
STATE OF RHODE ISLAND
REFUNDING BOND AUTHORITY

(A Component Unit of the
State of Rhode Island)

YEAR ENDED JUNE 30, 2005

Ernest A. Almonte, CPA, CFE
Auditor General

State of Rhode Island and Providence Plantations
General Assembly
Office of the Auditor General



ERNEST A. ALMONTE, CPA, CFE
AUDITOR GENERAL
EALMONTE@OAG.STATE.RI.US

STATE OF RHODE ISLAND and PROVIDENCE PLANTATIONS

GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

- ◆ INTEGRITY
- ◆ RELIABILITY
- ◆ INDEPENDENCE
- ◆ ACCOUNTABILITY

October 7, 2005

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER William J. Murphy, Chairman

Senator Joseph A. Montalbano
Senator Dennis L. Algieri
Representative Gordon D. Fox
Representative Robert A. Watson

We have completed our audit of the financial statements of the Rhode Island Refunding Bond Authority for the fiscal year ended June 30, 2005 in accordance with Section 35-8.1-10 of the General Laws.

Our reports are contained herein as outlined in the Table of Contents.

Sincerely,

Ernest A. Almonte, CPA, CFE
Auditor General

Rhode Island Refunding Bond Authority
(A Component Unit of the State of Rhode Island)

Year Ended June 30, 2005

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ERNEST A. ALMONTE, CPA, CFE
AUDITOR GENERAL
EALMONTE@OAG.STATE.RI.US

STATE OF RHODE ISLAND and PROVIDENCE PLANTATIONS

GENERAL ASSEMBLY

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INDEPENDENT AUDITOR'S REPORT

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

BOARD OF DIRECTORS OF THE RHODE ISLAND REFUNDING BOND AUTHORITY:

We have audited the accompanying statement of net assets of the Rhode Island Refunding Bond Authority (the Authority), a component unit of the State of Rhode Island and Providence Plantations, as of June 30, 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Authority as of June 30, 2005, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, collection of rentals due is dependent upon annual appropriations by the General Assembly of the State of Rhode Island.

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
BOARD OF DIRECTORS OF THE RHODE ISLAND REFUNDING BOND AUTHORITY

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2005 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining fund statements as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Ernest A. Almonte, CPA, CFE
Auditor General

October 4, 2005

RHODE ISLAND REFUNDING BOND AUTHORITY

(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis

Management of the Rhode Island Refunding Bond Authority (Authority) provides this Management's Discussion and Analysis of their financial performance for the readers of the Authority's financial statements. This narrative provides an overview of the Authority's financial activity for the year ended June 30, 2005. This analysis is to be considered in conjunction with the financial statements to provide an objective analysis of the Authority's financial activities based on facts, decisions and conditions currently facing management.

Understanding the Authority's Financial Statements

The Authority serves as a financing mechanism for the State of Rhode Island. It was originally created to pay, redeem, or retire all or part of some of the State's general obligation bonds, and it later acquired the functions of the Rhode Island Public Buildings Authority whose purpose was to finance the acquisition, construction and improvement of public facilities through the issuance of revenue bonds. All Authority debt is repaid via annual payments made by the State in amounts equal to debt service requirements. The operating expenses of the authority are also reimbursed by the State.

The Authority is a component unit of the State of Rhode Island and Providence Plantations ("State") and its financial activity is blended into the State's financial statements. In accordance with generally accepted accounting principles, this report consists of a series of financial statements, along with notes to the financial statements. The financial statements immediately follow this discussion and analysis and are designed to highlight the Authority's net assets and changes to those net assets resulting from the Authority's activity.

Multiple funds were established to account for the Authority's activities as required by the underlying bond resolutions. The combining financial statements detail all individual fund activity and are presented beginning on page 15.

Financial Highlights for the Year Ended June 30, 2005

- ❑ Bonds payable at June 30, 2005 decreased \$12,136,743 (13.6 %) when compared to June 30, 2004.
- ❑ Rentals due and the amount due from the State at June 30, 2005 decreased \$11,349,295 (12.2 %) when compared to June 30, 2004.

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis

<u>Assets, Liabilities and Net Assets</u>		
	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Assets:		
Current:		
Cash, cash equivalents and investments	\$ 332,694	\$ 822,061
Amounts due from the State	15,696,652	11,630,520
Noncurrent:		
Amounts due from the State	65,981,208	81,396,635
Debt issuance costs	<u>1,429,016</u>	<u>1,836,898</u>
	<u>\$ 83,439,570</u>	<u>\$ 95,686,114</u>
Liabilities:		
Current:		
Accounts payable	\$ 1,114	\$ 883
Interest payable	1,401,419	1,515,518
Bonds payable	14,295,000	10,115,000
Noncurrent:		
Project acquisition promissory notes	4,435,076	4,435,076
Bonds payable	<u>63,008,628</u>	<u>79,325,371</u>
	<u>\$ 83,141,237</u>	<u>\$ 95,391,848</u>
Net Assets:		
Unrestricted	<u>298,333</u>	<u>294,266</u>
Total net assets	<u>\$ 298,333</u>	<u>\$ 294,266</u>

Amounts due from the State approximate the Authority's bonds and notes payable plus current interest payable. Decreases in bonds payable due to scheduled payments of principal cause a similar decrease in amounts due from the State.

<u>Authority Operations</u>		
	<u>Year Ended June 30, 2005</u>	<u>Year Ended June 30, 2004</u>
Rental income	\$ 2,739,124	\$ 2,888,179
Other operating revenue	31,614	31,141
Interest expense	(2,332,543)	(2,482,438)
Operating expenses	<u>(439,500)</u>	<u>(439,027)</u>
Operating income	(1,305)	(2,145)
Other income	<u>5,372</u>	<u>3,045</u>
Change in net assets	4,067	900
Net assets, beginning of year	<u>294,266</u>	<u>293,366</u>
Net assets, end of year	<u>\$ 298,333</u>	<u>\$ 294,266</u>

RHODE ISLAND REFUNDING BOND AUTHORITY

(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis

The State pays amounts equal to the annual debt service requirements of the Authority and reimburses it for operating and administrative costs. Decreases in rental income and interest expense, compared to 2004, resulted from reductions in bonds payable and related rentals due. Net assets consist of amounts held in the Authority's general fund that accounts for the administrative activities of the Authority. Increases in net assets resulted from investment earnings retained within the Authority's general fund.

Future Operations

Debt service payments on the Authority's remaining two bond issues will continue through fiscal 2010 and will require annual payments from the State equal to the required debt service amounts.

Contacting the Authority's Financial Management

This discussion and analysis presentation is designed to provide a general overview of the Authority's financial activity. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Deputy General Treasurer for Finance, Office of General Treasurer, 40 Fountain Street, Providence, RI 02903, telephone 401.222.2287.

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

STATEMENT OF NET ASSETS
June 30, 2005

ASSETS

Current assets:

Cash and cash equivalents (Note 4)	\$	332,694
Due from State (Note 2)		1,373
Rentals due (Note 3)		15,695,279
Total current assets		<u>16,029,346</u>

Noncurrent assets:

Rentals due (Note 3)		65,981,208
Debt issuance costs		1,429,016
Total noncurrent assets		<u>67,410,224</u>

Total assets	\$	<u><u>83,439,570</u></u>
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LIABILITIES

Current liabilities:

Accounts payable	\$	1,114
Interest payable		1,401,419
Bonds payable, net (Note 6)		14,295,000
Total current liabilities		<u>15,697,533</u>

Noncurrent liabilities:

Project acquisition promissory notes (Note 5)		4,435,076
Bonds payable, net (Note 6)		63,008,628
Total noncurrent liabilities		<u>67,443,704</u>

Total liabilities	\$	<u>83,141,237</u>
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NET ASSETS

Unrestricted (Note 7)		<u>298,333</u>
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Total net assets	\$	<u><u>298,333</u></u>
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The accompanying notes are an integral part of these financial statements.

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2005

Operating revenues	
Rental income	\$ 2,739,124
Recovery of administrative costs	31,614
Total operating revenues	<u>2,770,738</u>
Operating expenses	
Interest expense	2,332,543
Amortization of debt issuance costs	407,886
Personal services	18,882
Trustee fees	7,500
Professional services	5,232
Total operating expenses	<u>2,772,043</u>
Operating income (loss)	<u>(1,305)</u>
Nonoperating revenue	
Investment income	5,372
Total nonoperating revenue	<u>5,372</u>
Change in net assets	4,067
Net assets, July 1, 2004	<u>294,266</u>
Net assets, June 30, 2005	<u>\$ 298,333</u>

The accompanying notes are an integral part of these financial statements.

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2005

Cash flows from operating activities:	
Cash received for:	
Administrative costs	\$ 31,614
Rents	13,601,042
Cash paid for:	
Personal services	(18,882)
Trustee fees	(7,500)
Other goods and services	(5,232)
Net cash provided by operating activities	<u>13,601,042</u>
Cash flows from capital and related financing activities:	
Principal paid on debt	(10,115,000)
Interest paid on debt	(3,980,780)
Net cash used for capital and related financing activities	<u>(14,095,780)</u>
Cash flows from investing activities:	
Interest received	5,371
Net cash provided by investing activities	<u>5,371</u>
Net decrease in cash and cash equivalents	(489,367)
Cash and cash equivalents, July 1, 2004	<u>822,061</u>
Cash and cash equivalents, June 30, 2005	<u>\$ 332,694</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (1,305)
Adjustments:	
Amortization of debt issuance costs	407,886
Amortization of premium, discount, and deferred amount on refunding	(2,021,747)
Principal paid on debt included in cash flows from capital and related financing activities	10,115,000
Interest on debt included in cash flows from capital and related financing activities	3,980,780
Changes in assets and liabilities:	
Rentals due	1,234,527
Interest payable	(114,099)
Total adjustments	<u>13,602,347</u>
Net cash provided by operating activities	<u>\$ 13,601,042</u>

The accompanying notes are an integral part of these financial statements.

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Rhode Island Refunding Bond Authority (Authority) was created and established as a public corporation by Chapter 35-8.1 of the General Laws of the State of Rhode Island. The Authority is authorized to issue bonds, upon the request of the governor and a finding of a financial benefit to the State, for the purpose of loaning money to the State to provide funds to pay, redeem or retire all or a part of the State's General Obligation Bonds dated May 1, 1984 and June 28, 1985.

Chapter 35-8.1 of the General Laws was amended to merge the Rhode Island Public Buildings Authority (RIPBA) into the Authority. On July 1, 1997, the RIPBA ceased to exist as an entity and its functions, powers, rights, duties and liabilities, property and resources, including the bonded indebtedness of the RIPBA were transferred to the Authority. The RIPBA's purpose was to finance the acquisition, construction, and improvement of public facilities and equipment through the issuance of revenue bonds financed solely from revenues derived under lease agreements with various governmental entities.

The Authority is a component unit of the State of Rhode Island and Providence Plantations for financial reporting purposes. The financial statements of the Authority are blended into the State of Rhode Island's financial statements.

Basis of Presentation

The accounts of the Authority are maintained in accordance with the principles of "Fund Accounting". Funds have been established as required by various bond resolutions or for certain operating purposes to observe limitations and restrictions placed on the use of resources available to the Authority. For financial reporting purposes, the various accounts of the Authority have been combined and inter-fund transactions have been eliminated.

Two funds are used to account for the operations of the Authority as described below:

General Fund - accounts for the administrative operating activities of the former Rhode Island Public Buildings Authority.

Bond Fund - accounts for revenue bonds and notes payable issued by the former Rhode Island Public Buildings Authority, rentals due from the State, the receipt of rental income, and the payment and amortization of debt issuance costs. The Bond Fund is a consolidation of funds required by various bond resolutions (Debt Service Fund and Cost of Issuance Fund).

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for governmental, proprietary fund type activities. In accordance with GASB Statement No. 20, in the absence of specific guidance from a GASB pronouncement, pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 have been followed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Authority is exempt from Federal and State income taxes.

Operating revenues and expenses

The Authority considers rental payments, recovery of administrative costs, interest expense and amortization of debt issuance costs to be operating revenues and expenses since they relate to the Authority's principle functional activity.

Investment Income

Interest earned on investments is recognized as income in the fund in which the investments are held. In accordance with each bond series or resolution, this interest may periodically be transferred to the Bond Fund and be used to reduce future rental payments from the State of Rhode Island.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Issuance Costs

Debt issuance costs represent the costs of issuance of the revenue bonds and are reflected as an asset on the financial statements. These costs are amortized on a straight-line basis over the life of the bonds. Debt issuance costs associated with defeased bonds are deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Bond Discounts and Premiums

Bond discounts and premiums on revenue bonds are recorded as an offset/addition, respectively, to the outstanding revenue bonds payable. Bond discounts and premiums are amortized using the effective interest method over the life of the bonds. Bond discounts and premiums associated with defeased bonds are deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Investments

Investments are recorded in the financial statements at fair value, except that, in accordance with GASB Statement No. 31, the Authority reports money market investments, having a remaining maturity of one year or less at time of purchase at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

Newly effective accounting pronouncement

The Authority has implemented GASB Statement No. 40 *Deposit and Investment Risk Disclosures*.

Changes in classification and presentation

Certain changes in presentation and classification have been made in the Authority's financial statements.

2. DUE FROM STATE

Due from the State includes any unreimbursed administrative expenses of the Authority.

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

3. RENTALS DUE

Rentals due represent amounts payable by the State pursuant to agreements for projects leased by the former Rhode Island Public Buildings Authority. Annual rental payments made by the State to the Authority are equal to the interest and annual principal payment on bonds and notes issued by the Authority (RIPBA), amortization of bond issuance costs and certain administrative expenses of the Authority.

The Authority uses a method similar to the financing method to account for rentals from long-term lease agreements. Under this method, the aggregate amount of rentals due for the repayment of the bond and note principal plus current accrued interest are recorded as rentals due for payment of principal and interest on bonds and notes.

The obligation of the State to make payments to the Authority under various lease agreements is subject to and dependent upon appropriations being made from time to time by the General Assembly of the State for such purpose.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

Permitted investments of the Authority are defined by the various bond resolutions governing the Authority's outstanding bonded indebtedness. In general, the Authority may invest in direct obligations of the United States of America, obligations of federal agencies which are backed by the full faith and credit of the United States of America, obligations of certain federal agencies which are not fully guaranteed by the United States of America, dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks bearing the highest rating by national rating agencies, commercial paper bearing the highest rating by national rating agencies, and highly rated money market funds and municipal or state obligations. Other investments may be permissible with permission of the insurer of the Authority's bonds.

The Authority's cash and cash equivalent investments at June 30, 2005 consisted of one money market mutual fund which invests exclusively in short-term U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations. The money market mutual fund was rated Aaa by Moody's and AAAM by Standard & Poor's. The average maturity of the money market mutual fund's portfolio was 8 days at June 30, 2005. The carrying amount and fair value of the Authority's cash equivalent investments at June 30, 2005 was \$332,694.

5. PROJECT ACQUISITION PROMISSORY NOTES

Project acquisition promissory (PAP) notes represent the Authority's obligation to the State for certain land and improvements acquired for projects financed by the Authority. Such notes require semi-annual interest payments but are payable as to principal only when the State shall have exercised its right to purchase a specific project under the lease agreement(s). The payment of principal and interest on each PAP note is payable solely from the rent paid by the State for leased projects. The Authority has covenanted to credit to the State any and all rent designated as Project Acquisition Promissory Note Payments accruing to the Authority under the agreements.

6. BONDS PAYABLE

RHODE ISLAND REFUNDING BOND AUTHORITY

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2005

Revenue Bonds - 1998 Series A (Rhode Island Refunding Bond Authority)

In June 1998, the Authority issued \$39,875,000 in State Public Projects Revenue Bonds, known as the 1998 Series A Bonds. These bonds, which have interest rates ranging from 4.25% to 5.25% and mature at various dates through 2010, are secured by lease rentals payable by the State of Rhode Island pursuant to lease agreements.

Proceeds of the 1998 Series A issue and related debt service reserve funds were used to effect the complete refunding of four of the former Public Building Authority's State Public Projects Revenue Bonds.

Principal amount outstanding at June 30, 2005 - \$30,830,000.

Revenue Bonds – 2003 Series A (Rhode Island Refunding Bond Authority)

In May 2003, the Authority issued \$67,625,000 in State Public Projects Revenue Bonds dated April 1, 2003 which are known as the 2003 Series A Bonds. These bonds, which have interest rates ranging from 3.0% to 5.0% and mature at various dates through 2008, are secured by lease rentals payable by the State of Rhode Island pursuant to lease agreements.

Proceeds of the 2003 Series A issue were used to defease the 1993 Series A revenue bonds.

Principal amount outstanding at June 30, 2005 - \$43,785,000.

Debt service requirements from July 1, 2005 to maturity are summarized below for each issue outstanding as of June 30, 2005:

<u>Fiscal Year</u>	<u>Revenue Bonds – 1998 Series A</u>		<u>Revenue Bonds – 2003 Series A</u>		<u>Total – All issues</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	6,645,000	1,576,181	7,650,000	1,986,025	14,295,000	3,562,206
2007	6,975,000	1,243,931	10,635,000	1,540,875	17,610,000	2,784,806
2008	1,335,000	895,181	17,140,000	846,500	18,475,000	1,741,681
2009	9,835,000	833,438	8,360,000	209,000	18,195,000	1,042,438
2010	6,040,000	317,100			6,040,000	317,100
Total	<u>\$30,830,000</u>	<u>\$4,865,831</u>	<u>\$43,785,000</u>	<u>\$4,582,400</u>	<u>\$74,615,000</u>	<u>\$9,448,231</u>

Bonds Payable, Net

Total bond principal	\$74,615,000
Add: bond premium	2,155,981
deferred amount on refunding	826,940
Less: bond discount	(294,293)
Bonds payable, net	<u>\$77,303,628</u>

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2005

7. NET ASSETS - Unrestricted

The Authority has designated \$100,000 of net assets to cover future contingencies.

RHODE ISLAND REFUNDING BOND AUTHORITY
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2005

	General Fund	Bond Fund	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 298,074	\$ 34,620	\$ 332,694
Due from State	1,373		1,373
Rentals due		15,695,279	15,695,279
Total current assets	<u>299,447</u>	<u>15,729,899</u>	<u>16,029,346</u>
Noncurrent assets:			
Rentals due		65,981,208	65,981,208
Debt issuance costs		1,429,016	1,429,016
Total noncurrent assets		<u>67,410,224</u>	<u>67,410,224</u>
Total assets	<u>\$ 299,447</u>	<u>\$ 83,140,123</u>	<u>\$ 83,439,570</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 1,114	\$	\$ 1,114
Interest payable		1,401,419	1,401,419
Bonds payable (net)		14,295,000	14,295,000
Total current liabilities	<u>1,114</u>	<u>15,696,419</u>	<u>15,697,533</u>
Noncurrent liabilities:			
Project acquisition promissory notes		4,435,076	4,435,076
Bonds payable, (net)		63,008,628	63,008,628
Total noncurrent liabilities		<u>67,443,704</u>	<u>67,443,704</u>
Total liabilities	<u>1,114</u>	<u>83,140,123</u>	<u>83,141,237</u>
<u>NET ASSETS</u>			
Unrestricted	<u>298,333</u>		<u>298,333</u>
Total net assets	<u>\$ 298,333</u>	<u>\$</u>	<u>\$ 298,333</u>

The accompanying notes are an integral part of these financial statements.

RHODE ISLAND REFUNDING BOND AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2005

	General Fund	Bond Fund	Total
Operating revenues			
Rental income	\$	\$ 2,739,124	\$ 2,739,124
Recovery of administrative costs	31,614		31,614
Total operating revenues	<u>31,614</u>	<u>2,739,124</u>	<u>2,770,738</u>
Operating expenses			
Interest expense		2,332,543	2,332,543
Amortization of debt issuance costs		407,886	407,886
Personal services	18,882		18,882
Trustee fees	7,500		7,500
Professional services	5,232		5,232
Total operating expenses	<u>31,614</u>	<u>2,740,429</u>	<u>2,772,043</u>
Operating income (loss)		<u>(1,305)</u>	<u>(1,305)</u>
Nonoperating revenue			
Investment income	4,067	1,305	5,372
Total nonoperating revenue	<u>4,067</u>	<u>1,305</u>	<u>5,372</u>
Change in net assets	4,067		4,067
Net assets, July 1, 2004	294,266		294,266
Net assets, June 30, 2005	<u>\$ 298,333</u>	<u>\$</u>	<u>\$ 298,333</u>

The accompanying notes are an integral component of these financial statements.

**RHODE ISLAND REFUNDING BOND AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2005**

	General Fund	Bond Fund	Total
Cash flows from operating activities:			
Cash received for:			
Administrative costs	\$ 31,614	\$	\$ 31,614
Rents		13,601,042	13,601,042
Cash paid for:			
Personal services	(18,882)		(18,882)
Trustee fees	(7,500)		(7,500)
Other goods and services	(5,232)		(5,232)
Net cash provided by operating activities	<u> </u>	<u>13,601,042</u>	<u>13,601,042</u>
Cash flows from capital and related financing activities:			
Principal paid on debt		(10,115,000)	(10,115,000)
Interest paid on debt		(3,980,780)	(3,980,780)
Net cash used for capital and related financing activities		<u>(14,095,780)</u>	<u>(14,095,780)</u>
Cash flows from investing activities:			
Interest received	4,066	1,305	5,371
Net cash provided by investing activities	<u>4,066</u>	<u>1,305</u>	<u>5,371</u>
Net increase (decrease) in cash and cash equivalents	4,066	(493,433)	(489,367)
Cash and cash equivalents, July 1, 2004	<u>294,008</u>	<u>528,053</u>	<u>822,061</u>
Cash and cash equivalents, June 30, 2005	<u>\$ 298,074</u>	<u>\$ 34,620</u>	<u>\$ 332,694</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:			
Operating income (loss)	\$	\$ (1,305)	\$ (1,305)
Adjustments:			
Amortization of debt issuance costs		407,886	407,886
Amortization of premium, discount and deferred amount on refunding (net)		(2,021,747)	(2,021,747)
Principal paid on debt included in cash flows from capital and related financing activities		10,115,000	10,115,000
Interest paid on debt included in cash flows from capital and related financing activities		3,980,780	3,980,780
Changes in assets and liabilities:			
Rentals due		1,234,527	1,234,527
Interest payable		(114,099)	(114,099)
Total adjustments		<u>13,602,347</u>	<u>13,602,347</u>
Net cash provided by operating activities	<u>\$</u>	<u>\$ 13,601,042</u>	<u>\$ 13,601,042</u>

The accompanying notes are an integral part of these financial statements.



ERNEST A. ALMONTE, CPA, CFE
AUDITOR GENERAL
EALMONTE@OAG.STATE.RI.US

STATE OF RHODE ISLAND and PROVIDENCE PLANTATIONS
GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

- ◆ INTEGRITY
- ◆ RELIABILITY
- ◆ INDEPENDENCE
- ◆ ACCOUNTABILITY

**INDEPENDENT AUDITOR'S 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**

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

BOARD OF DIRECTORS OF THE RHODE ISLAND REFUNDING BOND AUTHORITY:

We have audited the financial statements of the Rhode Island Refunding Bond Authority (the Authority), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
BOARD OF DIRECTORS OF THE RHODE ISLAND REFUNDING BOND AUTHORITY:
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We noted certain matters that we will report to management of the Authority in a separate letter dated October 4, 2005.

This report is intended solely for the information and use of the board of directors, management, and the Joint Committee on Legislative Services, General Assembly, State of Rhode Island and Providence Plantations and is not intended to be and should not be used by anyone other than these specified parties.



Ernest A. Almonte, CPA, CFE
Auditor General

October 4, 2005