current liabilities	36,367,744	36,955,674
Noncurrent liabilities:		
Due to the State of Rhode Island (Note 6)	-	25,000
Due to other governmental unit - Net of current portion (Notes 6 and 7)	30,183	592,967
Lease obligations - Net of current portion (Note 6)	-	435,085
Net pension liability (Note 9)	1,189,014	1,229,875
Net OPEB liability (Note 10)	161,972	197,429
Bonds payable - Net of current portion (Note 6)	212,611,789	234,791,557
Total noncurrent liabilities	213,992,958	237,271,913
Total liabilities	250,360,702	274,227,587
<b>Deferred Inflows of Resources</b>		
Deferred pension cost reductions (Note 9)	337,865	498,825
Deferred OPEB cost reductions (Note 10)	146,034	159,524
Deferred lease revenue (Note 13)	17,156,192	20,058,269
Total deferred inflows of resources	17,640,091	20,716,618
<b>Net Position</b>		
Net investment in capital assets	284,330,275	282,274,807
Restricted:		
Capital acquisition and construction	11,084,643	8,901,562
Passenger facility charges	13,863,417	14,964,212
InterLink	20,515,808	21,441,335
Operating and maintenance reserve - Airports	6,123,000	5,563,000
Operating and maintenance reserve - InterLink	1,834,438	1,650,735
Emergency renewal and replacement reserve - InterLink	2,000,000	2,000,000
Repair and rehabilitation reserve - Airports	500,000	500,000
Unrestricted	97,962,886	80,516,040
Total net position	<u>\$ 438,214,467</u>	<u>\$ 417,811,691</u>



## Rhode Island Airport Corporation

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

Years Ended June 30, 2023 and 2022

	2023	2022
<b>Operating Revenue</b>		
Rental, concession fees, and other	\$ 26,113,385	\$ 26,209,652
Landing fees and airfield revenue	11,522,219	10,479,753
Parking revenue	21,258,902	14,694,315
InterLink facility revenue (Note 8)	8,410,033	7,597,023
Total operating revenue	67,304,539	58,980,743
<b>Operating Expenses</b>		
Employee wages and benefits	18,118,823	17,889,400
Parking operating expenses	4,097,287	3,184,365
Supplies, materials, and services	8,573,318	7,182,818
Other operating expenses	8,130,674	7,446,264
InterLink operating expenses (Note 8)	3,955,323	3,464,088
InterLink depreciation and amortization (Note 8)	4,352,085	4,327,838
Depreciation and amortization	23,617,352	22,882,042
Total operating expenses	70,844,862	66,376,815
<b>Operating Loss</b>	(3,540,323)	(7,396,072)
<b>Nonoperating Revenue (Expense)</b>		
InterLink investment income (Note 8)	627,719	44,736
Investment income	4,019,346	766,119
InterLink interest expense (Note 8)	(3,538,989)	(3,922,360)
Interest expense	(6,141,763)	(6,587,654)
Passenger facility charges	6,621,069	5,936,304
Grant revenue (Note 1)	10,615,476	12,217,416
Grant expenses (Note 1)	-	(50,842)
Other	366,136	(244,721)
Total nonoperating revenue	12,568,994	8,158,998
<b>Income - Before capital contributions</b>	9,028,671	762,926
<b>Capital Contributions - Net</b>	11,374,105	24,438,257
<b>Change in Net Position</b>	20,402,776	25,201,183
<b>Net Position - Beginning of year, as restated (Note 1)</b>	417,811,691	392,610,508
<b>Net Position - End of year</b>	<b>\$ 438,214,467</b>	<b>\$ 417,811,691</b>

# Rhode Island Airport Corporation

## Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Receipts from rentals, fees, and other services	\$ 57,349,299	\$ 46,690,630
Payments to suppliers and other	(17,534,198)	(14,684,101)
Payments to employees and fringes	(19,115,202)	(17,267,133)
InterLink receipts from rentals, fees, and other services	8,595,333	7,105,970
InterLink payments to suppliers and other	(4,152,661)	(3,261,722)
Net cash and cash equivalents provided by operating activities	25,142,571	18,583,644
<b>Cash Flows from Noncapital Financing Activities</b>		
Grants and subsidies	10,615,476	12,217,416
Payment of grant expenses	-	(50,842)
Net cash and cash equivalents provided by noncapital financing activities	10,615,476	12,166,574
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital contributions and grant revenue - Net	14,457,522	27,406,135
Collection of passenger facility charges	6,541,773	6,094,094
Proceeds from sale of capital assets	31,430	2,782
Purchase and construction of capital assets	(15,169,421)	(26,972,772)
Interest and other charges paid, long-term obligations	(9,990,512)	(10,543,705)
Payments on long-term obligations	(18,041,396)	(18,191,358)
Interest received on leases	512,698	555,416
Other	(316,348)	(364,404)
Net cash and cash equivalents used in capital and related financing activities	(21,974,254)	(22,013,812)
<b>Cash Flows from Investing Activities</b>		
Interest received on investments	4,134,367	255,466
Net (purchase of) proceeds from investment securities	(50,800,760)	1,572
Net cash and cash equivalents (used in) provided by investing activities	(46,666,393)	257,038
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(32,882,600)	8,993,444
<b>Cash and Cash Equivalents - Beginning of year</b>	153,528,431	144,534,987
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 120,645,831</b>	<b>\$ 153,528,431</b>
<b>Classification of Cash and Cash Equivalents</b>		
Unrestricted cash and cash equivalents	\$ 52,946,227	\$ 85,542,682
Restricted cash and cash equivalents - Current	25,557,640	23,038,435
Restricted cash and cash equivalents - Noncurrent	42,141,964	44,947,314
Total cash and cash equivalents	<b>\$ 120,645,831</b>	<b>\$ 153,528,431</b>

## Rhode Island Airport Corporation

### Statement of Cash Flows (Continued)

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities</b>		
Operating loss	\$ (3,540,323)	\$ (7,396,072)
Adjustments to reconcile operating loss to net cash and cash equivalents from operating activities:		
Depreciation and amortization	27,969,437	27,209,880
Changes in assets and liabilities:		
Receivables	1,934,670	(1,775,718)
Prepaid expenses and deposits	(80,638)	(168,574)
Accounts payable and accrued expenses	(512,864)	654,164
Net pension and OPEB liability	(76,318)	(534,019)
Deferrals related to net pension and OPEB liability	(168,223)	397,355
Lease receivable and deferrals related to leases	(196,152)	(309,836)
Other assets and liabilities	(187,018)	506,464
Total adjustments	<u>28,682,894</u>	<u>25,979,716</u>
Net cash and cash equivalents provided by operating activities	<u><u>\$ 25,142,571</u></u>	<u><u>\$ 18,583,644</u></u>

June 30, 2023 and 2022

### 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, 2023 and 2022

### 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.

##### **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.

RIAC reports the following deferred outflows of resources and deferred inflows of resources:

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, 2023 and 2022

**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, 2023 and 2022.



June 30, 2023 and 2022

**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 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, 2023 and 2022, 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 \$281,541,000 based on a rate of \$4.50 per enplaned passenger. Aggregate collections, including interest thereon, through June 30, 2023 were approximately \$210,680,000. 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, 2023 and 2022

**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, 2023 and 2022. 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 years ended June 30, 2023 and 2022. 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 \$1,000,000 and \$11,100,000 was utilized for the years ended June 30, 2023 and 2022, 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. All awarded funding related to the CARES Act was utilized as of June 30, 2023.

June 30, 2023 and 2022

### 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 \$5,700,000 and \$34,000 was utilized for the years ended June 30, 2023 and 2022, respectively, to provide relief to concessions. 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 \$3,898,000 and \$1,043,000 was utilized for the years ended June 30, 2023 and 2022, respectively, to provide relief to concessions. 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

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.
- 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.

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

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.

**Adoption of New Accounting Pronouncement**

For the year ended June 30, 2022, RIAC adopted GASB Statement No. 87, *Leases*. As a result, the financial statements now include receivables for the present 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.

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><u>\$ 392,610,508</u></u>

**Upcoming Accounting Pronouncements**

In April 2022, the Governmental Accounting Standards Board issued Statement No. 99, *Omnibus 2022*, which establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), nonmonetary transactions, pledges of future revenue, and terminology. The standard has various effective dates. RIAC does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for RIAC's financial statements for the year ending June 30, 2024.

In June 2022, the Governmental Accounting Standards Board 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.

June 30, 2023 and 2022

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

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

	<u>2023</u>	<u>2022</u>
Unrestricted cash, cash equivalents, and investments:		
Deposits with financial institutions	\$ 52,946,227	\$ 85,542,682
U.S. Treasury securities	<u>50,767,738</u>	<u>-</u>
Total unrestricted cash, cash equivalents, and investments	103,713,965	85,542,682
Restricted cash, cash equivalents, and investments:		
Deposits with financial institutions	47,564,475	48,046,871
U.S. Treasury securities	9,614,010	9,580,988
Money market mutual funds	<u>20,135,129</u>	<u>19,938,878</u>
Total restricted cash, cash equivalents, and investments	<u>77,313,614</u>	<u>77,566,737</u>
Total	<u>\$ 181,027,579</u>	<u>\$ 163,109,419</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, 2023 and 2022, RIAC had bank deposits of \$94,191,200 and \$127,404,586, 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, 2023 and 2022 pursuant to Chapter 35-10.1 of the General Laws.

***Custodial Credit Risk of Investments***

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

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

**Interest Rate Risk**

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

2023		Investment Maturities (in Years)		
Type of Investment	Less Than 1 Year	1-5 Years	Total	
Money market mutual funds	\$ 20,135,129	\$ -	\$ 20,135,129	
U.S. Treasury securities	60,381,748	-	60,381,748	
Total	<u>\$ 80,516,877</u>	<u>\$ -</u>	<u>\$ 80,516,877</u>	
2022		Investment Maturities (in Years)		
Type of Investment	Less Than 1 Year	1-5 Years	Total	
Money market mutual funds	\$ 19,938,878	\$ -	\$ 19,938,878	
U.S. Treasury securities	9,580,988	-	9,580,988	
Total	<u>\$ 29,519,866</u>	<u>\$ -</u>	<u>\$ 29,519,866</u>	

**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.

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

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

Investment	2023	2022	Rating	Rating Organization
Money market mutual fund - First American Treasury Obligations Fund*	\$ 16,550,484	\$ 16,459,939	AAAm	S&P
Money market mutual fund - Federated Hermes U.S. Treasury Cash Reserves Fund*	-	3,478,939	AAAm	S&P
Money market mutual fund - Dreyfus Government Cash Management Fund*	3,584,645	-	AAAm	S&P
Total	<u>\$ 20,135,129</u>	<u>\$ 19,938,878</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.

June 30, 2023 and 2022

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

RIAC has the following recurring fair value measurements as of June 30, 2023 and 2022:

Assets Measured at Carrying Value on a Recurring Basis at June 30, 2023			
Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
<b>Investments - Debt securities - U.S. Treasury securities</b>	\$ 60,381,748	\$ -	\$ -
			\$ 60,381,748
Assets Measured at Carrying Value on a Recurring Basis at June 30, 2022			
Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
<b>Investments - Debt securities - U.S. Treasury securities</b>	\$ 9,580,988	\$ -	\$ -
			\$ 9,580,988

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, 2023 and 2022 are as follows:

	2023	2022
Unrestricted accounts receivable:		
Accounts receivable - Trade	\$ 2,403,955	\$ 4,118,981
Due from federal government	2,849,619	5,933,036
Other receivables	17,785	1,129
Allowance for doubtful accounts	(480,327)	(429,327)
Net unrestricted accounts receivable	\$ 4,791,032	\$ 9,623,819

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

	2023	2022
Restricted accounts receivable:		
Due from airlines - Passenger facility charges	\$ 667,758	\$ 588,462
Due from car rental agencies - InterLink facility revenue	732,968	918,268
Allowance for doubtful accounts	(31,065)	(31,065)
Total restricted accounts receivable	\$ 1,369,661	\$ 1,475,665



June 30, 2023 and 2022

**Note 4 - Capital Assets**

Capital asset activity of RIAC was as follows:

	Balance July 1, 2022	Reclassifications	Additions and Transfers	Disposals and Transfers	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 52,003,480	\$ -	\$ 109,944	\$ -	\$ 52,113,424
Construction in progress	11,471,371	(7,842,507)	10,928,872	-	14,557,736
Subtotal	63,474,851	(7,842,507)	11,038,816	-	66,671,160
Capital assets being depreciated:					
Assets leased from the State	30,608,849	-	-	-	30,608,849
Leasehold improvements	868,674,621	6,618,814	60,014	-	875,353,449
Machinery and equipment	59,970,200	1,223,693	718,458	(1,125,775)	60,786,576
Vehicles	2,324,381	-	136,622	(119,673)	2,341,330
Subtotal	961,578,051	7,842,507	915,094	(1,245,448)	969,090,204
Accumulated depreciation:					
Assets leased from the State	30,608,849	-	-	-	30,608,849
Leasehold improvements	425,184,490	-	25,631,311	-	450,815,801
Machinery and equipment	50,725,663	-	2,701,233	(1,125,775)	52,301,121
Vehicles	2,022,456	-	148,247	(119,673)	2,051,030
Subtotal	508,541,458	-	28,480,791	(1,245,448)	535,776,801
Net capital assets being depreciated	453,036,593	7,842,507	(27,565,697)	-	433,313,403
Net capital assets	\$ 516,511,444	\$ -	\$ (16,526,881)	\$ -	\$ 499,984,563
	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



June 30, 2023 and 2022

**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, 2023 and 2022, RIAC's commitments with contractors were approximately \$14,548,000 and \$13,697,000, respectively.

**Note 5 - Accounts Payable**

Accounts payable and accrued expenses as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Payable from unrestricted assets:		
Accounts payable and accrued expenses - Trade	\$ 2,234,929	\$ 2,324,705
Accounts payable and accrued expenses - Capital assets, grant expenses, and other	<u>3,664,141</u>	<u>6,504,690</u>
Total	<u>\$ 5,899,070</u>	<u>\$ 8,829,395</u>
	<u>2023</u>	<u>2022</u>
Payable from restricted assets:		
Accounts payable and accrued expenses - InterLink	\$ 252,049	\$ 449,387
Accounts payable and accrued expenses - Deposits	581,304	807,054
Accounts payable and accrued expenses - Capital assets, grant expenses, and other	<u>433,956</u>	<u>808,918</u>
Total	<u>\$ 1,267,309</u>	<u>\$ 2,065,359</u>

**Note 6 - Long-term Obligations**

Long-term obligations activity for the years ended June 30, 2023 and 2022 can be summarized as follows:

	<u>2023</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	\$ 109,304,641	\$ -	\$ (13,227,789)	\$ 96,076,852	\$ 16,598,837
Other debt:					
Revenue bonds	59,830,000	-	(2,850,000)	56,980,000	2,990,000
InterLink special facility bonds and TIFIA loan	74,716,713	-	(1,963,607)	72,753,106	1,510,000
Unamortized bond premiums	<u>8,923,383</u>	<u>-</u>	<u>(511,357)</u>	<u>8,412,026</u>	<u>511,358</u>
Total other debt outstanding	<u>143,470,096</u>	<u>-</u>	<u>(5,324,964)</u>	<u>138,145,132</u>	<u>5,011,358</u>
Total bonds payable	252,774,737	-	(18,552,753)	234,221,984	21,610,195
State of Rhode Island payable	25,000	-	(25,000)	-	-
Lease obligations	862,855	-	(435,085)	427,770	427,770
Due to other governmental unit	<u>827,967</u>	<u>-</u>	<u>(562,784)</u>	<u>265,183</u>	<u>235,000</u>
Total long-term obligations	<u>\$ 254,490,559</u>	<u>\$ -</u>	<u>\$ (19,575,622)</u>	<u>\$ 234,914,937</u>	<u>\$ 22,272,965</u>

June 30, 2023 and 2022

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

	2022				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
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	9,434,739	-	(511,356)	8,923,383	511,357
Total other debt outstanding	<u>149,246,645</u>	<u>-</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	1,158,034	-	(330,067)	827,967	235,000
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>

**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, 2023, 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, 2023 and 2022:

Description	Maturity Date	Interest Rate	2023	2022
2013 Series A bonds	09/01/2034	0.51%-2.73%	\$ 22,271,000	\$ 23,803,916
2013 Series B bonds	07/01/2028	4.1%-5.0%	20,095,000	22,945,000
2015 Series A bonds	07/01/2024	2.0%	6,360,000	11,815,000
2016 Series A bonds	07/01/2025	2.49%	3,598,495	6,942,007
2016 Series B bonds	07/01/2030	3.69%	26,714,944	26,970,000
2016 Series C bonds	07/01/2025	2.24%	12,969,752	15,611,057
2016 Series D bonds	07/01/2046	5.0%	36,885,000	36,885,000
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>\$ 153,056,852</u>	<u>\$ 169,134,641</u>

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

**Debt Service Requirements to Maturity**

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
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	8,021,215	1,598,871	4,645,000	2,010,425	16,275,511
2029-2033	28,704,352	4,333,721	10,010,000	8,018,713	51,066,786
2034-2038	14,406,006	1,128,065	8,025,000	6,153,125	29,712,196
2039-2043	2,212,045	5,491	10,245,000	3,880,625	16,343,161
2044-2048	-	-	10,200,000	1,051,250	11,251,250
Total	<u>\$ 96,076,852</u>	<u>\$ 16,168,166</u>	<u>\$ 56,980,000</u>	<u>\$ 30,892,516</u>	<u>\$ 200,117,534</u>

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 \$153,057,000 in airport revenue and special facility bonds, including approximately \$47,061,000 of related interest as of June 30, 2023. 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 \$56,010,000 and \$45,343,000 for the years ended June 30, 2023 and 2022, respectively. Principal and interest debt service per the terms of the Master Indenture of Trust for the years ended June 30, 2023 and 2022 was approximately \$22,461,000 and \$22,267,000, 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, 2023, RIAC had approximately \$38,528,000 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 \$1,848,471 and \$1,559,852 as of June 30, 2023 and 2022, respectively. As of June 30, 2023, RIAC had approximately \$428,000 in outstanding principal under this agreement, all of which is classified as a current liability.

June 30, 2023 and 2022

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

#### *State of Rhode Island Payable*

The Lease Agreement with the State requires RIAC to make annual payments to the State in an amount equal to the principal and interest payments due to bondholders under certain airport-related general obligation bonds issued on behalf of RIAC. Although the original airport-related general obligation bonds were defeased in June 2002, the terms of the Lease Agreement require RIAC to continue to remit payments to the State based upon the amortization schedule of the original airport-related general obligation bonds through June 2023 (see Note 7). There were no remaining amounts owed as of June 30, 2023.

### 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 \$20,742 and \$135,454 as of June 30, 2023 and 2022, respectively. Amounts due from the State of Rhode Island related to capital project costs.

Net amounts due to the Quonset Development Corporation (QDC) totaled \$265,183 and \$827,967 as of June 30, 2023 and 2022, 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.

Facility revenue for the InterLink include customer facility charges, utility facility charges, airport facility charges, rental car fees, and commuter parking revenue. CFC revenue, including audit recoveries, was \$5,306,178 and \$4,618,776 for the years ended June 30, 2023 and 2022, 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.

June 30, 2023 and 2022

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

Segment income statement information for RIAC's primary airport operations and the InterLink facility for the years ended June 30, 2023 and 2022 is as follows:

	Airport Operations 2023	Airport Operations 2022	InterLink 2023	InterLink 2022
<b>Operating Revenue</b>	\$ 58,894,506	\$ 51,383,720	\$ 8,410,033	\$ 7,597,023
<b>Operating Expenses</b>				
Operational expenses	38,920,102	35,702,847	3,955,323	3,464,088
Depreciation and amortization	23,617,352	22,882,042	4,352,085	4,327,838
Total operating expenses	62,537,454	58,584,889	8,307,408	7,791,926
<b>Operating (Loss) Income</b>	(3,642,948)	(7,201,169)	102,625	(194,903)
<b>Nonoperating Revenue (Expense)</b>				
Investment income	4,019,346	766,119	627,719	44,736
Interest expense	(6,141,763)	(6,587,654)	(3,538,989)	(3,922,360)
Passenger facility charges	6,621,069	5,936,304	-	-
Grant revenue	10,615,476	12,217,416	-	-
Grant expenses	-	(50,842)	-	-
Other	366,131	(244,721)	-	-
Total nonoperating revenue (expense)	15,480,259	12,036,622	(2,911,270)	(3,877,624)
<b>Income (Loss) - Before capital contributions</b>	11,837,311	4,835,453	(2,808,645)	(4,072,527)
<b>Capital Contributions - Net</b>	11,535,063	24,438,257	(160,958)	-
<b>Change in Net Position</b>	<u>\$ 23,372,374</u>	<u>\$ 29,273,710</u>	<u>\$ (2,969,603)</u>	<u>\$ (4,072,527)</u>

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

RIAC has pledged InterLink net revenue (defined below) to repay \$34,225,000 in Series 2018 First Lien Special Facility Bonds and \$38,528,106 in the TIFIA loan and related interest of approximately \$42,359,000 as of June 30, 2023. Proceeds from the bonds were used for the construction of the InterLink. Net revenue, which consists of operating and interest income net of depreciation and amortization, was \$5,082,429 and \$4,177,671 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 was approximately \$3,095,000 and \$1,395,000, 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, 2023 and 2022 was approximately \$1,605,000 and \$540,000, 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, 2023, 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
2024	\$ 1,510,000	\$ 3,566,343	\$ 5,076,343
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	2,718,017	3,072,934	5,790,951
2029-2033	16,420,998	13,173,628	29,594,626
2034-2038	21,255,914	8,678,511	29,934,425
2039-2043	23,696,527	3,866,959	27,563,486
Total	\$ 72,753,106	\$ 42,358,576	\$ 115,111,682

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

***Membership and Benefits Provided***

The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the general assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates, and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80 percent or 75 percent. For those hired after June 30, 2012, the benefit accrual rate is 1 percent per year, with a maximum benefit accrual of 40 percent. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security normal retirement age, which applies to any member with less than 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 4-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, 2023, 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, 2023. RIAC contributed \$126,741, \$117,261, and \$141,181 for the fiscal years ended June 30, 2023, 2022, and 2021, respectively, equal to 100 percent of the required contributions for each year.

**Net Pension Liability**

At June 30, 2023, RIAC reported a liability of \$1,189,014 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, 2022, 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, 2021 rolled forward to June 30, 2022. 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, 2022 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2022 and 2021 measurement dates, RIAC's proportion was 0.06027 percent and 0.06915 percent, respectively.

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

For the years ended June 30, 2023 and 2022, RIAC recognized pension (recovery) expense of \$(65,656) and \$8,674, respectively.

At June 30, 2023 and 2022, RIAC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,475	\$ 501	\$ 8,515	\$ 923
Changes in assumptions	-	14,027	5,668	23,516
Net difference between projected and actual earnings on pension plan investments	-	9,110	-	223,747
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	-	314,227	-	250,639
Employer contributions to the plan subsequent to the measurement date	126,741	-	117,261	-
<b>Total</b>	<b>\$ 136,216</b>	<b>\$ 337,865</b>	<b>\$ 131,444</b>	<b>\$ 498,825</b>



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

Contributions of \$126,741 are reported as deferred outflows of resources related to pensions resulting from RIAC's contributions in the fiscal year ended June 30, 2023 subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the fiscal year ended June 30, 2023. 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
2024	\$ (127,403)
2025	(103,197)
2026	(88,610)
2027	(7,969)
2028	(1,211)
Total	<u>\$ (328,390)</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 MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation rolled forward to June 30, 2022 and the calculation of the total pension liability at June 30, 2022 were consistent with the results of an actuarial experience investigation study performed as of June 30, 2019 for the six-year period ended June 30, 2019, as approved by the System's board on May 22, 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, 2023 and 2022

**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, 2022 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	24.30 %	5.52 %
International developed equity	11.10	6.04
Emerging markets equity	4.60	7.83
Private growth:		
Private equity	12.50	9.42
Noncore real estate	2.50	4.80
Income:		
Equity options	2.00	5.25
EMD (50/50 blend)	2.00	1.82
Liquid credit	3.00	2.95
Private credit	3.00	2.95
Collateralized loan obligations (CLO)	2.00	2.95
Crisis protection class:		
Treasury duration	5.00	(0.44)
Systematic trend	5.00	3.33
Inflation protection:		
Core real estate	4.00	4.80
Private infrastructure	4.00	5.65
Volatility protection:		
IG corp credit	3.25	1.18
Securitized credit	3.25	1.18
Absolute return	6.50	3.33
Cash	2.00	(0.44)

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	\$ 1,474,204	\$ 1,189,014	\$ 929,884

**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 supplementary 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.

There were no required contributions for the fiscal years ended June 30, 2023 and 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 supplementary 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 141 in 2023 and 144 in 2022. RIAC's total payroll for the year ended June 30, 2023 was approximately \$16,130,000, of which \$13,800,000 was covered under the plan. 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.

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, 2023 were approximately \$1,086,000 by the employer and \$1,120,000 by the employees. Total contributions for the year ended June 30, 2022 were approximately \$972,000 by the employer and \$988,000 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 supplementary 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.

**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 4.48 percent of annual covered payroll for the fiscal year ended June 30, 2023. RIAC contributed \$20,271, \$22,104, and \$34,091 for the fiscal years ended June 30, 2023, 2022, and 2021, 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, 2023, RIAC reported a liability of \$161,972 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, 2022, 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, 2021 rolled forward to the June 30, 2022 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, 2022 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2022 and 2021, RIAC's proportion was 0.05907 percent and 0.08511 percent, respectively.

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

For the years ended June 30, 2023 and 2022, RIAC recognized an OPEB recovery of \$15,272 and \$5,208, respectively.

At June 30, 2023 and 2022, RIAC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,500	\$ 40,462	\$ -	\$ 74,320
Changes in assumptions	3,952	23,252	9,860	38,790
Changes in proportionate share or differences between amount contributed and proportionate share of contributions	-	82,320	9,098	-
Contributions subsequent to measurement date	20,271	-	22,104	-
Net difference between projected and actual investment earnings	4,340	-	-	46,414
Total	\$ 30,063	\$ 146,034	\$ 41,062	\$ 159,524

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

Contributions of \$20,271 are reported as deferred outflows of resources related to OPEB expense resulting from RIAC's contributions in the fiscal year ended June 30, 2023 subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability for the fiscal year ending June 30, 2024. 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
2024	\$ (29,313)
2025	(28,486)
2026	(28,046)
2027	(17,324)
2028	(16,971)
Thereafter	<u>(16,102)</u>
Total	<u>\$ (136,242)</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	2.50%
Salary increases	3.25% to 6.25%
Investment rate of return	5.00%
Health care cost trend rate	6.25% to 7.50% in fiscal year 2022 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 MP-2016. 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 MP-2016.

**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, 2022 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 %	4.10 %
Fixed income	35.00	0.28

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	\$ 208,502	\$ 161,972	\$ 123,158

**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 baseline (defined in the actuarial assumptions table above), 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	\$ 113,157	\$ 161,972	\$ 223,025

**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, 2023 and 2022, 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, 2023 and 2022, 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 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, 2023 and 2022, all leases with associated receivables are based on fixed payments and do not have variable payment components.

During the years ended June 30, 2023 and 2022, RIAC recognized the following related to its lessor agreements:

	2023	2022
Lease revenue	\$ 3,164,116	\$ 3,152,565
Interest income related to its leases	512,698	555,416
Revenue from variable payments not previously included in the measurement of the lease receivable	14,591,441	12,882,266



**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, 2023 are as follows:

Years Ending	Principal	Interest	Total
2024	\$ 2,393,360	\$ 462,020	\$ 2,855,380
2025	1,800,770	419,865	2,220,635
2026	1,522,614	382,127	1,904,741
2027	1,004,203	350,549	1,354,752
2028	920,765	324,301	1,245,066
2029-2033	4,909,197	1,205,025	6,114,222
2034-2038	4,663,227	453,782	5,117,009
2039-2043	978,813	31,085	1,009,898
<b>Total</b>	<b>\$ 18,192,949</b>	<b>\$ 3,628,754</b>	<b>\$ 21,821,703</b>

**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 were extended for one year through June 30, 2023 and are considered short term based on the qualifications of GASB 87. Subsequent to June 30, 2023, all signatory airline agreements were extended for five years from July 1, 2024 through June 30, 2028.



**Note 13 - Leases (Continued)**

During the years ended June 30, 2023 and 2022, RIAC recognized the following from regulated leases:

	<u>2023</u>	<u>2022</u>
Lease revenue	\$ 3,280,736	\$ 3,156,920
Revenue from variable payments excluded from the schedule of expected future minimum payments	3,037,420	2,697,525

Future expected minimum payments related to RIAC's regulated leases at June 30, 2023 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2024	\$ 1,694,136
2025	1,742,829
2026	1,067,431
2027	882,226
2028	886,494
2029-2033	4,405,798
2034-2038	2,250,065
2039-2043	758,976
2044-2048	44,330
Total	<u>\$ 13,732,285</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 Supplementary Information

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## Rhode Island Airport Corporation

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

#### Last Nine Plan Years Plan Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015
RIAC's proportion of the net pension liability	0.06027 %	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	\$ 1,189,014	\$ 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)	\$ 418,641	\$ 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	284.02 %	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	59.60 %	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 Supplementary Information Schedule of Pension Contributions Employees' Retirement System Plan

#### Last Nine Fiscal Years Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 126,741	\$ 117,261	\$ 141,181	\$ 148,885	\$ 149,946	\$ 148,567	\$ 157,396	\$ 139,444	\$ 175,135
Contributions in relation to the statutorily required contribution	126,741	117,261	141,181	148,885	149,946	148,567	157,396	139,444	175,135
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>RIAC's Covered Payroll</b>	<b>\$ 452,484</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>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 Supplementary Information Schedule of RIAC's Proportionate Share of the Net OPEB Liability State Employees' and Electing Teachers OPEB System

	Last Six Plan Years Plan Years Ended June 30					
	2023	2022	2021	2020	2019	2018
RIAC's proportion of the net OPEB liability	0.05907 %	0.08511 %	0.07327 %	0.07965 %	0.08518 %	0.08413 %
RIAC's proportionate share of the net OPEB liability	\$ 161,972	\$ 197,429	\$ 264,441	\$ 347,662	\$ 433,851	\$ 437,010
RIAC's covered payroll (at measurement date)	\$ 418,641	\$ 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	38.69 %	38.51 %	46.87 %	59.70 %	72.63 %	70.36 %
Plan fiduciary net position as a percentage of total OPEB liability	55.09 %	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 Supplementary Information Schedule of OPEB Contributions State Employees' and Electing Teachers OPEB System

	<b>Last Six Fiscal Years Years Ended June 30</b>					
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily determined contribution	\$ 20,271	\$ 22,104	\$ 34,091	\$ 37,517	\$ 34,822	\$ 35,723
Contributions in relation to the actuarially determined contribution	<u>20,271</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Covered Payroll</b>	\$ 452,484	\$ 418,641	\$ 512,640	\$ 564,171	\$ 582,316	\$ 597,373
<b>Contributions as a Percentage of Covered Payroll</b>	4.48 %	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.

### ***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, 2022 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, 2022 measurement date compared to the June 30, 2021 measurement date.

#### *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, 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 2023 for the plans was based on a valuation performed as of June 30, 2020.

### ***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



June 30, 2023 and 2022

### **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, 2022 Measurement Date*

- Updated inflation rate from 2.75 percent to 2.50 percent

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

- Updated the project salary increase range from 3.00 to 6.00 percent to 3.25 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 MP-2016
- Updated health care trend rates from starting at 8.25 percent decreasing annually to 3.50 percent to starting at 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 2023 for the plans was based on a valuation performed as of June 30, 2020.

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## Other Supplementary Information

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State of Rhode Island Attachment B  
Statement of Net Position

June 30, 2023

**Assets**

Current Assets:

Cash and cash equivalents	\$ 52,946,227
Investments	50,767,738
Receivables (net)	4,791,032
Lease receivable	2,393,360
Restricted assets:	
Cash and cash equivalents	25,557,640
Investments	
Receivables (net)	
Other assets	
Due from primary government	20,742
Due from other component units	
Due from other governments	
Inventories	
Other assets	460,390
Total current assets	<u>136,937,129</u>

Noncurrent Assets:

Investments	
Receivables (net)	
Lease receivable - Net of current portion	15,799,589
Due from other govts and agencies	
Restricted assets:	
Cash and cash equivalents	42,141,964
Investments	9,614,010
Receivables (net)	1,369,661
Other assets	
Due from other component units	
Net Pension Asset	
Net OPEB Asset	
Capital assets - nondepreciable	66,671,160
Capital assets - depreciable (net)	433,313,403
Other assets, net of amortization	59,106
Total noncurrent assets	<u>568,968,893</u>
Total assets	<u>705,906,022</u>

**Deferred outflows of resources**

Deferred pension amounts	136,216
Deferred OPEB amounts	30,063
Other deferred outflows of resources	142,959
Total deferred outflows of resources	<u>\$ 309,238</u>

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

**June 30, 2023**

**Liabilities**

Current liabilities:

Cash overdraft	
Accounts payable (unrestricted and restricted)	\$ 2,404,081
Due to primary government	
Due to other component units	235,000
Due to other governments	
Accrued expenses (unrestricted and restricted)	4,762,298
Compensated absences	
Unearned revenue	2,079,122
Other current liabilities	5,277,048
Current portion of long-term debt	21,610,195
Total current liabilities	36,367,744

Noncurrent liabilities:

Due to primary government	
Due to other component units	30,183
Due to other governments	
Net pension liability	1,189,014
Net OPEB liability	161,972
Unearned revenue	
Notes payable	
Loans payable	
Lease obligations	
Compensated absences	
Bonds payable	212,611,789
Other liabilities	
Total noncurrent liabilities	213,992,958
Total liabilities	250,360,702

**Deferred inflows of resources**

Deferred pension amounts	337,865
Deferred OPEB amounts	146,034
Other deferred inflows of resources	17,156,192
Total deferred inflows of resources	17,640,091

**Net position**

Net investment in capital assets	284,330,275
Restricted for:	
Debt	27,905,500
Other	6,931,163
Nonexpendable	
Capital Projects	21,084,643
Unrestricted	97,962,886
Total net position	\$ 438,214,467

State of Rhode Island Attachment C  
Statement of Activities

Year Ended June 30, 2023

<b>Expenses</b>	\$ <u>80,525,614</u>
<b>Program revenues:</b>	
Charges for services	73,925,608
Other grants and contributions	10,615,476
Capital grants and contributions	11,374,105
Total program revenues	<u>95,915,189</u>
Net (expenses) revenues	<u>15,389,575</u>
<b>General revenue:</b>	
Interest and investment earnings	4,647,065
Miscellaneous expense	366,136
Operating grants	
Gain on sale of capital assets	
Total general revenues	<u>5,013,201</u>
Special items	
Extraordinary items	
Change in net position	<u>20,402,776</u>
Total net position - beginning	<u>417,811,691</u>
Total net position - ending	\$ <u><u>438,214,467</u></u>

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

Fiscal Year Ending June 30	Principal	Interest
2024	\$ 21,098,837	\$ 8,978,786
2025	18,236,047	8,352,403
2026	11,257,742	7,823,889
2027	14,657,258	7,291,863
2028	15,384,232	6,682,230
2029-2033	55,135,350	25,526,062
2034-2038	43,686,920	15,959,701
2039-2043	36,153,572	7,753,074
2044-2048	10,200,000	1,051,250
2049-2053		
2054-2058		
2059-2063		
2064-2068		
	<u>\$ 225,809,958</u>	<u>\$ 89,419,258</u>

## Rhode Island Airport Corporation

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

Year Ended June 30, 2023

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	\$ 134,546,713		\$ 4,813,607	\$ 129,733,106	\$ 4,500,000	\$ 125,233,106
Bonds payable - Direct Payment	109,304,641		13,227,789	96,076,852	16,598,837	79,478,015
Net unamortized premium/discount	8,923,383		511,357	8,412,026	511,358	7,900,668
Bonds payable	252,774,737		18,552,753	234,221,984	21,610,195	212,611,789
Notes payable						
Notes payable - Direct Borrowings						
Loans payable						
Lease obligations	862,855		435,085	427,770	427,770	
Net pension liability	1,229,875		40,861	1,189,014		1,189,014
Net OPEB liability	197,429		35,457	161,972		161,972
Due to primary government	25,000		25,000	0		
Due to component units	827,967		562,784	265,183	235,000	30,183
Due to other governments and agencies						
Unearned revenue	1,226,346	852,776		2,079,122	2,079,122	
Compensated absences						
Arbitrage rebate						
Pollution remediation						
Funds Held for Others						
Other liabilities - include explanation						
Total other liabilities	\$ 257,144,209	\$ 852,776	\$ 19,651,940	\$ 238,345,045	\$ 24,352,087	\$ 213,992,958



**Rhode Island Airport Corporation**

**Schedule of Travel and Business Development Expenses**

**Year Ended June 30, 2023**

<b>Employee</b>	<b>Purpose</b>	<b>Date</b>	<b>Place</b>	<b>Amount</b>
R. VanBurg	AAAE Hub Airports Operations & Deicing Conference & Exhibition	07/24/22 - 07/27/22	Chicago, IL	\$ 2,182
J. Damicis	2022 Northeast Chapter\AAAE Annual Conference	08/07/22 - 08/09/22	Philadelphia, PA	1,410
Various	Greater Providence Chamber of Commerce Gubernatorial Election Forum	9/8/2022	Warwick, RI	650
Various	Federal Aviation Authority Part 139 Triennial Drill	9/10/2022	Warwick, RI	6,150
Various	Greater Providence Chamber of Commerce Annual Meeting	9/21/2022	Warwick, RI	1,500
D. Shinsky	Airport Law Enforcement Agency Network Conference	09/27/22 - 09/29/22	San Antonio, TX	1,956
M. Berger	Routes World 2022	10/15/22 - 10/19/22	Las Vegas, NV	5,908
I. Ahmad	Routes World 2022	10/15/22 - 10/19/22	Las Vegas, NV	4,184
N. Huelsman	Fire Academy	10/17/22 - 10/21/22	Columbia, SC	2,523
T. Langlais	Fire Academy	10/17/22 - 10/21/22	Columbia, SC	2,523
K. Wright	Airport Council International - Marcom Marketing Conference	10/25/22 - 10/28/22	Vancouver, BC	2,717
J. Goodman	Airport Council International - Marcom Marketing Conference	10/25/22 - 10/28/22	Vancouver, BC	3,020
Various	35th Rhode Island Transportation Forum	10/29/2022	Kinston, RI	500
Various	Rhode Island Aviation Hall of Fame Dinner	11/19/2022	Cranston, RI	480
Various	Greater Providence Chamber of Commerce Luncheon	11/21/2022	Providence, RI	550
W. Rivera	Fire Academy	12/11/22 - 12/18/22	Columbia, SC	2,486
I. Ahmad	Connect 2022	02/22/23 - 02/24/23	Tangue, Morroco	6,005
M. Berger	Connect 2022	02/22/23 - 02/24/23	Tangue, Morroco	5,723
A. Perez	Training for K9 Officer	02/26/23 - 05/07/23	San Antonio, TX	2,923
B. Nast	Airline Conference	02/28/23 - 03/01/23	Salt Lake City, UT	1,082
M. Berger	Airline Conference	02/28/23 - 03/01/23	Salt Lake City, UT	1,123
D. Mineker	AAAE Airport Consultants Council, Airport Planning, Design and Construction Symposium	03/01/23 - 03/03/23	Anaheim, CA	2,431
J. Damicis	AAAE Airport Consultants Council, Airport Planning, Design and Construction Symposium	03/01/23 - 03/03/23	Anaheim, CA	2,141
M. Berger	Routes America 2023	03/21/23 - 03/23/23	Chicago, IL	2,353
I. Ahmad	Routes America 2023	03/21/23 - 03/23/23	Chicago, IL	2,778
B. Nast	Routes America 2023	03/21/23 - 03/23/23	Chicago, IL	2,540
I. Ahmad	ACI-NA-AAAE Airport Customer Experience Symposium	04/03/23 - 04/05/23	Louisville, KY	2,528
B. Nast	Airline Conference	04/17/23 - 04/20/23	Las Vegas, NV	1,642
I. Ahmad	Routes Europe 2023	05/07/23 - 05/12/23	Lodz, Poland	5,486
B. Nast	Routes Europe 2023	05/07/23 - 05/12/23	Lodz, Poland	4,383
J. Ottaviano	Airport Law Enforcement Agency Network Spring 2023 Conference	05/08/23 - 05/10/23	Charlotte, NC	2,175
L. Costa	Genetec Omnicast Technical Certification	05/16/23 - 05/17/23	Houston, TX	1,544
G. Slaughter	Genetec Omnicast Technical Certification	05/16/23 - 05/17/23	Houston, TX	1,684
Various	Federal Aviation Authority Retirement Luncheon	5/31/2023	Peabody, MA	210
B. Nast	Jumpstart Air Service Development Conference 2023	06/09/23 - 06/14/23	Milwaukee, WI	3,005
Various	Employee Meeting and Functions	07/01/22 - 06/30/23	Warwick, RI	14,449
Various	Airline Events	07/01/22 - 06/30/23	Warwick, RI	25,899
Various	Board Meetings	07/01/22 - 06/30/23	Warwick, RI	5,275
Various	Customer Service Events	07/01/22 - 06/30/23	Warwick, RI	6,641
Various	Business Meetings	07/01/22 - 06/30/23	Warwick, RI	4,529
Various	Miscellaneous Amounts Under \$200	07/01/22 - 06/30/23	Warwick, RI	815
<b>Total</b>				<b>148,103</b>

# Rhode Island Airport Corporation

## Schedule of Expenditures of Federal Awards\*

For the Year Ended June 30, 2023

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	\$ 111,095
Law Enforcement Officer Reimbursement Agreement Program	97.090	\$ 92,660
<b>Total Department of Homeland Security</b>		<u>203,755</u>
<b>U.S. Department of Defense - National Guard Bureau</b>		
Direct Programs:		
National Guard Military Operations and Maintenance (O&M) Projects	12.400	\$ 1,297,891
<b>Total Department of Defense</b>		<u>1,297,891</u>
<b>U.S. Department of Transportation:</b>		
Direct Programs:		
Airport Improvement Programs	20.106	7,922,285
CARES ACT/CRRSA/ARPA	20.106	10,615,477
<b>Total Department of Transportation</b>		<u>18,537,762</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 20,039,408</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, 2023. 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. No federal funding was passed through to subrecipients.

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, 2023 and the related notes to the financial statements, which collectively comprise RIAC's basic financial statements, and have issued our report thereon dated September 27, 2023.

#### 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 & Moreau, PLLC*

September 27, 2023