

**RHODE ISLAND INDUSTRIAL-  
RECREATIONAL BUILDING AUTHORITY  
(A COMPONENT UNIT OF THE STATE  
OF RHODE ISLAND)**

**YEARS ENDED JUNE 30, 2013 AND 2012**



RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

YEARS ENDED JUNE 30, 2013 AND 2012

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## **Independent Auditors' Report**

Board of Directors  
Rhode Island Industrial-Recreational Building Authority  
Providence, Rhode Island

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Rhode Island Industrial-Recreational Building Authority (the Authority), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*A Limited Liability Partnership*

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## Independent Auditors' Report (Continued)

Board of Directors  
Rhode Island Industrial-Recreational Building Authority

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rhode Island Industrial-Recreational Building Authority, a component unit of the State of Rhode Island, as of June 30, 2013, 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.

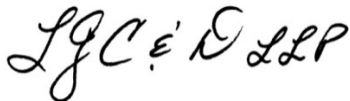
### *Other Matters*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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.

The financial statements of the Rhode Island Industrial-Recreational Building Authority as of and for the year ended June 30, 2012 were audited by other auditors whose report, dated September 28, 2012, expressed an unmodified opinion on those statements.

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

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2013 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.



Providence, Rhode Island  
September 27, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Rhode Island Industrial-Recreational Building Authority (the Authority), a component unit of the State of Rhode Island (the State), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2013 and June 30, 2012. The Authority's financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

### Introduction

The Authority was created by the Rhode Island General Assembly under Chapter 34 of Title 42 of the General Laws of Rhode Island. The Authority constitutes a body corporate and politic and a public instrumentality of the State having a distinct legal existence from the State.

The Authority is authorized to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private sector entities by financial institutions and the Rhode Island Industrial Facilities Corporation (RIIFC), a component unit of the State, on industrial or recreational projects in the State up to a maximum of \$60,000,000 of outstanding principal balances under such insured mortgages and security agreements.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements.

The Authority engages only in business-type activities, that is, activities that are financed in whole or in part by charges to external parties for services. As a result, the Authority's basic financial statements include the statement of net position; the statement of revenues, expenses, and changes in net position; the statement of cash flows; and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents detail on the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Changes in the Authority's net position serve as a useful indicator of whether the Authority's net position is improving or deteriorating. Readers should also consider other non-financial factors when evaluating the Authority's net position. The statement of revenues, expenses, and changes in net position presents information on how the Authority's net position changed during the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Overview of the Financial Statements (Continued)

All assets, liabilities, and changes in net position are reported as soon as the underlying event affecting the asset or liability or deferred outflow or inflow, and resulting change in net position occurs, regardless of the timing of when the cash is received or paid (accrual basis of accounting for governmental entities). Consequently, certain revenues and expenses reported in the statement of revenues, expenses, and changes in net position will result in cash flows in future periods.

### 2013 Financial Highlights

Total assets exceeded total liabilities by \$1,120,188 (net position) at June 30, 2013, which is unrestricted and may be used to meet the Authority's operating requirements.

Operating loss for 2013 was \$621,988, a decrease of \$1,470,073 when compared to 2012.

Net position decreased by \$617,132 in 2013.

### 2012 Financial Highlights

Total assets exceeded total liabilities by \$1,737,320 (net position) at June 30, 2012, which is unrestricted and may be used to meet the Authority's operating requirements.

Operating loss for 2012 was \$2,092,061, a decrease of \$2,102,476 when compared to 2011.

Net position decreased by \$2,087,624 in 2012.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Condensed Comparative Information

The following table reflects a summary of changes in certain balances in the statements of net position, and revenues, expenses and changes in net position, as required by GASB No. 34 (in thousands):

	Statements of Net Position			Increase (decrease)	
	June 30,				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 v 2012</u>	<u>2012 v 2011</u>
Net position:					
Current assets	\$ 3,638	\$ 3,968	\$ 3,938	\$ (330)	\$ 30
Noncurrent assets	697	697	697	-	-
Total assets	<u>4,335</u>	<u>4,665</u>	<u>4,635</u>	<u>(330)</u>	<u>30</u>
Current liabilities	897	702	51	195	651
Noncurrent liabilities	<u>2,318</u>	<u>2,226</u>	<u>759</u>	<u>92</u>	<u>1,467</u>
Total liabilities	<u>3,215</u>	<u>2,928</u>	<u>810</u>	<u>287</u>	<u>2,118</u>
Net position, unrestricted	<u>\$ 1,120</u>	<u>\$ 1,737</u>	<u>\$ 3,825</u>	<u>\$ (617)</u>	<u>\$ (2,088)</u>

### Statements of Revenues, Expenses and Changes in Net Position

	Year ended June 30,			Increase (decrease)	
	2013				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 v 2012</u>	<u>2012 v 2011</u>
Changes in net position:					
Operating revenues	\$ 113	\$ 301	\$ 197	\$ (188)	\$ 104
Operating expenses	<u>735</u>	<u>2,393</u>	<u>186</u>	<u>(1,658)</u>	<u>2,207</u>
Operating income (loss)	(622)	(2,092)	11	1,470	(2,103)
Nonoperating revenues	<u>5</u>	<u>4</u>	<u>157</u>	<u>1</u>	<u>(153)</u>
Change in net position	<u>\$ (617)</u>	<u>\$ (2,088)</u>	<u>\$ 168</u>	<u>\$ 1,471</u>	<u>\$ (2,256)</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### 2013 Financial Analysis

Total assets of the Authority decreased by approximately \$330,000 during 2013, principally due to a decrease in cash and cash equivalents.

Total liabilities of the Authority increased by approximately \$287,000 during 2013, principally due to increases in amounts owed to the Rhode Island Industrial Facilities Corporation (RIIFC), a component unit of the State.

### 2013 Operating Activity

Operating revenues of the Authority decreased by approximately \$188,000 compared to 2012 due to a decline in mortgage insurance premiums and other income as a result of no new insurance obligations being issued by the Authority during 2013.

Total operating expenses decreased by approximately \$1,658,000 due principally to declines in estimated losses on insured commitments, bad debt expense, and administrative expenses, offset by increases in contractual expenses.

As a result of the above, the operating loss to the Authority was \$621,988 in 2013 compared to \$2,092,061 in 2012.

### 2012 Financial Analysis

Total assets of the Authority increased by approximately \$30,000 during 2012, principally due to an increase in cash and cash equivalents.

Total liabilities of the Authority increased by approximately \$2,118,000 during 2012, principally due to increases in insured commitments payable and amounts due to RIIFC and the Rhode Island Economic Development Corporation (RIEDC), a component unit of the State.

### 2012 Operating Activity

Operating revenues of the Authority increased by approximately \$104,000 compared to 2011 due to an increase in mortgage insurance premiums as a result of the timing of insurance guarantees issued in 2010 and 2011.

Total operating expenses increased by approximately \$2,207,000 due principally to increases in estimated losses on insured commitments, bad debt expense, and administrative expenses.

As a result of the above, the operating loss to the Authority was \$2,092,061 in 2012 compared to operating income of \$10,415 in 2011.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Requests for Information

This financial report is designed as a general overview of the Authority's financial picture for external and internal stakeholders. Questions concerning any of the information provided in this report or public requests for information should be addressed to the Manager, Rhode Island Industrial-Recreational Building Authority, 315 Iron Horse Way Suite 101, Providence, Rhode Island 02908.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENTS OF NET POSITION – JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 3,628,970	\$ 3,956,042
Mortgage insurance premiums receivable, net of allowance for doubtful accounts of \$61,379 and \$15,653 in 2013 and 2012, respectively	6,606	12,423
Other receivables, net of allowance for doubtful accounts of \$162,117	-	-
Prepaid expenses	2,935	
Total current assets	3,638,511	3,968,465
Noncurrent asset, due from Rhode Island Industrial Facilities Corporation (RIIFC)	696,557	696,557
Total assets	4,335,068	4,665,022
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	36,705	20,078
Unearned revenue	11,935	10,000
Due to RIIFC	326,226	84,058
Due to Rhode Island Economic Development Corporation (RIEDC)	35,921	101,827
Insured commitments payable	486,350	486,350
Total current liabilities	897,137	702,313
Noncurrent liabilities:		
Unearned revenue	100,726	52,500
Escrow deposit, RIEDC	696,557	696,557
Insured commitments payable	1,520,460	1,476,332
Total noncurrent liabilities	2,317,743	2,225,389
Total liabilities	3,214,880	2,927,702
Commitments and contingencies (Note 4)		
<b>NET POSITION, UNRESTRICTED</b>	<b>\$ 1,120,188</b>	<b>\$ 1,737,320</b>

See notes to financial statements.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**YEARS ENDED JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
Operating revenues:		
Mortgage insurance premiums	\$ 111,302	\$ 267,412
Other income	1,250	33,750
Total operating revenues	112,552	301,162
Operating expenses:		
Contractual services	115,920	54,078
Administrative	55,852	187,662
Insurance	32,290	11,031
Bad debt	-	177,770
Loss on insured commitments (Note 4)	530,478	1,962,682
Total operating expenses	734,540	2,393,223
Operating loss	(621,988)	(2,092,061)
Nonoperating revenues, interest income	4,856	4,437
Change in net position	(617,132)	(2,087,624)
Net position, beginning of year	1,737,320	3,824,944
Net position, end of the year	\$ 1,120,188	\$ 1,737,320

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from mortgage insurance premiums	\$ 117,119	\$ 254,303
Other revenue	1,250	33,750
Cash payments to suppliers for goods and services	<u>(450,297)</u>	<u>(265,603)</u>
Net cash provided by (used in) operating activities	(331,928)	22,450
Cash provided by investing activities, interest on investments	<u>4,856</u>	<u>4,436</u>
Net increase (decrease) in cash and cash equivalents	(327,072)	26,886
Cash and cash equivalents, beginning of year	<u>3,956,042</u>	<u>3,929,156</u>
Cash and cash equivalents, end of year	<u>\$ 3,628,970</u>	<u>\$ 3,956,042</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (621,988)	\$ (2,092,061)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Provision for losses on mortgage insurance premiums receivable	45,726	
Changes in assets and liabilities:		
Mortgage insurance premiums receivable	(39,909)	(3,109)
Prepaid expenses	(2,935)	
Accounts payable	16,627	12,772
Unearned revenue	50,161	(10,000)
Insured commitments payable	44,128	1,962,682
Due to RIIFC	242,168	78,058
Due to RIEDC	<u>(65,906)</u>	<u>74,108</u>
Net cash provided by (used in) operating activities	<u>\$ (331,928)</u>	<u>\$ 22,450</u>

See notes to financial statements.

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

1. Description of business and summary of significant accounting policies:

*Description of business:*

The Rhode Island Industrial-Recreational Building Authority (the Authority) was created by the Rhode Island General Assembly under Chapter 34 of Title 42 of the General Laws of Rhode Island. The Authority constitutes a body corporate and politic and a public instrumentality of the State of Rhode Island (the State) having a distinct legal existence from the State. It is a component unit of the State for financial reporting purposes. As such, the financial statements of the Authority will be included in the State's comprehensive annual financial report.

The Authority is authorized to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private sector entities by financial institutions and the Rhode Island Industrial Facilities Corporation (RIIFC), a component unit of the State, on industrial or recreational projects in the State up to a maximum of \$60,000,000 of outstanding principal balances under such insured mortgages and security agreements.

The Authority is exempt from federal and state income taxes.

*Financial statement presentation, measurement focus, and basis of accounting:*

The Authority engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external users.

The Authority uses the economic resources measurement focus and accrual basis of accounting.

The Authority distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Operating expenses include the cost of and losses resulting from services provided and administrative expenses. All other operating revenues and expenses are reported as nonoperating revenues and expenses.

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

1. Description of business and summary of significant accounting policies (continued):

*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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. A significant item subject to such estimates is the loss on insured commitments. Actual results could differ from those estimates.

*Recent accounting pronouncement:*

Effective for the fiscal year ended June 30, 2013, the Authority adopted Statement No. 63 of the Governmental Accounting Standards Board, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). Deferred outflows of resources represent the consumption of the Authority's net assets that is applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period. GASB 63 prescribes the reporting requirements for these two elements and requires that the statement of net assets title be changed to statement of net position. The Authority had no deferred inflows or outflows of resources at June 30, 2013 or 2012.

*Revenue recognition and concentrations:*

Mortgage insurance premiums are based on a percentage of the principal amount outstanding under mortgages insured by the Authority determined at specified measurement dates and are recognized when earned. In certain instances, mortgage insurance premiums are paid in advance and such fees are reported as deferred revenue and recognized as revenue when earned. Other revenue is recognized when received.

For the years ended June 30, 2013 and 2012, mortgage insurance premiums from two entities and four entities, respectively, represent 76% and 84%, respectively, of the Authority's mortgage insurance premiums.

*Losses on mortgage insurance agreements:*

Losses on mortgage insurance agreements are estimated and recognized when the amount of loss is determinable and occurrence is probable.

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

1. Description of business and summary of significant accounting policies (continued):

*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. On June 30, 2013 and 2012, cash equivalents totaled \$3,153,458 and \$3,648,602, respectively.

2. Cash and cash equivalents:

At June 30, 2013 and 2012, the Authority's cash equivalents consisted of amounts invested in the Ocean State Investment Pool Trust (OSIP), an investment pool established by the State's General Treasurer. Funds of agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State are eligible to invest in OSIP. OSIP operates in a manner consistent with an SEC Rule 2a-7 like pool; therefore, its investments are reported at amortized cost rather than fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool, by policy, is not to exceed 60 days. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue - 2nd Floor, Warwick, RI 02886.

The Authority has cash and cash equivalents that are held by the State's General Treasurer as follows:

	2013	2012
Cash (1)	\$ 475,512	\$ 307,439
OSIP	3,153,458	3,648,603
	\$ 3,628,970	\$ 3,956,042

- (1) Collateralized with securities that are not in the Authority's name.

The Rhode Island General Treasurer's Office implemented a collateralization policy requiring 100% collateralization of all bank balances held in custody of the General Treasurer.

The amount of federal depository insurance on cash and cash equivalents held by the General Treasurer is determined on a State-wide basis.

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

2. Cash and cash equivalents (continued):

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market value interest rates. Although it has no established policy, the Authority manages its exposure to declines in fair values by limiting the term of liquid investments to less than 60 days.

The Authority assumes levels of custodial credit risk for its cash and cash equivalents. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The Authority is authorized to invest excess funds, by provisions of its Act, in obligations of the State and of the United States Government or certain agencies thereof, and in certificates of deposit. The Authority also is authorized to enter into repurchase agreements.

In accordance with State of Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, are required, at a minimum, to insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators are required to insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. The Authority does not have a separate deposit policy for custodial credit risk.

3. Due from RIIFC and escrow deposit:

In conjunction with the insurance of a private-sector entity's first mortgage and security agreement, the Authority received escrow funds from the private-sector entity to cover certain principal and interest payments in the event of default by the private-sector entity. The private-sector entity relocated its facilities to another state and, under a Settlement Agreement dated March 3, 2000 by and between the private-sector entity, the Authority, RIIFC, and RIEDC, the Authority returned the escrow funds to the private-sector entity. Concurrently, RIEDC provided the Authority with an escrow equal to that previously funded by the private-sector entity to be held as an escrow deposit in the event of default by the private-sector entity. The escrow funds are held by RIIFC in a repurchase agreement in RIIFC's name on behalf of the Authority.



RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

4. Due to RIIFC:

Due to RIIFC represents amounts paid by RIIFC on behalf of the Authority. The payments pertain to the Authority's guarantee of defaulted revenue bonds issued to a private-sector entity.

5. Insured commitments payable and contingency:

At June 30, 2013 and 2012, the Authority has insured contractual principal and interest payments required under first mortgages and first security agreements principally for land and buildings of manufacturing and distribution entities located throughout Rhode Island. Principal balances outstanding under first mortgages and first security agreements insured by the Authority at June 30, 2013 and 2012 total approximately \$16,105,000 and \$19,477,000, respectively.

In March 2013, the Authority was authorized to insure up to \$2,000,000 of taxable revenue bonds to finance the development of real property and the construction of a recreational vehicle resort. In September 2013, authorization for these bonds increased to \$2,200,000.

The Authority insures a bond issued by RIIFC on behalf of a private sector entity. During the year ended June 30, 2012, the private sector entity was in default on its payments to the bondholder and the Authority has assumed responsibility for making the debt payments. These payments will be made by first exhausting the Authority's available financial resources. The Authority must then request appropriations of the Rhode Island General Assembly for any loss in excess of the insured amount. At June 30, 2013 and 2012, the Authority has determined that it is likely that it will incur a loss under the insured commitment. The Authority has estimated the range of potential loss to be between approximately \$1,749,000 and \$6,413,000 and has determined the best estimate within this range to be \$2,006,810. This estimate is based on the advice of its legal counsel, which includes an expectation as to the recoverable value of the underlying collateral and that the matter will be resolved in approximately one year. Accordingly, the Authority has accrued an insured commitment payable of \$2,006,810 and \$1,962,682, equal to the estimated loss, at June 30, 2013 and 2012, respectively. The current portion of the insured commitment payable was calculated by estimating the monthly payments due within one year on this bond.



**Independent Auditors' Report on Accompanying Information**

Board of Directors  
Rhode Island Industrial-Recreational Building Authority  
Providence, Rhode Island

Our audit was performed for the purpose of forming an opinion on the 2013 basic financial statements of the Rhode Island Industrial-Recreational Building Authority, a Component Unit of the State of Rhode Island, taken as a whole. The accompanying supplementary information on pages 17 through 21 is presented for purposes of additional analysis and is not a required part of the 2013 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Providence, Rhode Island  
September 27, 2013

*A Limited Liability Partnership*

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RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF UNCOMMITTED MORTGAGE INSURANCE AVAILABILITY

YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Maximum contractual principal payments the Authority is authorized to insure	\$ 60,000,000	\$ 60,000,000
Principal balances outstanding under first mortgages and first security agreements at year-end	16,105,041	19,476,587
Commitments outstanding at year-end	-	2,860,000
Approved resolutions at year-end	2,000,000	-
	18,105,041	22,336,587
	\$ 41,894,959	\$ 37,663,413

The amounts presented above exclude interest accrued at year-end and contractual interest to become due in future periods under the bonds and notes.

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013

<u>Statement of Net Position</u>	<u>Attachment B</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 3,628,970
Investments	
Receivables (net)	6,606
Restricted assets:	
Cash and cash equivalents	
Investments	
Receivables (net)	
Other assets	
Due from primary government	
Due from other component units	
Due from other governments	
Inventories	
Other assets	<u>2,935</u>
Total current assets	<u>3,638,511</u>
Noncurrent assets:	
Investments	
Receivables	
(Receivable allowance)	
Restricted assets:	
Cash and cash equivalents	
Investments	
Other assets	
Due from other component units	696,557
Capital assets - nondepreciable	
Capital assets - depreciable (net)	
Other assets, net of amortization	
Total noncurrent assets	<u>696,557</u>
Total assets	<u>4,335,068</u>

(continued)

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013

<u>Statement of Net Position (Continued)</u>	<u>Attachment B</u>
<b>Liabilities</b>	
Current liabilities:	
Cash overdraft	
Accounts payable	\$ 36,705
Due to primary government	
Due to other component units	362,147
Due to other governments	
Unearned revenue	11,935
Other liabilities	486,350
Current portion of long-term debt	
	<hr/>
Total current liabilities	897,137
	<hr/>
Noncurrent liabilities:	
Due to primary government	
Due to other governments	
Due to other component units	696,557
Unearned revenue	100,726
Notes payable	
Loans payable	
Obligations under capital leases	
Other liabilities	1,520,460
Compensated absences	
Bonds payable	
	<hr/>
Total noncurrent liabilities	2,317,743
	<hr/>
Total liabilities	3,214,880
	<hr/>
Net position, unrestricted	\$ 1,120,188
	<hr/> <hr/>

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

YEAR ENDED JUNE 30, 2013

<b><u>Statement of Revenues, Expenses, and Changes in Net Position</u></b>	<b><u>Attachment C</u></b>
<b>Operating revenues:</b>	
Charges for services	\$ 111,302
Interest income on loans	
Interest on investments	
Net increase (decrease) in fair value of investments	
Other operating income	<u>1,250</u>
Total operating revenues	<u>112,552</u>
<b>Operating expenses:</b>	
Personnel services	
Supplies, materials, and services	55,852
Interest expense	
Grants, scholarships, and contract programs	
Depreciation, depletion, and amortization	
Other operating expenses	<u>678,688</u>
Total operating expenses	<u>734,540</u>
Operating income (loss)	<u>(621,988)</u>
<b>Nonoperating revenues (expenses):</b>	
Interest revenue	4,856
Grants	
Payments from primary government	
Gain (loss) on sale of property	
Interest expense	
Payments (to) from other component units	
Net increase (decrease) in fair value of investments	
Other nonoperating revenue (expenses)	<u>                    </u>
Total nonoperating revenue (expenses)	<u>4,856</u>
Income (loss) before contributions	(617,132)
Capital contributions	
Special items	
Extraordinary items	<u>                    </u>
Change in net position	(617,132)
Total net position - beginning	<u>1,737,320</u>
Total net position - ending	<u>\$ 1,120,188</u>

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATE OF RHODE ISLAND REQUIRED FORMAT

YEAR ENDED JUNE 30, 2013

Attachment E

Schedule of Changes in Long-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable						
Net unamortized premium/discount						
Deferred amount on refunding						
Bonds payable						
Due to primary government						
Due to other governments						
Due to other component units	\$ 882,442	\$ 176,262		\$ 1,058,704	\$ 362,147	\$ 696,557
Notes payable						
Obligations under capital leases						
Net OPEB obligation						
Compensated absences						
Unearned revenue	62,500	50,161		112,661	11,935	100,726
Other liabilities, insured commitments	1,962,682	530,478	(486,350)	2,006,810	486,350	1,520,460
	\$ 2,907,624	\$ 756,901	\$ (486,350)	\$ 3,178,175	\$ 860,432	\$ 2,317,743

**Independent Auditors' 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**

Board of Directors  
Rhode Island Industrial-Recreational Building Authority  
Providence, Rhode Island

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 the Rhode Island Industrial-Recreational Building Authority (the Authority), a Component Unit of the State of Rhode Island, which comprise the statement of net position as of June 30, 2013, the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.



**Independent Auditors' 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 (Continued)**

Board of Directors  
Rhode Island Industrial-Recreational Building Authority

**Internal Control over Financial Reporting (Continued)**

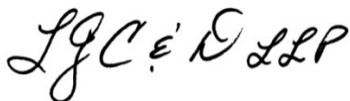
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**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 the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Providence, Rhode Island  
September 27, 2013