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STATE OF RHODE ISLAND

**REFUNDING BOND AUTHORITY**

(A Component Unit of the  
State of Rhode Island)

YEAR ENDED JUNE 30, 2009

Ernest A. Almonte, CPA, CFF  
Auditor General

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

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ERNEST A. ALMONTE, CPA, CFF  
AUDITOR GENERAL  
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STATE of RHODE ISLAND and PROVIDENCE PLANTATIONS  
GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

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

September 30, 2009

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER William J. Murphy, Chairman

Senator M. Teresa Paiva-Weed  
Senator Dennis L. Algiere  
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, 2009 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, CFF  
Auditor General

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

**Year Ended June 30, 2009**

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STATE of RHODE ISLAND and PROVIDENCE PLANTATIONS  
GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

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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, 2009, 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 financial position of the Authority as of June 30, 2009, 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 will issue our report dated September 29, 2009 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, CFF  
Auditor General

September 29, 2009

# **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, 2009. 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 14.

### Financial Highlights for the Year Ended June 30, 2009

- Bonds payable at June 30, 2009 decreased \$ 17,997,417 (75%) when compared to June 30, 2008.
- Rentals due and the amount due from the State at June 30, 2009 decreased \$18,240,622 (64%) when compared to June 30, 2008.

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

**Management's Discussion and Analysis**

<b><u>Assets, Liabilities and Net Assets</u></b>		
	<b><u>June 30, 2009</u></b>	<b><u>June 30, 2008</u></b>
Assets:		
Current:		
Cash and cash equivalents	\$ 34,002	\$ 38,514
Amounts due from the State	10,496,541	18,845,824
Noncurrent:		
Amounts due from the State	0	9,889,059
Debt issuance costs	<u>47,730</u>	<u>121,845</u>
	<u>\$ 10,578,273</u>	<u>\$ 28,895,242</u>
Liabilities:		
Current:		
Accounts payable	\$ 873	\$ 873
Interest payable	328,992	648,544
Bonds payable	5,951,471	18,195,000
Project acquisition promissory notes	4,295,530	
Noncurrent:		
Project acquisition promissory notes	0	4,295,530
Bonds payable	<u>0</u>	<u>5,753,888</u>
	<u>\$ 10,576,866</u>	<u>\$ 28,893,835</u>
Net Assets:		
Unrestricted	<u>1,407</u>	<u>1,407</u>
Total net assets	<u>\$ 1,407</u>	<u>\$ 1,407</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.

<b><u>Authority Operations</u></b>		
	<b><u>Year Ended June 30, 2009</u></b>	<b><u>Year Ended June 30, 2008</u></b>
Rental income	\$ 1,471,278	\$ 2,096,098
Other operating revenue	24,693	30,669
Interest expense	(1,392,662)	(1,951,097)
Amortization of debt issuance costs	(74,115)	(146,050)
Operating expenses	<u>(24,693)</u>	<u>(30,669)</u>
Operating income (loss)	4,501	(1,049)
Other income	430	10,857
Transfer to State	<u>(4,931)</u>	<u>(331,213)</u>
Change in net assets	0	(321,405)
Net assets, beginning of year	<u>1,407</u>	<u>322,812</u>
Net assets, end of year	<u>\$ 1,407</u>	<u>\$ 1,407</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. The decreases in rental income and interest expense, compared to 2008, 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 one bond issue 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, 2009**

**ASSETS**

Current assets:

Cash and cash equivalents (Note 4)	\$ 34,002
Due from State (Note 2)	2,280
Rentals due (Note 3)	10,494,261
Total current assets	<u>10,530,543</u>

Noncurrent assets:

Debt issuance costs	47,730
Total noncurrent assets	<u>47,730</u>

**Total assets** \$ 10,578,273

**LIABILITIES**

Current liabilities:

Accounts payable	\$ 873
Interest payable	328,992
Project acquisition promissory notes (Note 5)	4,295,530
Bonds payable, net (Note 6)	5,951,471
Total current liabilities	<u>10,576,866</u>

**Total liabilities** \$ 10,576,866

**NET ASSETS**

Unrestricted	<u>1,407</u>
<b>Total net assets</b>	<u>\$ <u>1,407</u></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 REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FISCAL YEAR ENDED JUNE 30, 2009**

<b>Operating revenues</b>	
Rental income	\$ 1,471,278
Recovery of administrative costs	24,693
<b>Total operating revenues</b>	<u>1,495,971</u>
<b>Operating expenses</b>	
Interest expense	1,392,662
Amortization of debt issuance costs	74,115
Personal services	21,098
Trustee fees	3,522
Professional services	73
<b>Total operating expenses</b>	<u>1,491,470</u>
<b>Operating income</b>	<u>4,501</u>
<b>Nonoperating revenue (expense)</b>	
Investment income	430
Transfer to State (Note 7)	(4,931)
<b>Total nonoperating revenue (expense)</b>	<u>(4,501)</u>
<b>Change in net assets</b>	
<b>Net assets, July 1, 2008</b>	<u>1,407</u>
<b>Net assets, June 30, 2009</b>	<u>\$ 1,407</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, 2009**

<b>Cash flows from operating activities:</b>	
Cash received for:	
Administrative costs	\$ 24,693
Rents	19,237,392
Cash paid for:	
Personal services	(21,098)
Trustee fees	(3,522)
Other goods and services	(73)
<b>Net cash provided by operating activities</b>	<u>19,237,392</u>
<b>Cash flows from capital and related financing activities:</b>	
Principal paid on debt	(18,195,000)
Interest paid on debt	(1,042,436)
<b>Net cash used for capital and related financing activities</b>	<u>(19,237,436)</u>
<b>Cash flows from noncapital financing activities:</b>	
Transfer to State	(4,931)
<b>Net cash used for noncapital financing activities</b>	<u>(4,931)</u>
<b>Cash flows from investing activities:</b>	
Interest received	463
<b>Net cash provided by investing activities</b>	<u>463</u>
<b>Net decrease in cash and cash equivalents</b>	(4,512)
<b>Cash and cash equivalents, July 1, 2008</b>	<u>38,514</u>
<b>Cash and cash equivalents, June 30, 2009</b>	<u><u>\$ 34,002</u></u>
<b>Reconciliation of operating income(loss) to net cash provided by operating activities:</b>	
Operating income	\$ 4,501
<b>Adjustments:</b>	
Amortization of debt issuance costs	74,115
Amortization of premium, discount, and deferred amount on refunding	197,044
Principal paid on debt included in cash flows from capital and related financing activities	18,195,000
Interest on debt included in cash flows from capital and related financing activities	1,042,436
Changes in assets and liabilities:	
Receivables	43,848
Payables	(319,552)
<b>Total adjustments</b>	<u>19,232,891</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 19,237,392</u></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, 2009

### **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, 2009

### **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 principal 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. Cash equivalent investments are recorded in the financial statements at fair value.

# **RHODE ISLAND REFUNDING BOND AUTHORITY**

(A Component Unit of the State of Rhode Island)

## **NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2009

### **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, premiums and debt issuance costs associated with defeased bonds (deferred amount on refunding) are deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

### **2. DUE FROM STATE**

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

### **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.

# **RHODE ISLAND REFUNDING BOND AUTHORITY**

(A Component Unit of the State of Rhode Island)

## **NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2009

### **4. CASH AND CASH EQUIVALENTS**

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, 2009 were held in the First American Treasury Obligation fund Class A 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 46 days at June 30, 2009. The carrying amount and fair value of the Authority's cash equivalent investments at June 30, 2009 was \$34,002.

### **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**

#### **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, 2009 - \$6,040,000

**RHODE ISLAND REFUNDING BOND AUTHORITY**

(A Component Unit of the State of Rhode Island)

**NOTES TO THE FINANCIAL STATEMENTS**

Year Ended June 30, 2009

**6. BONDS PAYABLE (continued)**

Debt service requirements from July 1, 2008 to maturity are summarized below for each issue outstanding as of June 30, 2009:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$6,040,000	\$209,000

**Bonds Payable, Net**

Total bond principal	\$ 6,040,000
Add: bond premium	7,157
deferred amount on refunding	<u>(95,686)</u>
Bonds payable, net	\$ 5,951,471

**7. TRANSFER TO STATE**

During fiscal 2009, the Authority transferred \$4,931 to the State, which represented accumulated investment earnings in the Authority's General Fund.



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

**COMBINING STATEMENT OF NET ASSETS**  
**June 30, 2009**

	<b>General Fund</b>	<b>Bond Fund</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and cash equivalents		\$ 34,002	\$ 34,002
Due from State	\$ 2,280		2,280
Rentals due		10,494,261	10,494,261
Total current assets	2,280	10,528,263	10,530,543
Noncurrent assets:			
Debt issuance costs		47,730	47,730
Total noncurrent assets		47,730	47,730
<b>Total assets</b>	\$ 2,280	\$ 10,575,993	\$ 10,578,273
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	\$ 873	\$	\$ 873
Interest payable		328,992	328,992
Project acquisition promissory notes		4,295,530	4,295,530
Bonds payable (net)		5,951,471	5,951,471
Total current liabilities	873	10,575,993	10,576,866
<b>Total liabilities</b>	873	10,575,993	10,576,866
<b><u>NET ASSETS</u></b>			
Unrestricted	1,407		1,407
<b>Total net assets</b>	\$ 1,407	\$	\$ 1,407

The accompanying notes are an integral part of these statements.

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

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Total</u>
<b>Operating revenues</b>			
Rental income	\$	\$ 1,471,278	\$ 1,471,278
Recovery of administrative costs	24,693		24,693
<b>Total operating revenues</b>	<u>24,693</u>	<u>1,471,278</u>	<u>1,495,971</u>
<b>Operating expenses</b>			
Interest expense		1,392,662	1,392,662
Amortization of debt issuance costs		74,115	74,115
Personal services	21,098		21,098
Trustee fees	3,522		3,522
Professional services	73		73
<b>Total operating expenses</b>	<u>24,693</u>	<u>1,466,777</u>	<u>1,491,470</u>
<b>Operating income</b>		<u>4,501</u>	<u>4,501</u>
<b>Nonoperating revenue (expense)</b>			
Investment income	306	124	430
Transfer to State	(306)	(4,625)	(4,931)
<b>Total nonoperating revenue</b>		<u>(4,501)</u>	<u>(4,501)</u>
<b>Change in net assets</b>			
<b>Total net assets, July 1, 2008</b>	1,407		1,407
<b>Total net assets, June 30, 2009</b>	<u>\$ 1,407</u>	<u>\$</u>	<u>\$ 1,407</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)**

**COMBINING STATEMENT OF CASH FLOWS**  
**FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>			
Cash received for:			
Administrative costs	\$ 24,693	\$	\$ 24,693
Rents		19,237,392	19,237,392
Cash paid for:			
Personal services	(21,098)		(21,098)
Trustee fees	(3,522)		(3,522)
Other goods and services	(73)		(73)
<b>Net cash provided (used) by operating activities</b>	<u>                    </u>	<u>19,237,392</u>	<u>19,237,392</u>
<b>Cash flows from capital and related financing activities:</b>			
Principal paid on debt		(18,195,000)	(18,195,000)
Interest paid on debt		(1,042,436)	(1,042,436)
<b>Net cash used for capital and related financing activities</b>	<u>                    </u>	<u>(19,237,436)</u>	<u>(19,237,436)</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfer to State	(306)	(4,625)	(4,931)
<b>Net cash used for noncapital financing activities</b>	<u>(306)</u>	<u>(4,625)</u>	<u>(4,931)</u>
<b>Cash flows from investing activities:</b>			
Interest received	306	157	463
<b>Net cash provided by investing activities</b>	<u>306</u>	<u>157</u>	<u>463</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		(4,512)	(4,512)
<b>Cash and cash equivalents, July 1, 2008</b>	<u>                    </u>	<u>38,514</u>	<u>38,514</u>
<b>Cash and cash equivalents, June 30, 2009</b>	<u>\$</u>	<u>\$ 34,002</u>	<u>\$ 34,002</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income	\$	\$ 4,501	\$ 4,501
<b>Adjustments:</b>			
Amortization of debt issuance costs		74,115	74,115
Amortization of premium, discount and deferred amount on refunding (net)		197,044	197,044
Principal paid on debt included in cash flows from capital and related financing activities		18,195,000	18,195,000
Interest paid on debt included in cash flows from capital and related financing activities		1,042,436	1,042,436
Changes in assets and liabilities:			
Receivables		43,848	43,848
Payables		(319,552)	(319,552)
<b>Total adjustments</b>	<u>                    </u>	<u>19,232,891</u>	<u>19,232,891</u>
<b>Net cash provided by operating activities</b>	<u>\$</u>	<u>\$ 19,237,392</u>	<u>\$ 19,237,392</u>

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



STATE of RHODE ISLAND and PROVIDENCE PLANTATIONS

GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

ERNEST A. ALMONTE, CPA, CFF  
AUDITOR GENERAL

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- ◆ 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 and Providence Plantations, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 29, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of the board of directors, management, and others within the Authority, 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, CFF  
Auditor General

September 29, 2009