

**RHODE ISLAND ECONOMIC
DEVELOPMENT CORPORATION**
(A Component Unit of the State of Rhode Island)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2008

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 6
Basic Financial Statements:	
Statement of Net Assets	7 - 8
Statement of Revenues, Expenses, and Changes in Net Assets	9 - 10
Statement of Cash Flows	11 - 13
Notes to Financial Statements	14 - 42
Required Supplementary Information:	
Schedule of Funding Progress	43
Combined Statement of Net Assets	44 - 45
Combined Statement of Revenues, Expenses, and Changes in Net Assets	46
Combined Schedule of Long Term Debt	47
Accompanying Information to Basic Financial Statements:	
Independent Auditors' Report on Accompanying Information	48
Schedule of Travel and Entertainment Expenses	49 - 53
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	54 - 55

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rhode Island Economic Development Corporation
Providence, Rhode Island

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION, (the Corporation) a component unit of the State of Rhode Island and Providence Plantations (State), as of June 30, 2008, and for the year then ended, which collectively comprise the Corporation's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Rhode Island Airport Corporation, a component unit of the Corporation, which statements reflect total assets of \$595,326,183 as of June 30, 2008, and total revenues of \$55,453,042 for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Rhode Island Airport Corporation, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 combined financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION as of June 30, 2008, and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 7 to the financial statements, the Corporation is dependent upon annual appropriations by the General Assembly of the State of Rhode Island to fund its operating expenses.

Boston

Newton

Providence

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2008, on our consideration of the Corporation'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 and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-6 and schedule of funding progress on page 43 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Combined Statement of Net Assets on pages 44-45, the Combined Statement of Revenues, Expenses, and Changes in Net Assets on pages 46 and the Combined Schedule of Long-Term Debt on page 47 are not a required part of the basic financial statements but is supplementary information required by the State of Rhode Island. 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.

A handwritten signature in black ink, appearing to read "Brian O'Connell". The signature is written in a cursive, flowing style.

Providence, Rhode Island
September 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This narrative provides an overview and analysis of the financial activities of the Corporation for the fiscal year ending June 30, 2008. This analysis is intended to be read in conjunction with the entire audit report of the Corporation's financial statements.

Financial Highlights

- Total assets exceeded total liabilities by \$1,528,096 (net assets). Net assets totaling \$1,179,609 are unrestricted and may be used to meet the Corporation's general operating requirements.
- Net assets increased by \$340,651 for the year. The loss before capital contributions and transfers decreased by \$478,448 as compared to the prior fiscal year.

Overview of the Financial Statements

The Corporation is organized as a quasi-public entity. It therefore engages in business activities that are most typically found in the private sector in addition to our work as an executive agency of the State of Rhode Island. Some of the activities involve the payment of fees to the Corporation for financing services provided by affiliated entities. The Corporation's audit report includes the following: a statement of net assets, a statement of revenues, expenses and change in net assets, a statement of cash flows, and detailed notes to the financial statements.

The statement of net assets presents comprehensive information on the Corporation's assets and liabilities at fiscal year end. The statement of changes in net assets presents how changes in the Corporation's assets and liabilities occurred during the fiscal year. The statement of cash flows presents how changes in the Corporation's net assets were financed during the course of the fiscal year.

All assets, liabilities and changes in net assets are reported on the accrual method of accounting, consistent with the applicable rulings of the Government Accounting Standards Board. All assets, liabilities, and changes in net assets are booked as soon as they occur, regardless of the timing of when the cash is actually paid or received. Consequently, certain revenues and expenses reported in the 2008 fiscal year may result in fluctuations to cash flow in future periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

During fiscal 2005, the Quonset Development Corporation (QDC) was established as a separate operating subsidiary of the Corporation. Its mission is to develop and manage for commercial development purposes all lands received from the United States Navy comprising the two former bases at Quonset Point on behalf of the State of Rhode Island. Legislation was enacted in 2004 to enable this separation and it became effective on January 1, 2005. The Corporation retains management oversight responsibility for the activities of the QDC. Prior to that date, Quonset's activities were fully subsumed in the Corporation's financial statements. After that date, QDC's financial statements were broken out of the Corporation's and accounted for separately. They are consolidated, however, for reporting purposes in the Corporation's audited financial statements.

A summary of the Corporation's statement of net assets, for fiscal years 2007 and 2008, is as follows:

STATEMENT OF NET ASSETS

	<u>2008</u>	<u>2007</u>	<u>% of Change</u>
Capital assets, net.....	\$ 348,487	\$ 308,762	12.9
Current and other assets.....	58,502,969	46,383,949	26.1
Total assets	<u>58,851,456</u>	<u>46,692,711</u>	<u>26.0</u>
Long-term liabilities.....	46,769,122	42,972,697	8.8
Other liabilities.....	10,554,238	2,532,569	316.7
Total liabilities	<u>57,323,360</u>	<u>45,505,266</u>	<u>26.0</u>
Net assets:			
Invested in capital assets.....	348,487	308,762	12.9
Unrestricted.....	<u>1,179,609</u>	<u>878,683</u>	<u>34.2</u>
TOTAL NET ASSETS	<u>\$ 1,528,096</u>	<u>\$1,187,445</u>	<u>28.7</u>

The changes in assets and liabilities between fiscal 2007 and 2008 result principally from the transactions associated with the State's retirement of unused historic tax credit obligations on the Masonic Hotel (See accompanying financial statements – Footnote 3 and 6) and the scheduled repayment of debt associated with bonds issued by the Corporation on behalf of FMR Corporation (Fidelity) for its facility in Smithfield and Fleet National Bank for its facility in Lincoln (Footnote 6).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Corporation

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	<u>2008</u>	<u>2007</u>	<u>% of Change</u>
Operating revenues, charges for services:			
Rentals and fees.....	\$ 23,000	\$ 12,000	91.7%
Subtotal.....	23,000	12,000	91.7%
Nonoperating revenues			
State appropriation.....	24,522,082	19,029,871	28.9%
Investment income.....	3,342,715	3,318,834	0.7%
Grant income.....	1,346,434	805,933	67.1%
Other income.....	-	64,441	-100.0%
Subtotal.....	29,211,231	23,219,079	25.8%
TOTAL REVENUES.....	29,234,231	23,231,079	25.8%
Operating expenses:			
Personnel services.....	3,781,598	3,837,420	-1.5%
Contractual services.....	894,766	822,453	8.8%
Public investment payments and job credits....	6,054,026	5,835,239	3.7%
Grants.....	5,223,449	5,495,226	-4.9%
Provision for Loan Losses.....	4,505,000		
Other operating expense.....	3,455,616	3,728,714	-7.3%
Subtotal.....	23,914,455	19,719,052	21.3%
Nonoperating expenses:			
Interest expense.....	3,993,795	3,204,995	24.6%
Grant expense.....	1,346,434	805,933	67.1%
Subtotal.....	5,340,229	4,010,928	33.1%
TOTAL EXPENSES.....	29,254,684	23,729,980	23.3%
Loss before capital contributions and transfers....	(20,453)	(498,901)	-95.9%
Transfers.....	361,102	750,000	-51.9%
Change in net assets.....	\$ 340,649	\$ 251,099	35.7%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Small Business Loan Fund Corporation

The SBLFC was originally created through a grant to the Corporation by the Economic Development Administration of the U.S. Department of Commerce to capitalize a loan fund to assist small business grow in Rhode Island. SBLFC provides financing, typically as a junior lender, to eligible applicants who are unable to obtain conventional financing. SBLFC also acts as a participant lender with other financial institutions in certain circumstances. Given the fact that SBLFC is generally involved with non-conventional financings, the risk profile of the portfolio is somewhat higher than a normal bank loan portfolio and the consequent loan loss experience also tends to run higher. Since inception, the SBLFC has originated a total of 525 loans with a face value of \$38.7 million.

Rhode Island Economic Policy Council

The Rhode Island Economic Policy Council (EPC) was founded in March 1995 by Executive order of the Governor of the State of Rhode Island, for the purpose of focusing the State's economic development efforts on game-changing initiatives. In March 2008, the Governor ceased operations of the Council's administrative staff and eliminated state funding for the EPC. The Corporation was requested to close out the administrative operations for the EPC. The EPC has been included as a component unit because of the nature and significance of its relationship with the Corporation.

For specific information on the Corporation's subsidiaries, Rhode Island Airport Corporation and Quonset Development Corporation, reference should be made to their individual Management Discussion and Analysis narrative included with their separately-issued audit reports. The audited financial statements for all constituent units of the Corporation are also available at our website, www.riedc.com.

Request for Information

Questions concerning any information contained in this report or requests for additional information should be directed to:

Rhode Island Economic Development Corporation
315 Iron Horse Way, Suite 101
Providence, RI 02908
(401) 278-9100

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Reporting Entity	Component Units				
		Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	Rhode Island Economic Policy Council
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,031,842	\$ 2,342,350	\$ 34,783,533	\$ 5,345,944	\$ 7,567	570
Accounts receivable, less allowance for uncollectibles	42,413	521,918	6,149,865	1,646,807		
Notes and loans receivable, less allowance for loan losses	38,000			29,742		
Interest receivable	71,762	617,758	15,888			
Due from State of Rhode Island		367,233	768,265			
Deposits and prepaid expenses	14,847					
Restricted:						1,406
Cash and cash equivalents	3,830,612		15,604,810			
Investments			34,096,638			
Receivables			1,550,460			
Net investment in direct financing leases	1,370,339					
Total current assets	7,399,815	3,849,259	92,969,459	7,022,483		9,543
Noncurrent assets						
Restricted:						
Cash and cash equivalents	5,042,091		95,289,010			
Investments	948,842		14,990,318			
Net investments in direct financing leases, less current portion	34,817,149					
Interfund receivable (payable)	73,572	718,364	(719,232)	(72,704)		
Other receivables		254,370	153,429			
Due from State agencies	688,500					
Notes and loans receivable, less allowance for loan losses	9,533,000					
Deferred charges, less accumulated amortization of \$2,081,373	348,487	55,972,122	6,424,344	5,781,974		
Capital assets not being depreciated		51,098,315	59,778,059			
Capital assets being depreciated, net		326,440,796	326,440,796			
Total noncurrent assets	51,451,641	108,043,171	502,366,724	5,709,270		44,520
TOTAL ASSETS	58,851,456	111,892,430	595,326,183	12,731,763		54,063

(CONTINUED)

SEE NOTES TO FINANCIAL STATEMENTS

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Reporting Entity	Component Units				
		Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	Rhode Island Economic Policy Council
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 140,768	\$ 98,168	\$ 1,708,108	\$ 4,759	\$ 36,167	
Accrued expenses and other	898,169	1,368,236	4,003,300	15,995	19,873	
Current portion of notes, bonds and leases payable	4,745,000		615,544			
Due to State and State agencies			678,000			
Liability for claims, judgments and other settlements	4,770,301		21,911,961			
Payable from restricted assets	10,554,238	1,466,404	28,916,913	20,754	56,040	
Total current liabilities						
Noncurrent liabilities						
Liabilities payable from restricted cash and cash equivalents	3,396,115					
Note payable	5,030,000					
Net pension obligation	940,884	1,303,231				
Bonds and leases payable, less current portion	37,402,123					
Net investments in direct financing leases, less current portion						
Payable from restricted assets			341,688,005			
Other						
Deferred revenue		245,000				
Total noncurrent liabilities	46,769,122	1,548,231	341,688,005	-	-	
TOTAL LIABILITIES	57,323,360	3,014,635	370,604,918	20,754	56,040	
Commitments and contingencies (note 9)						
NET ASSETS						
Invested in capital assets, net of related debt	348,487	107,070,437	116,678,979		44,520	
Restricted			79,366,316			
Unrestricted	1,179,609	1,807,358	28,675,970	12,711,009	(46,497)	
TOTAL NET ASSETS	\$ 1,528,096	\$ 108,877,795	\$ 224,721,265	\$ 12,711,009	\$ (1,977)	

SEE NOTES TO FINANCIAL STATEMENTS

(CONCLUDED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008

	Primary Reporting Entity	Component Units			
	Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	Rhode Island Economic Policy Council
Operating revenues					
Charges for services	\$ 23,000	\$ 4,843,044	\$ 26,986,515		
Rentals and fees		2,031,429	14,444,179		
Utility and service			14,022,348		
Landing fees				\$ 544,709	\$ 260,406
Parking					16
Interest on loans					
Private contributions					
Other income					
Total operating revenues	23,000	6,874,473	55,453,042	544,709	260,422
Operating expenses					
Personnel services	3,781,598	2,173,157	19,895,570	348,735	260,533
Contractual services	894,766	579,151	14,252,356	38,945	
Airport operating expenses					
Utility services		1,423,782			
Rhode Island Economic Policy Council operating expenses					141,784
Public investment payments and job credits	6,054,026				
Grants	5,223,449	1,384,428		17,062	221,205
Other expenses	3,455,616			923,502	20,000
Provision for loan losses and uncollectibles	4,505,000	1,254,278	16,636,179		12,373
Depreciation and amortization					
Total operating expenses	23,914,455	6,814,796	50,784,105	1,328,244	655,895
Operating Income (loss)	(23,891,455)	59,677	4,668,937	(783,535)	(395,473)

SEE NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008

	Primary Reporting Entity	Component Units			
		Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation
Nonoperating revenues (expenses)	\$ 24,522,082	\$ 1,684,415	\$ 4,018,547	\$ 133,133	\$ 291,900
Appropriations from State	3,342,715	61,009	(13,550,155)		88
Gain on sale of properties	(3,993,795)		16,357,449		
Investment and other revenue			8,336,481		352,685
Interest expense	1,346,434		1,572,000		
Passenger and customer facility charges	(1,346,434)	(3,486,874)	(7,462,405)	(511,705)	
Grant income	0		107,921		75,000
Claims, judgements and other settlements	23,871,002	(1,741,450)	9,379,838	(25,887)	366,988
Grant expenses	(20,453)	(1,681,773)	14,048,775	(809,422)	(28,485)
Transfer to State of Rhode Island					
Other					
Total nonoperating revenues, net					
Income (loss) before capital contributions and transfers					
Capital contributions					
State bond proceeds	14,103,957				
Other	34,747		22,353,876		
Total capital contribution					
		14,138,704	22,353,876		
Transfers:					
Transfer (to) from Rhode Island Economic Development Corporation	237,500	(267,500)			30,000
Transfer from other State agencies	129,602				
Total transfers	367,102	(267,500)			30,000
Change in net assets	340,649	12,189,431	36,402,651	(809,422)	1,515
Total net assets, beginning of year, as adjusted	1,187,447	96,688,364	188,318,614	13,520,431	(3,492)
Total net assets, end of year	\$ 1,528,096	\$ 108,877,795	\$ 224,721,265	\$ 12,711,009	\$ (1,977)

(CONCLUDED)

SEE NOTES TO FINANCIAL STATEMENTS

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008**

	Primary Reporting Entity	Component Units			
		Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation
					Rhode Island Economic Policy Council
Cash flows from operating activities					
Receipts from customers/borrowers	\$ 23,000	\$ 6,847,224	\$ 58,017,075	\$ 562,391	\$ 294,145
Payments to suppliers	(15,634,686)	(2,828,403)	(12,943,726)	(59,428)	(400,085)
Payments to employees	(3,799,281)	(2,587,445)	(19,782,254)	(346,042)	(260,533)
Claims, judgements and other settlements			(1,673,575)		
Net cash provided by (used in) operating activities	(19,410,967)	1,431,376	23,617,520	156,921	(366,473)
Cash flows from noncapital financing activities					
State of Rhode Island appropriation received	24,522,082				291,900
Grants received	1,396,309			439,971	75,000
Grant expenditures	(1,363,095)			(511,705)	
Advances from State agencies		57,337		(593)	
Transfers	367,816	(267,500)			30,000
Net cash provided by (used in) noncapital financing activities	24,923,112	(210,163)	-	(72,327)	396,900

SEE NOTES TO FINANCIAL STATEMENTS

(CONTINUED)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008**

	Primary Reporting Entity	Component Units				
		Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation	Rhode Island Economic Policy Council
Cash flows from capital and related financing activities						
Proceeds from sale of property		\$	1,684,415	\$	31,717	
Bond proceeds, State and capital contributions and grant revenues, net			14,279,439		(3,118,532)	
Interest paid, long-term obligations		(3,993,795)			(12,962,868)	
Acquisition and construction of capital assets		(39,725)	(17,676,899)		(42,200,756)	
Proceeds from long-term obligations		14,280,000			32,001,889	
Transfer to State of Rhode Island			(3,486,874)		(8,494,690)	(18,676)
Collection of passenger facility charges					11,227,865	
Collection of customer facility charges		(5,875,339)			6,570,746	
Extinguishment of long-term debt		3,589,610				
Restricted liabilities					(363,416)	
Cost of issuance of long-term debt						
Net cash provided by (used in) capital and related financing activities		7,960,751	(5,199,919)	(17,308,045)	-	(18,676)
Cash flows from investing activities						
Proceeds from sale and maturity of investments					54,646,676	
Purchases of investments		(153)			(45,877,370)	
Interest income		3,245,008	61,009		4,133,264	
Loan originations and principal collections, net						133,133
(Increase) decrease in notes receivable		(13,962,000)	11,200			(237,835)
Principal payments made on note receivable and capital leases		1,260,003				
Net cash provided by (used in) investing activities		(9,457,142)	72,209	12,902,570	(104,702)	88

SEE NOTES TO FINANCIAL STATEMENTS (CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008

	Primary Reporting Entity	Component Units			
		Economic Development Corporation	Quonset Development Corporation	Rhode Island Airport Corporation	Small Business Loan Fund Corporation
	4,015,754	(3,906,497)	19,212,045	(20,108)	11,839
	6,888,791	6,248,847	126,465,308	5,366,052	(4,272)
\$	10,904,545	2,342,350	145,677,353	5,345,944	7,567
	\$(23,891,455)	\$ 59,677	\$ 4,668,937	\$ (783,535)	\$ (395,473)
	4,505,000	1,254,278	16,636,179	923,502	12,373
	(4,329)	71,342	2,497,368	17,682	53,723
	18,817	184,676	(559,096)	(728)	5,934
	(39,000)	(25,635)	825,097	(728)	(43,030)
	(19,410,967)	(112,962)	(2,005,142)		
\$	(19,410,967)	1,431,376	23,617,520	156,921	(366,473)
	2,031,842	2,342,350	34,783,533	5,345,944	7,567
	3,830,612		15,604,810		
	5,042,091		95,289,010		
\$	10,904,545	2,342,350	145,677,353	5,345,944	7,567

Net Increase (decrease) in cash and cash equivalents

Cash and cash equivalents, beginning of year

Cash and cash equivalents, end of year

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities

Operating income (loss)
 Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities
 Depreciation and amortization
 Provision for loan losses
 (Gain) Loss on disposal
 Claims, judgments and other settlements
 Changes in:
 Notes and accounts receivable
 Deposits and prepaid expenses
 Accounts payable and accrued expenses
 Net pension obligation

Net cash provided by (used in) operating activities

Reconciliation of cash and cash equivalents to the statements of net assets:

Current unrestricted assets
 Current restricted assets
 Noncurrent restricted assets

Supplemental disclosure of cash flow information

Noncash capital and related financing activities:
 Capital assets recorded through capital contributions
 Retirement of bonds payable through issuance of refunding bonds
 Bond issuance costs recorded through issuance of refunding bonds and related premium on refunding bonds issued
 Deferred amount on refundings recorded through:
 Issuance of refunding bonds and related premium on refunding bonds issued
 Reduction of unamortized bond issuance costs and unamortized original premiums and discounts

SEE NOTES TO FINANCIAL STATEMENTS

(CONCLUDED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rhode Island Economic Development Corporation (RIEDC) was authorized, created and established in 1974 by an Act (the Act) of the General Assembly of the State of Rhode Island (the State) for the purpose of acquiring and developing real and personal property to promote economic development in the State. RIEDC, a governmental agency and public instrumentality of the State, has a distinct legal existence from the State and has the power to issue tax-exempt industrial development bonds and revenue bonds to accomplish its corporate purpose. Certain bonds issued under the provisions of the Act are not a liability of RIEDC, and accordingly, are considered conduit debt obligations and are not reported as liabilities in the accompanying financial statements.

RIEDC is a component unit of the State for financial reporting purposes and, as such, the financial statements of RIEDC are included in the State's comprehensive annual financial report.

RIEDC and its component units are exempt from federal and state income taxes.

Reporting Entity

The accompanying financial statements present RIEDC (referred to herein as the primary reporting entity) and its component units, entities for which RIEDC has control over or for which RIEDC has financial accountability. RIEDC and its component units are collectively referred to herein as the Corporation.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Corporation applies the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units."

Discretely Presented Component Units

Each discretely presented component unit is reported in a separate column in the accompanying financial statements to emphasize that it is legally separate from RIEDC and other component units included in the financial statements.

Quonset Development Corporation (QDC) – The Quonset Development Corporation was created and incorporated on July 2, 2004, under Rhode Island law, as a subsidiary of RIEDC, for the purpose of developing and managing state lands for commercial purposes. QDC does not have the power to issue bonds, notes, or borrow money without the approval of RIEDC. Consequently, RIEDC is financially accountable for QDC.

Complete financial statements for QDC may be obtained at its administrative office at the following address:

Quonset Development Corporation
95 Cripe Street
North Kingstown, RI 02852

Rhode Island Airport Corporation (the Airport Corporation) – The Rhode Island Airport Corporation was created and incorporated on December 9, 1992, under Rhode Island law, as a subsidiary of RIEDC, for the purpose of assuming operating responsibility for the six airports in the State. The Airport Corporation does not have the power to issue bonds, notes or borrow money without the approval of RIEDC. Consequently, RIEDC is financially accountable for the Airport Corporation.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Units (Continued)

Complete financial statements for the Airport Corporation may be obtained at its administrative office at the following address:

Rhode Island Airport Corporation
T.F. Green State Airport
2000 Post Road
Warwick, Rhode Island

Small Business Loan Fund Corporation (SBLF) – The Small Business Loan Fund Corporation was created and incorporated on January 21, 1986, under Rhode Island law, as a subsidiary of RIEDC, for the purpose of granting secured and unsecured loans to small businesses located throughout Rhode Island. The SBLF Board serves at the pleasure of the RIEDC Board. Consequently, the SBLF has been included as a component unit of RIEDC.

The SBLF does not prepare separate financial statements.

Rhode Island Economic Policy Council (RIEPC) – The Rhode Island Economic Policy council was founded in March 1995 by Executive Order of the Governor of the State of Rhode Island, for the purpose of focusing the State's economic development efforts on game-changing initiatives. In May 2008, the Governor ceased operations of the Council's administrative staff and eliminated state funding for the RIEPC. The Corporation was requested to close out the administrative operations for the RIEPC. The RIEPC has been included as a component unit of RIEDC because of the nature and significance of its relationship with the Corporation.

The RIEPC does not prepare separate financial statements.

Financial Statement of Presentation, Measurement Focus and Basis of Accounting

The Corporation 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 Corporation uses the economic resources management focus and accrual basis of accounting. The Corporation applies all pronouncements of the GASB, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the Corporation has elected not to apply all FASB pronouncements and interpretations issued after November 30, 1989.

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

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. 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 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to material change in the near term relate to the determination of the allowance for loan losses.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents. For the purpose of reporting cash flows, cash and cash equivalents include repurchase agreements which are highly liquid, with maturity dates of three months or less at the time of purchase.

Accounts Receivable and Concentrations

Accounts receivable are reported at gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The Corporation does not require collateral or other forms of security from its customers. At June 30, 2008, approximately 37% of QDC's accounts receivable is due from two customers and approximately 26% of the Airport Corporation's accounts receivable is due from two customers.

Investments

In accordance with GASB Statement No. 31, money market investments having a remaining maturity of one year or less at time of purchase are reported at amortized cost provided that the fair value of such investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Investments in nonparticipating interest-earning investment contracts, such as certificates of deposit, nonnegotiable guaranteed investment contracts and nonnegotiable debentures with redemption terms that do not consider market rates, are reported at cost or amortized cost provided that fair value of such contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors. All other investments are reported at fair value. Fair value is established by quoted market values.

All investment income, including changes in the fair value of investments, is reported as revenues in the statement of revenues, expenses, and changes in net assets.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued standards

The Corporation adopted the following new accounting pronouncements in the year ended June 30, 2008:

The Corporation has implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, for the year ended June 30, 2008. The adoption of this Statement did not have an impact on the Corporation's financial position or results of operations.

The Corporation has implemented GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues. The adoption of this Statement did not have an impact on the Corporation's financial position or results of operations.

The Corporation has implemented GASB Statement No. 50, Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27, effective for the Corporation's fiscal year ending June 30, 2008.

The Corporation will adopt the following new accounting pronouncement in future years:

- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the Corporation's fiscal year ending June 30, 2010.

The impact of this pronouncement on the Corporation's financial statements has not been determined.

Notes and Loans Receivable

Notes and loans receivable are stated at the principal amount outstanding less any charge-offs and an allowance for loan losses. Interest income on notes and loans receivable is recognized over the term of the notes and loans and is calculated using the simple-interest method on principal amounts outstanding.

Accrual of interest income on notes and loans receivable is discontinued when management has determined that the borrower will be unable to meet contractual obligations and/or when notes or loans are 90 days or more in arrears. When a note or loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current-period income. Interest received on nonaccrual notes and loans is either applied against principal or reported as income according to management's judgment as to the collectibility of principal. Nonaccrual notes and loans may be returned to accrual status when principal and interest payments are not delinquent and the risk characteristics of the note or loan have improved to the extent that there no longer exists a concern as to the collectibility of principal.

The Corporation measures impairment using a discounted cash-flow method, or the loan's observable market price, or the fair value of the collateral if the loan is collateral-dependent. However, impairment is based on the fair value of the collateral if it is determined that foreclosure is probable.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

The allowance for loan losses is established through a provision charged to operations based on management's assessment of many factors, including the risk characteristics of the notes and loans, current economic conditions that may affect the borrowers' ability to pay, and trends in delinquencies and charge-offs. Realized losses, net of recoveries, are charged directly to the allowance. While management uses information available in establishing the allowance for loan losses, future adjustments to the allowance may be necessary if economic conditions or other factors differ substantially from the assumptions used in making the evaluation.

Capital Assets and Depreciation

Capital assets are stated at cost except for capital assets conveyed to the Corporation by the State or the United States of America, which are stated at fair value as of the date of contribution. Donated capital assets of the Airport Corporation are recorded as estimated fair market value at the date of donation, except for capital assets donated by the State which were recorded at the same net book value as previously reported by the State. Assets leased from the State by the Airport Corporation are recorded at the present value of the future minimum lease payments plus the value of funding received from the federal government. Expenditures in excess of \$1,500, \$2,500, \$2,500 and \$500 incurred by QDC, RIEDC, the Airport Corporation and RIEPC, respectively, which substantially increase the useful lives of existing assets are capitalized and routine maintenance and repairs and costs associated with Noise Mitigation and Property Acquisition Programs are expensed as incurred. Depreciation and amortization of capital assets is calculated using the straight-line method over the estimated useful lives (5-100 years) of these assets. QDC's land is held for sale or lease, and principally all of QDC's buildings and improvements are held for lease or sale. All other capital assets are used in operations.

Interest expense incurred during the construction phase of capital assets, net of interest income earned on financing proceeds invested over the same period, are included as part of the capitalized value of the assets constructed. For the year ended June 30, 2008, the Airport Corporation capitalized \$759,527 of interest expense, net of interest income of \$2,227,095.

Direct Financing Leases

Land and buildings leased to unrelated parties under capital leases are recorded as net investment in direct financing leases. Interest income under capital leases consists of the excess of lease payments due under the terms of the leases over the cost of land and buildings and is recognized over the lease terms using the level yield method.

Deferred Charges

Bond issuance costs are deferred and amortized over the life of the related bonds using the straight-line method and are reported as deferred charges. Bond premiums and discounts are deferred and amortized over the life of the related bonds using the effective interest method. Deferred amounts on refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the refunding bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the original issue bond premium or discount, as appropriate, and deferred amounts on refundings, as applicable.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Corporation accrues vacation benefits (vacation and sick benefits for the Airport Corporation) as earned by its employees in accordance with established personnel policies using the salary rates in effect at the date of the statement of net assets. Sick pay benefits of the Airport Corporation are accrued in accordance with the vesting method in accordance with GASB Statement No. 16, "Accounting for Compensated Absences."

Leasing and Utility and Service Activities and Concentrations

The Corporation's principal leasing activities consist of the rental of land and buildings located at the Quonset Point/Davisville Industrial Park under both non-cancelable operating leases expiring through 2029 and operating leases with lease periods of one year or less or which are cancelable at the option of the Corporation or the tenant. Rental revenue under operating leases is recognized based on the terms of the lease contracts, except for contingent rentals which are recognized when the tenant reports the rental activity. The Corporation also provides water and waste disposal services to tenants and recognized related revenue as services are provided. For the year ended June 30, 2008, revenue from three customers comprises approximately 49% of rental revenue and revenue from one customer comprises approximately 36% of utility and service revenue.

The Airport Corporation generates rental and concession revenues from airlines, food and beverage outlets, retail, rental cars, advertising and commercial tenants. Leases are accounted for as operating leases and rental revenue is recognized on a straight-line basis over the terms of the operating leases. Concession revenues are recognized based on reported concessionaire revenue.

Grants

Revenues from grants are recognized as soon as all eligibility requirements imposed by the provider have been met.

Bond proceeds received from the State and government grants to fund certain construction costs, and government grant revenues received to fund certain airport capital improvements, are recorded as nonoperating revenues as allowable expenditures are incurred. Bond proceeds and grants received to fund capital acquisition, and airport facility development and eligible long-term planning studies, are reported as capital contributions in the statement of revenues, expenses and changes in net assets.

Passenger and Customer Facility Charges

Passenger and customer facility charges are recorded by the Airport Corporation as nonoperating revenues when earned based upon enplaned passengers and daily car rentals reported by signature agencies, respectively.

Landing Fees

Landing fees are generated by the Airport Corporation principally from scheduled airlines, cargo carriers and nonscheduled commercial aviation based on landed weight of the aircraft and/or signed contracts, and are recognized as revenue as the related facilities are used.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Parking

Parking revenues are generated by the Airport Corporation principally from on-site facilities managed by a third party. Revenues are based upon utilization of the facilities, subject to certain minimum amounts under certain contracts. Parking revenues are recognized based upon reported revenue by the management company. Additional parking revenues resulting from audit of the management company records are recognized when such amounts become known.

Net Assets

Net assets are segregated into the following three components in accordance with GASB Statement No. 34:

Invested in capital assets, net of related debt – represents the net book value of all capital assets less the outstanding balances of bond, notes and other debt used to acquire, construct or improve these assets.

Restricted – those that have been limited to uses specified either externally by creditors, contributors, laws or regulations of other governments or internally by enabling legislation or law.

Unrestricted – a residual category for the balance of net assets.

2. DEPOSITS AND INVESTMENTS

RIEDC and its component units have implemented the provisions of GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

Deposits

RIEDC and its component units assume 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, deposits of RIEDC or respective component units may not be returned to it

In accordance with Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. RIEDC and its component units do not have any additional policy in regards to custodial credit risk for deposits.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2. DEPOSITS AND INVESTMENTS (Continued)
Deposits (continued)

The bank balances of RIEDC and its component units cash deposits that were exposed to credit risk as of June 30, 2008 are as follows:

	<u>RIEDC</u>	<u>QDC</u>	<u>Airport Corporation</u>	<u>SBLF</u>
Uninsured, uncollateralized.....	\$9,789,455	\$88,900		\$3,536,980
Collateralized with securities held by bank trust departments			\$82,250,677	
Collateralized with securities held by bank trust departments not in Corporation's name.....	<u>1,103,787</u>	<u>\$2,113,078</u>		<u>1,829,374</u>
Total	<u>\$10,893,242</u>	<u>\$2,201,978</u>	<u>\$82,250,677</u>	<u>\$5,366,354</u>

Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in a debt instrument. RIEDC, QDC, and SBLF do not have any policies governing interest rate risk. The Airport Corporation's investment policy limits its investments to those that provide for sufficient liquidity to meet all operating requirements, annual debt service and to obtain a reasonable rate of return.

At June 30, 2008, investments by remaining maturity are as follows:

	<u>1 Year or Less</u>	<u>>1 to 5 Years</u>
RIEDC, U.S. Government Obligation.....	\$ 948,842	
Airport Corporation:		
Money market funds	\$64,869,389	
U.S. Government obligations.....	\$34,096,638	\$14,990,318

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. Rhode Island General Laws permit RIEDC and its component units to invest in certificates of deposit, savings accounts, money market accounts, obligations of the U.S. Government or certain obligations thereof, repurchase agreements with any eligible depository for a period not to exceed 30 days, commercial paper with a rating of P-1, A-1 or higher, and investment grade corporate debentures with a rating of AAA or AA by Standard and Poor's Rating Service (S&P) and Aaa, Aa by Moody's Investor's Service, Inc. (Moody's). RIEDC and its component units do not have any investment policies that would further limit its investment choices beyond those limited by Rhode Island General Laws. At June 30, 2008, the Airport Corporation's investments, excluding U.S. Government obligations, were held in money market funds rated AAA by S & P and Aaa by Moody's.

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer regardless of its credit history. RIEDC and its component units do not have any policies governing concentration of credit risk. At June 30, 2008, there are no investments in a single issuer that represents 5% or more of RIEDC's or a respective component unit's investments.

Custodial credit risk for investment securities is the risk that, in the event of the failure of the counterparty, RIEDC or its component units will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. RIEDC and its component units do not have any policies governing custodial credit risk except for that which is provided by Rhode Island General Laws, Chapter 35-10.1. At June 30, 2008, RIEDC and its component units did not have any investments that were subject to custodial credit risk.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

3. ACCOUNTS, LOANS AND NOTES RECEIVABLE AND COMMITMENTS

At June 30, 2008, accounts and loans receivable, including the allowance for uncollectibles and allowance for loan losses, is as follows:

	<u>RIEDC</u>	<u>QDC</u>	<u>Airport Corporation</u>	<u>SBLF</u>	<u>RIEPC</u>
Unrestricted:					
Rentals		\$ 189,190			
Utilities and service		186,472			
Trade			\$ 5,030,279		
Federal government and other grants	\$ 37,153	34,747	2,127,080		
Other	5,260	130,854			\$ 20,570
Loans, secured principally through junior liens, by:					
Real estate mortgages	76,000			\$ 6,064,632	
Property and equipment		60,800		2,085,373	
Unsecured loans (Note 6)	14,000,000	193,570		348,914	
Gross receivable	14,118,413	795,633	7,157,359	8,498,919	20,570
Less allowance for:					
Uncollectibles	4,505,000	19,345	854,065	1,070,138	20,000
Loan losses					
Net unrestricted receivables	9,613,413	776,288	6,303,294	7,428,781	570
Restricted for capital expenditures, principally passenger facility and customer facility charges			1,550,460		
Total receivables, net	\$ 9,613,413	\$ 776,288	\$ 7,853,754	\$ 7,428,781	\$ 570

An analysis of the SBLF's allowance for loan losses for the year ended June 30, 2008 is as follows:

Balance, beginning of year	\$992,003
Provision for loan losses	926,981
Loans charged off	<u>(848,846)</u>
Balance, end of year	<u>\$1,070,138</u>

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

3. ACCOUNTS, LOANS AND NOTES RECEIVABLE AND COMMITMENTS (Continued)

The SBLF had the following outstanding loan commitments at June 30, 2008:

Commitments to originate loans	\$2,100,000
Unadvanced portions of construction and commercial loans ..	\$288,214

RIEDC issues notes and grants loans to private-sector entities and others located in Rhode Island. The ability of RIEDC's debtors to honor their contracts is primarily dependent upon various factors, including among others, the financial success of the borrower, success of the project financed, and general economic conditions in Rhode Island.

At June 30, 2008, RIEDC's note receivable is summarized as follows:

Note receivable, noninterest-bearing, receivable in annual installments of \$38,000, maturing July 2010	\$76,000
Note receivable, bearing interest at 0.5%, interest payments due annually commencing on the first anniversary of the loan, entire principal due at maturity, maturing July 2047 (note 6)	<u>14,000,000</u>
Total	14,076,000
Less current portion	<u>38,000</u>
Notes receivable, long-term portion	14,038,000
Less allowance for loan losses	<u>4,505,000</u>
Notes receivable, long term portion, net of allowance	<u>\$9,533,000</u>

4. RESTRICTED ASSETS

The Airport Corporation's restricted assets consist of monies and other resources which are restricted legally under agreements with creditors or grantors. Assets restricted for capital expenditures represent assets restricted under the Airport Corporation's capital grant and other agreements for certain projects and cannot be expended for any other purpose. Assets restricted for deposits represent deposits held by the Airport Corporation to ensure performance by tenants. Assets restricted for reserves represent assets restricted by a master indenture of trust.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

5 CAPITAL ASSETS

Capital asset activity for RIEDC for the year ended June 30, 2008, is as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 308,762	\$ -	\$ -	\$ 308,762
Equipment not placed into service	-	39,725	-	39,725
Total capital assets, net	\$ 308,762	\$ 39,725	\$ -	\$ 348,487

Capital asset activity for QDC for the year ended June 30, 2008, is as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 47,832,433	\$ 1,518,061	\$ (953,509)	\$ 48,396,985
Construction in progress	5,790,407	18,977,384	(17,192,654)	7,575,137
Total capital assets not being depreciated	53,622,840	20,495,445	(18,146,163)	55,972,122
Capital assets being depreciated				
Land improvements	9,995,496	4,510,809	-	14,506,305
Buildings and improvements	28,317,015	4,419,716	-	32,736,731
Furniture and equipment	1,303,622	6,397,092	-	7,700,714
Total capital assets being depreciated	39,616,133	15,327,617	-	54,943,750
Less accumulated depreciation	(2,591,157)	(1,254,278)	-	(3,845,435)
Total capital assets being depreciated, net	37,024,976	14,073,339	-	51,098,315
Total capital assets, net	\$ 90,647,816	\$ 34,568,784	\$ (18,146,163)	\$ 107,070,437

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

5 CAPITAL ASSETS (Continued):

Capital asset activity for the Airport Corporation for the year ended June 30, 2008, is as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 21,906,381	\$ 5,591,435	\$ -	\$ 27,497,816
Construction in progress	120,139,603	82,987,597	(170,846,957)	32,280,243
Total capital assets not being depreciated	142,045,984	88,579,032	(170,846,957)	59,778,059
Capital assets being depreciated				
Assets leased from the State	30,608,849	-	-	30,608,849
Leasehold improvements	288,767,807	139,956,273	-	428,724,080
Machinery and equipment	21,105,694	3,274,863	(30,330)	24,350,227
Vehicles	1,997,041	39,547	(93,841)	1,942,747
Total capital assets being depreciated	342,479,391	143,270,683	(124,171)	485,625,903
Less accumulated depreciation	(142,536,469)	(16,757,888)	109,250	(159,185,107)
Total capital assets being depreciated, net	199,942,922	126,512,795	(14,921)	326,440,796
Total capital assets, net	\$ 341,988,906	\$ 215,091,827	\$ (170,861,878)	\$ 386,218,855

Accumulated amortization on assets under capital lease for the Airport Corporation amounts to \$4,916,230 at June 30, 2008.

Capital asset activity for the Rhode Island Economic Policy Council for the year ended June 30, 2008, is as follows

Capital assets being depreciated				
Leasehold improvements	\$ 3,875	\$ -	\$ -	\$ 3,875
Furniture and equipment	89,264	18,677	-	107,941
Total capital assets being depreciated	93,139	18,677	-	111,816
Less accumulated depreciation	(54,923)	(12,373)	-	(67,296)
Total capital assets, net	\$ 38,216	\$ 6,304	\$ -	\$ 44,520

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

6. LONG-TERM DEBT

RIEDC Bonds Payable and Net investment in Direct Financing Leases

During 1995, RIEDC issued bonds totaling \$34,070,000 to finance the rehabilitation and other related costs of the Shepard Building. The debt service of the bonds was being funded by the State under a lease agreement between the Corporation and the State. In August 1997, the Corporation transferred the Shepard Building to the State through a Certificate of Participation Plan and the lease receivable with the State and the bonds were removed from the Corporation's books. The outstanding defeased debt on these bonds at June 30, 2008 was approximately \$20,980,000.

During 1996, RIEDC issued \$25,000,000 of 1996 Series bonds to finance the acquisition of land and to make land improvements and construct a building at Island Woods Industrial Park (the FMR Rhode Island, Inc. Project). The 1996 Series bonds bear interest at 8.28%, are payable in semi-annual installments of approximately \$1,244,000, and mature May 1, 2021. During 2002, RIEDC issued \$10,000,000 of 2002 Series bonds to the FMR Rhode Island, Inc. Project. The 2002 Series bonds bear interest at 7.24%, interest only until 2008, and mature in 2027. Amounts outstanding under the bonds are secured by the direct financing lease discussed below.

During November 1997, RIEDC issued \$11,000,000 of 1997 Series bonds to finance the acquisition of land and to make improvements and renovations to a building and parking lot (the Fleet National Bank Project). The 1997 Series bonds bear interest at 7.61%, are payable in semi-annual installments of approximately \$43,000, and mature May 1, 2027. Amounts outstanding under the bonds are secured by the direct financing lease discussed below.

Aggregate scheduled principal and interest payments due on RIEDC's revenue bonds and total future minimum lease payments receivable at June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$1,370,329	\$3,005,620
2010	1,483,563	2,893,109
2011	1,599,477	2,771,513
2012	1,730,037	2,643,667
2013	1,871,621	2,498,000
2014 – 2018	11,898,844	9,921,746
2019 – 2023	12,350,905	4,475,644
2024 – 2027	<u>6,467,706</u>	<u>947,773</u>
	38,772,482	<u>\$29,157,072</u>
Less: current portion of long-term debt.....	<u>1,370,329 (1)</u>	
Net long-term portion of bonds payable.....	<u>\$37,402,153</u>	

RIEDC has entered into direct financing leases with Fleet National Bank and FMR Rhode Island, Inc. Total minimum lease payments receivable and unearned income under direct financing leases is equivalent to scheduled aggregate principal and interest payments and scheduled aggregate interest payments, respectively, under the bonds payable, net of job rent credits. Job rent credits are payable by RIEDC semi-annually over the life of the bonds provided that the lessees achieve certain job targets. For the year ended June 30, 2008, job rent credits issued by RIEDC totaled \$2,494,026.

(1) Cash and investments on hand related to, and collections on, net investment in direct financing leases are restricted to pay the bonds issued to finance such direct financing lease transactions. The current portion of amounts payable from restricted assets of \$4,770,301 includes \$1,370,329 of current portion of long-term debt and \$3,399,972 of other current liabilities payable from restricted assets.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

6. LONG-TERM DEBT (Continued)

Notes Payable/Masonic Temple Tax Credit Loans

In July 2007, the Corporation closed on transactions relative to the State's retirement of approximately \$21 million of unused historic tax credit obligations on the Masonic Temple Hotel, resulting in a net benefit to the State of approximately \$ 7 million.

To satisfy payment the Corporation issued \$14,280,000 of notes payable. The notes bear interest at 6.10%, with interest payments due semi-annually and principal payments due annually. The notes mature on June 15, 2010. The State will provide semi-annual appropriations to the Corporation thru FY 2010 to pay the interest and debt service.

The notes payable by the Corporation are secured by an assignment of a Payment Agreement between the State of Rhode Island and the Corporation reflecting legislative approval of the Corporation's executing this debt and the State's obligation to appropriate to the Corporation funds sufficient to repay the debt.

The proceeds from the notes payable were used to loan \$14,000,000 (See Note 3) to the owner (MTRI, Inc) in exchange for MTRI's (and its affiliate's) forbearance on utilizing or selling the eligible tax credits. MTRI, Inc is to pay the corporation annual interest only payments until the loan is due 40 years from the date of closing. In addition, MTRI was required to deposit \$760,000 in escrow as security for the loan. The primary benefit of the transaction to the State was the \$7 million discount. Therefore, the Corporation is not expecting repayment on the loan to exceed the escrow and any interest payments made, A loan loss reserve has been established equal to the debt service and interest payments provided by the State during FY 2008.

Repayment by the Corporation's borrower is secured by a pledged interest in the borrower and the escrow referenced above.

Aggregate scheduled principal and interest payments due on RIEDC's note payable at June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$4,745,000	\$307,913
2010	<u>5,030,000</u>	<u>158,445</u>
	9,775,000	<u>\$466,358</u>
Less: current portion of long-term debt.....	<u>4,745,000</u>	
Net long-term portion of note payable.....	<u>\$5,030,000</u>	

Airport Corporation Long-term Debt

Revenue Bonds payable (1):

1994 Series A bonds, interest at 5.25% to 7%	\$ 6,070,000
1998 Series A and B bonds, interest at 4.2% to 5.25%.....	35,080,000
2000 Series A and B bonds, interest at 5.51% to 6.5%.....	5,190,000
2003 Series A bonds, interest at 3.5% to 5%	23,585,000
2004 Series A bonds, interest at 2% to 5%	50,060,000
2005 Series A, B, and C bonds, interest at 3% to 5%	114,870,000
2006 First lien special facility bonds, interest at 4% to 5%.....	48,765,000
2008 Series A, B and C bonds, interest at 3.5% to 5.25%	<u>51,165,000</u>

Total principal outstanding..... 334,785,000

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

6. LONG-TERM DEBT (Continued)

Airport Corporation Long-term Debt (Continued)

Add: unamortized bond premium, net.....	<u>24,670</u>
Revenue bonds payable, less unamortized discount, net.....	334,809,670
State of Rhode Island payable (2).....	11,678,354
Obligations under capital leases (3).....	2,075,358
TIFIA loan.....	83,232
Note payable (4).....	<u>701,935</u>
Total.....	349,348,549
Less: current portion.....	<u>7,660,544</u>
TOTAL.....	<u>\$341,688,005</u>

- (1) Issued by RIEDC on behalf of the Airport Corporation. The proceeds from these bonds are being used to finance construction and related costs of certain capital improvements at T.F. Green Airport. These bonds, except for the 2006 First lien special facility bonds, are secured by net revenues derived from the operations of the airport. The 2006 First lien special facility bonds are secured solely by the net revenues derived from the Intermodal Facility.

During the year ended June 30, 2005, RIEDC, on behalf of the Airport Corporation, issued \$44,465,000 of revenue bonds with an average interest rate of 4.916% to advance refund \$42,165,000 of revenue bonds with an average interest rate of 6.065%. These bonds were advance refunded to reduce total debt service payments over the next 16 years by approximately \$3,040,000 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of approximately \$223,000. The reacquisition price exceeded the carrying amount of the old debt \$5,366,543. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

During the year ended June 30, 2008, the Airport Corporation issued \$18,030,000 of revenue bonds with an average interest rate of 4.492% to advance refund \$18,060,000 of revenue bonds with an average interest rate of 5.081%. The Airport Corporation advance refunded these bonds to reduce its total debt service payments over the next 10 years by approximately \$717,000 and obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of approximately \$597,000. The reacquisition price exceeded the carrying amount of the old debt by \$539,126. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

The proceeds of the refunding were used to purchase U.S. Government securities which were deposited into an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. As of June 30, 2008, \$60,225,000 of outstanding refunding bonds, including prior year refundings, are considered defeased.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

6. LONG-TERM DEBT (Continued)

Airport Corporation Long-term Debt (Continued)

- (2) The Lease Agreement with the State requires the Airport Corporation to make annual payments to the State in an amount equal to the principal and interest payments due bondholders under certain airport-related General Obligation Bonds issued on behalf of the Airport Corporation. Although the original airport-related General Obligation Bonds were defeased in June 2002, the terms of the Lease Agreement require the Airport Corporation to continue to remit lease payments to the State based upon the amortization schedule of original airport-related General Obligation Bonds.
- (3) The Airport Corporation has financed the acquisition of certain equipment through lease-purchase agreements. The agreements provide for monthly, quarterly, or semi-annual lease payments which range from \$114,000 to \$360,000. The interest rates associated with these agreements range from 3.67% to 4.11%.
- (4) The Airport Corporation has financed the acquisition of a parcel of land with seller-provided financing. The note requires monthly payments of principal and interest of \$9,176, including interest at 4.15% through November 2015.

Aggregate scheduled principal and interest payments due on the Airport Corporation's long-term debt at June 30, 2008, excluding obligations under capital leases, and secured TIFIA loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
All except capital leases:		
2009	\$ 8,695,698	\$ 16,703,700
2010	10,001,236	16,175,454
2011	10,109,675	15,643,670
2012	11,998,468	15,077,814
2013	12,577,422	14,487,551
2014 – 2018	66,652,790	62,809,677
2019 – 2023	81,800,000	44,483,339
2024 – 2028	77,120,000	24,408,628
2029 – 2033	42,905,000	9,349,851
2034-2038.....	23,205,000	2,631,483
2039	2,100,000	-
Total	<u>\$347,165,289</u>	<u>\$221,771,167</u>

Future minimum lease payments and the net present value of these minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2009	\$ 610,425
2010	714,971
2011	534,576
2012	324,396
2013	64,700
Total	<u>2,249,068</u>
Less: amount representing interest	173,710
Present value of minimum lease payments.....	<u>\$2,075,358</u>

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

6. LONG-TERM DEBT (Continued)

Changes in long-term debt, net of unamortized bond premium, for the year ended June 30, 2008 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One year
RIEDC					
Revenue bonds	\$40,032,465		\$(1,260,003)	\$38,772,462	\$1,370,329
Note payable		\$14,280,000	(4,505,000)	9,775,000	4,745,000
Total long-term liabilities	\$ 40,032,465	\$ 14,280,000	\$ (5,765,003)	\$ 48,547,462	\$ 6,115,339
Airport Corporation:					
Revenue bonds	\$ 308,331,101	\$ 52,011,782	\$ (25,533,213)	\$ 334,809,670	\$7,045,000
State of Rhode Island payable	13,194,932		(1,516,578)	11,678,354	
Note payable	774,654		(72,719)	701,935	82,544
TIFIA loan.....	83,232			83,232	
Obligations under capital leases	2,615,751		(540,393)	2,075,358	533,000
Total long-term liabilities	\$324,999,670	\$52,011,782	\$(27,662,903)	\$349,348,549	\$7,660,544

In June, 2006, the Airport Corporation, RIEDC and the Rhode Island Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement) which provides for borrowings of up to \$42,000,000 with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act of 1998. The purpose of the Agreement is to reimburse RIEDC and RIDOT and to provide funding to the Airport Corporation for a portion of eligible project costs related to the Intermodal Facility Project. The Airport Corporation is permitted under the agreement to make requisitions of funds for eligible project costs and it is anticipated that such requisitions will occur in fiscal years 2007-2010. Upon completion of the project, the Airport Corporation will begin making monthly payments of principal and interest, with interest at a rate of 5.26%. Payments will be made of behalf of the RIEDC (the borrower per the Agreement) and it is anticipated that repayments will commence in fiscal year 2010 with a final maturity of January 2042. Such repayments are payable solely from the net revenues derived from the Intermodal Facility. As of June 30, 2008, the Airport Corporation had \$83,232 in borrowings under this agreement.

7. STATE APPROPRIATIONS AND BOND PROCEEDS

During the year ended June 30, 2008, RIEDC, QDC and RIEPC received the following appropriations and bond proceeds from the State:

Budget	\$ 5,994,050
Legislative	1,460,634
Special, including Slater.....	2,919,000
Public Investment Payment (Note 9).....	3,560,000
Job rent credits (Note 6)	2,494,026
Epscore	1,459,500
RI Airport Corporation Impact Aid	1,000,754
Masonic Temple	5,349,464
Science and Technology.....	100,000
Business innovation.....	100,000
Rhode Island Economic Policy Council funding	291,900
State general obligation bond proceeds, construction	<u>14,103,957</u>
Total received	38,833,285
Less: deferred at June 30, 2008.....	(204,988)
Add: deferred at June 30, 2007	289,642
State Appropriations and Bond Proceeds	<u>\$38,917,939</u>

RIEDC is dependent upon annual appropriations by the General Assembly of the State to fund its operating expenses.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

8. PENSION PLANS

RIEDC Pension Plan

Employees of the Corporation hired prior to January 1, 2006 are covered by the Rhode Island Economic Development Corporation Pension Plan and Trust (the Plan), a single-employer defined benefit pension plan administered by RIEDC. The Plan provides retirement, disability, and death benefits to Plan member and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries. The Plan assigns to RIEDC the authority to amend benefit provisions. The actuarially determined benefits are based on 60% of average compensation and are adjusted based on length of service. The minimum length of service is one year and employees are fully vested after 5 years of service.

Funding Policy

The contribution requirements are established by RIEDC. Plan members are not required to contribute to the Plan. The employer is responsible for funding the cost of all benefits.

Annual pension cost and net pension obligation:

RIEDC's annual pension cost for the year ended June 30, 2008 and net pension obligation were as follows:

Annual required contribution	\$ 539,988
Interest on net pension obligation	155,745
Adjustment to annual required contribution	<u>(252,695)</u>
Annual pension cost	443,038
Contributions made	<u>(595,000)</u>
Decrease in net pension obligation	(151,962)
Net pension obligation, beginning of year	<u>2,396,077</u>
Net pension obligation, end of year	<u>\$2,244,115</u>

The net pension obligation at June 30, 2008 and the annual pension cost for the year ended June 30, 2008 is allocated between the Corporation and QDC by the Plan's actuary.

The annual required contribution for the current year was determined as part of the July 1, 2007 actuarial valuation using the aggregate actuarial cost method. This method does not identify and separately amortize unfunded actuarial liabilities. The actuarial assumptions included a 6.5% investment rate of return and projected salary increases of 3% per year. The actuarial value of assets was determined using the market value of investments.

Three-year trend information

<u>Fiscal year</u> <u>Ended</u> <u>June 30,</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Actual</u> <u>Contribution</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2008	\$443,038	\$595,000	134.3%	\$2,244,115
2007	\$559,182	\$656,741	117.4%	\$2,396,077
2006	\$558,267	\$647,000	115.9%	\$2,493,636

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

8. PENSION PLANS (Continued)

RIEDC Pension Plan

Funding Progress

As of the latest actuarial valuation date (July 1, 2008), actuarial value of assets in the RIEDC plan was \$13,028,186 and actuarial accrued liability was \$13,677,506 for a total unfunded actuarial liability of \$649,320. Annual covered payroll was \$4,225,458. The unfunded actuarial liability is 15.4% of covered payroll. Since the aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using an entry age normal actuarial cost method for that purpose and is intended to serve as a surrogate for the funded status and funding progress of the plan.

The schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Employees of the Corporation hired on or after 1/01/06 participate in the Rhode Island Economic Development Corporation Retirement and Savings Plan (401a). The plan provides for the Corporation to make discretionary matching and/or additional contributions as approved by the Board of Directors. For fiscal year ended June 30, 2008 the Corporation contributed 4% of eligible salary and provided up to an additional 3% to the extent the employee participated in the Rhode Island Economic Development Corporation Deferred Compensation Plan (457). The contributions for fiscal year ended June 30, 2008 were \$39,983.

All employees are eligible to participate in the Rhode Island Economic Development Corporation Deferred Compensation Plan (457).

Both the 401a and 457 plans are calendar year based.

Airport Corporation Pension and Deferred Compensation Plans

Employees' Retirement System of the State of Rhode Island

All employees who transferred from the State's payroll to the Airport Corporation's on July 1, 1993 participate in the Employees' Retirement System of the State of Rhode Island (the Plan). The Plan is a cost-sharing, multiple-employer, public employee retirement system administered by the State. The number of Airport Corporation employees covered by the Plan throughout the year averaged twenty. The Airport Corporation's total payroll was \$14,797,176, of which \$1,362,020 was covered under the Plan.

The Plan issues a stand-alone, publicly available financial report that includes financial statements and required supplementary information. A copy of the report can be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, Rhode Island 02903.

Pension benefits vest after 10 years of service. Participants are eligible to retire after 10 years of service if they have attained age 60, or after 28 years of service regardless of age and are entitled to retirement benefits payable monthly for life.

The retirement benefit is a percentage of final average salary per year of credited service with a maximum benefit of 80% of final average salary. The percentage for each year of credited service is as follows:

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

8. PENSION PLANS (Continued)

Airport Corporation Pension and Deferred Compensation Plans (Continued)

<u>Years of Credited Service</u>	<u>Percent/Year</u>
1-10	1.7%
11-20	1.9%
21-34	3.0%
35	2.0%

Final average salary is computed using the three highest consecutive years of earned salary excluding overtime, bonuses or severance pay. Retirees' benefits are subject to a 3% compounded annual cost of living commencing on the January 1 following the third anniversary of an employee's retirement.

Funding Policy

Rhode Island general laws and the General Assembly set the contribution rates for participating State employees at 8.75% of salary. The Plan's Retirement Board sets the contribution rate for participating employers. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The Airport Corporation was required to contribute for all full-time employees 20.77% for the fiscal year 2008. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1989, over 27 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. In addition, the Airport Corporation is required to contribute approximately 6.01% for post-retirement health benefits.

The amounts contributed to the Plan were as follows:

<u>Year Ending June 30,</u>	<u>Airport Corporation Required Contributions</u>	<u>Percentage Contributed</u>
2008.....	\$282,891	100%
2007.....	\$254,691	100%
2006.....	\$238,190	100%

In accordance with GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," as amended by GASB Statement No. 50 "Pension Disclosures" the Airport Corporation has determined that there is and has been no pension liability or assets related to the Plan.

Money Purchase Pension Plan

Employees hired by the Airport Corporation on or after July 1, 1993 are eligible to participate in the Money Purchase Pension Plan and Trust, a defined contribution plan administered by the Airport Corporation. The number of Airport Corporation employees covered by this Plan throughout the year averaged 164. The Airport Corporation's total payroll was \$14,797,176, of which \$9,955,400 was covered under the Plan.

In order to participate in the Plan, covered employees must contribute 6% of their base pay to the Plan. The participant is 100% vested in the amounts they contribute. Withdrawals of these contributed amounts are not permitted prior to termination of employment. The Airport Corporation matches 100% of the participant's required contribution under a five-year vesting schedule. Total contributions for the year ended June 30, 2008 were \$597,324 by the employer and \$616,174 by the employees.

The Board of Director's of the Airport Corporation has the authority to establish and/or amend the plan's provisions and the plan's contribution rates.

(CONTINUED)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

9. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The Airport Corporation and Rhode Island Economic Development Corporation participate in a State administered defined benefit post-employment healthcare plan known as the Rhode Island Retiree Health Care Benefit Plan (RIRHCBP). The RIRHCBP is an agent multiple employer plan.

The RIRHCBP is reported in an internal service fund of the State using the accrual basis of accounting. The fund reports all employer and retiree (plan member) contributions to the plan. Contributions are recognized when made. Benefits (health care claims) and refunds are recognized when due and payable in accordance with the terms of the plan. A liability for incurred but not reported claims is determined based on past claims payment trends and is included in the financial statements. Working premium rates are determined by the State each fiscal year after consultation with an employee benefits consultant and are designed to fund current claims incurred during the fiscal year as well as the costs of administering the plan. For the year ended June 30, 2008, the Plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to RIRHCBP members. The RIRHCBP does not issue a stand-alone financial report.

Funding Policy

RIGL Sections 36-10-2, 36-12.1, 36-12.2.2 and 36-12-4 govern the provisions of the RIRHCBP. The contribution requirements of the plan members, the State and other participating employers are established and may be amended by the General Assembly.

For anyone who retires on or before September 30, 2008, the State provides two types of subsidies for health care benefits. The Tier I subsidy applies to non-Medicare eligible plans and provides that the State will pay the portion of the cost of post-retirement health care for the retiree and any dependents above the active group rate. The retiree pays the active monthly rate and the State pays the difference between the active group rate and the early retiree rate. This subsidy is not based on years of service and ends at age 65. In addition to Tier I benefits, the State pays a portion of the cost of post-retirement health care above the Tier I costs for certain retirees meeting eligibility requirements based upon the age and service of the retiree, which is referred to the Tier II benefit.

In fiscal year 2008, non-Medicare retirees paid the active monthly premium rate and the State paid the difference between the active group rate and the more costly, early retiree rate (the "Tier I" benefit). Pursuant to RIGL Section 36-12-4 the State paid a portion of the cost of post-retirement health care above the Tier I costs for certain retirees meeting eligibility requirements based upon the age and years of service of the retiree, which is referred to as the Tier II benefit.

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RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Funding Policy (Continued)

The retirees' fiscal 2008 contributions are as follows

Retiree Age	Years of Service	Amount of Cost Paid By Retiree
Below 60: (1)	28-34	10%
	35+	0%
Retiree Age from 60 to 65: (2)	10-15	50%
	16-22	30%
	23-27	20%
	28+	0%
Retiree Age Greater than 65: (3)	10-15	50%
	16-19	30%
	20-27	10%
	28+	0%

- (1) The monthly premium rate is \$708.94 for the individual plan. The retiree's cost is then calculated based on a maximum of \$452.28 (the active plan rate).
- (2) The monthly premium rates are the same as indicated above for the Retiree Age Below 60 category.
- (3) The monthly premium rate for the Medicare Supplemental plan is \$179.77 for the individual plan, and the monthly premium for the Medicare HMO plan was \$100.00 for the first six months of fiscal year 2008 and \$107 thereafter. Retirees can choose between the two plans. The retiree's cost is then calculated based on their years-of-service subsidy above.

Annual OPEB Cost

The Airport Corporation and the Rhode Island Economic Development Corporation recognized an expense equal to the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Airport Corporation and RIEDC actually contributed 3.91% of annual covered payroll, resulting in a net OPEB obligation of \$32,416, and \$4,170 respectively which is included in accrued payroll and employee benefits in the accompanying statement of net assets at June 30, 2008. The Airport Corporation's and RIEDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal 2008, the first year of GASB 45 implementation, was as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Airport Corporation	\$80,059	65%	\$32,416
RIEDC	\$11,936	65%	\$4,170

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Funded Status and Funding Progress

The funded status of the Airport Corporation's share of the plan as of June 30, 2008, was as follows:

Actuarial Accrued Liability (AAL)	\$967,461
Actuarial Value of Plan Assets.....	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$967,461</u>
Funded Ratio (Actuarial Value of Plan Assets / AAL).....	0%
Annual Covered Payroll (Active Plan Members)	\$1,362,020
UAAL as a Percentage of Covered Payroll	71%

The funded status of Rhode Island Economic Development Corporation's share of the plan as of June 30, 2008, was as follows:

Actuarial Accrued Liability (AAL)	\$96,746
Actuarial Value of Plan Assets.....	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$96,746</u>
Funded Ratio (Actuarial Value of Plan Assets / AAL).....	0%
Annual Covered Payroll (Active Plan Members)	\$198,607
UAAL as a Percentage of Covered Payroll	49%

Separate actuarial valuations were not performed to determine the actuarial liability for the Airport Corporation or Rhode Island Economic Development Corporation, participating employers. The total AAL for all general employees participating in RIRHCBP was apportioned to each participating entity based on their pro rata share of active covered employees to all active covered employees.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation was performed as of June 30, 2005 with results projected to July 1, 2007 for the fiscal year ended June 30, 2008. The annual required contribution was determined using the individual entry age actuarial cost method. The unfunded actuarial liability as of the June 30, 2005 transition date is amortized over a period of 30 years using the level (principal and interest combined) percent of payroll contribution amortization method.

Plan changes effective for employees retiring after October 1, 2008 have been reflected in the actuarial valuation performed as of June 30, 2005.

The individual entry-age actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumption include a 3.566% discount rate; an annual healthcare cost trend of 12% progressively declining to 4.5% after 10 years; and a salary growth rate ranging from 8.25% in year 1 to 4.75% in year 15 and beyond. The discount rate was calculated based upon the average rate of return during the 10 years ended June 30, 2008 for short term investments of the State's General Fund.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

Significant Legislation Affecting the Plan

On May 1, 2008, Public Law 2008-90 was enacted. This law, among other provisions, establishes a Trust to be effective in fiscal year 2009 to fund other post employment health care benefits, requires annual actuarial valuations of the OPEB liability, and commits the State to funding the actuarially determined OPEB contribution beginning in fiscal year 2009. In addition, the legislation changes the eligibility requirements for State contributions for health care coverage for those retiring on or after October 1, 2008. For anyone who retires on or after that date and has a minimum of 20 years of service and who is a minimum of 59 years of age, the State will pay 80% of the actual cost of such health care coverage.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

10. COMMITMENTS AND CONTINGENCIES

Grants

Under the terms of federal and other grants, periodic expenditures financed by grants are subject to audits by the grantors or their representatives and, consequently, certain costs may be questioned as not being appropriate, and result in reimbursement to the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies could not be determined at this time, and Corporation officials believe that such disallowances, if any, would not be material.

Public Investment Payments

RIEDC has entered into a Public Investment and HOV Agreement dated September 9, 1996 (the PIP Agreement) with Providence Place Group Limited Partnership (PPG). The PIP Agreement requires RIEDC to make annual public investment payments to PPG equal to the lesser of \$3,680,000 or two-thirds of the actual amount of sales tax paid to the state by virtue of sales occurring at or within Providence Place Mall (the Mall) for the first five years, and annual public investment payments to PPG equal to the lesser of \$3,560,000 or two-thirds of the actual amount of sales tax paid to the State by virtue of sales occurring at or within the Mall for the next 15 years. RIEDC's requirement to make public investment payments to PPG is subject to the State's annual appropriations to RIEDC of related sales tax. During the year ended June 30, 2008, RIEDC made public investment payments to PPG totaling \$3,560,000.

Superfund Site Redevelopment Program

Certain of QDC's capital assets are located at the former Davisville Naval Construction Battalion Center (NCBC) which has been named a Superfund site by the United States Environmental Protection Agency (EPA). From 1951 to 1994, NCBC provided mobilization support to Naval construction forces, which in turn, contaminated several areas of the installation. In 1989, EPA added the site to its list of hazardous waste sites needing cleanup. PCB spill debris, a battery acid tank, asphalted material, and lead-contaminated soil were removed to prevent them from migrating into nearby water. The base closed in 1994 and in 1996, RIEDC began redevelopment. No amounts are accrued in the accompanying financial statements as the cost of any future remediation efforts are currently unknown.

Litigation

As part of the condemnation of various parcels of real estate relating to the FMR Project, actions against RIEDC have been filed in Providence Superior Court (the Court) appealing the order of the Court regarding the amount to be paid by RIEDC for the condemned properties. The Plaintiffs have not stated specific damage amounts. Subject to the Ground Lease entered into between RIEDC and FMR (see Note 6), FMR is obligated to pay the Corporation's costs resulting from such condemnation. The likelihood of an unfavorable outcome and the amount or range of potential loss to RIEDC, if any, is unknown.

RIEDC is subject to separate actions relating to employment and other matters. The cases are in various stages. The likelihood of an unfavorable outcome and the amount or range of potential loss related to each case is unknown.

The Airport Corporation was involved in certain legal proceedings with The Parking Company, LP ("TPC"), New England Parking ("NEP"), and the successors in interest to Fleet National Bank and Fleet Real Estate, Inc. (Bank of America, N.A. and Trysail Capital Corporation, collectively "Bank"). TPC was the concessionaire for on-site parking and its affiliate NEP is the owner of Garage C. TPC, NEP and the Bank had several claims for various amounts. The Bank assigned to TPC and NEP all of its right, title and interest in the Bank's claims. The Airport Corporation has counterclaims against TPC and NEP. During the year ended June 30, 2008, the Airport Corporation, TPC and NEP dismissed all claims and counterclaims without prejudice.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

10. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation (Continued)

Council 94, the bargaining unit for the Airport Corporation's unionized employees, has contended that certain employees who were not transferred to the Airport Corporation from the State of Rhode Island Department of Transportation were eligible to receive health benefits upon retirement. The Airport Corporation has disputed this contention. The Airport Corporation and Council 94 have reached a mutual understanding regarding resolution of this dispute whereas certain employees have permanently released and waived any and all claims against the Airport Corporation for retiree health benefits.

RIEDC and the Airport Corporation are defendants in various other lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of RIEDC's and the Airport Corporation's management, the resolution of these matters will not have a material adverse effect on the financial position of RIEDC or the Airport Corporation.

In connection with these matters, the Airport Corporation has recorded estimated liabilities for claims, judgments and other settlements totaling \$678,000 as of June 30, 2008, in the accompanying statements of net assets.

Risk Management

RIEDC and the Airport Corporation are self-insured for unemployment compensation. No accrual has been made for claims expected to arise from services rendered on or before June 30, 2008, because RIEDC and Airport Corporation officials are of the opinion that, based upon prior years' experience, any claims will not be material.

RIEDC, QDC, and the Airport Corporation are exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which RIEDC, QDC, and the Airport Corporation carry commercial insurance. Neither RIEDC, QDC, the Airport Corporation, nor its insurers have settled any claims which exceeded RIEDC, QDC, or the Airport Corporation's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

Private-Sector Entity Insured Commitment

Under a Settlement Agreement, dated March 3, 2001, by and between Cyto Therapeutics, Inc. (CTI), RIEDC, Rhode Island Industrial-Recreational Building Authority (RIIRBA) and Rhode Island Industrial Facilities Corporation (RIIFC), RIEDC advanced to RIIRBA an amount equal to that previously funded by CTI and held in reserve by RIIRBA. The reserve is to be used by RIIRBA to fund shortfalls, if any, resulting from the difference between the amounts required to repay the outstanding bonds on the related building formerly occupied by CTI and insured by RIIRBA and the lease payments received and/or proceeds from the sale of the building. Upon repayment of all outstanding bonds relating to the building, RIIRBA will return to RIEDC any unused funds. At June 30, 2008, the balance outstanding is \$688,500.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

10. COMMITMENTS AND CONTINGENCIES (Continued)

Capital Improvements

At June 30, 2008, QDC was obligated for the completion of certain construction contracts under commitments totaling approximately \$3,931,621 which are expected to be funded from receipt of State bond proceeds and internal funding.

At June 30, 2008, the Airport Corporation was obligated for completion of certain airport improvements under commitments of approximately \$20,100,000 which are expected to be funded from current available resources and future operations. As of June 30, 2008, the Airport Corporation was also obligated for the completion of certain projects related to the Intermodal Facility of approximately \$7,900,000.

11. CONDUIT DEBT OBLIGATIONS

From time to time, RIEDC issues revenue bonds and notes to provide financial assistance to private-sector and public-sector entities for the acquisition and construction of industrial and commercial facilities. The bonds and notes are secured by the property financed and are payable solely from payments received on the underlying mortgage loans and lease agreements. Upon repayment of the bonds and notes, ownership of the acquired facilities transfers to the private-sector or public-sector entity serviced by the bond or note issuance. RIEDC is not obligated in any manner for repayment of the bonds and notes. Accordingly, the bonds and notes are not reported as liabilities in the accompanying financial statements. During the year ended June 30, 2008, RIEDC issued \$10,000,000 of bonds and notes.

Under the terms of the various indentures and related loan and lease agreements, the private-sector and public-sector entities make loan and lease payments directly to the trustees of the related bond and note issues in the amounts equal to interest and principal payments due on the respective issues. Accordingly, the payments are not shown as receipts and disbursements of RIEDC. The aggregate principal amount outstanding under conduit debt obligations at June 30, 2008 was approximately \$868,000,000.

12. LEASES AND OTHER CHARGES

Rentals Under Operating Leases

Aggregate minimum future contractual rental payments to be received by QDC from noncancelable operating leases, excluding CPI increases effective under the leases, as of June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 3,971,614
2010	4,515,013
2011	4,091,926
2012	3,922,891
2013	3,929,312
Thereafter.....	<u>102,743,411</u>
Total	<u>\$ 123,174,167</u>

The above amounts do not include contingent rentals since QDC is unable to estimate the amount of contingent rentals for future periods.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

12. LEASES AND OTHER CHARGES (Continued)

Rentals Under Operating Leases (Continued)

Minimum future contractual rental payments to be received by the Airport Corporation under non-cancelable operating leases as of June 30, 2008 are as follows:

<u>Year Ending June 30, 2008</u>	<u>Amount</u>
2009	\$ 2,407,694
2010	2,517,411
2011	2,580,113
2012	2,644,739
2013	2,710,741
2014 – 2018	14,605,331
2019 - 2020	<u>4,605,726</u>
Total	<u>\$32,071,755</u>

In the event of tenant default, the Airport Corporation has the right to reclaim its leased property together with any improvements thereon. In addition, the Airport Corporation has entered into lease agreements with seven airline which expire on June 30, 2010.

Related Party Transactions

The Lease Agreement between the Airport Corporation and the State is for a 30-year term whereby the State has agreed to lease various assets to the Airport Corporation for \$1.00 per year. In addition, the Lease Agreement requires the Airport Corporation to make annual payments to the State through June 2023 in amounts equal to the principal and interest payments due bondholders for certain airport related General Obligation Bonds issued by the State on behalf of the Airport Corporation.

In the event the Airport Corporation does not have sufficient funds to make the required lease payments when due, the amount is payable in the next succeeding fiscal year and remains an obligation of the Airport Corporation until paid in full.

The State has no rights to terminate the Lease Agreement so long as there are bonds and subordinate indebtedness outstanding.

Passenger Facility Charges

Passenger Facility Charges (PFC) net receipts are restricted for use on pre-approved Federal Aviation Administration (FAA) projects, including related debt service. The FAA has approved PFC funding for twenty-six projects that comprise a significant portion of the Airport Corporation's capital improvement program. The Airport Corporation has been authorized to collect PFCs in the aggregate amount of \$167,725,731, based on a rate of \$4.50 per enplaned passenger. Aggregate collections, including interest thereon, through June 30, 2008, was \$101,850,192.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

12. LEASES AND OTHER CHARGES (Continued)

Customer Facility Charges

Effective July 1, 2001, rental car agencies operating under lease agreements with the Airport Corporation were required to impose a customer facility charge (CFC) of \$3.75 per transaction per day on substantially all car rentals. Effective July 1, 2007 the CFC was increased to \$4.25 in line with the plan of finance for the Intermodal Facility. The net receipts from CFCs are restricted for the future construction of a quick turn-around facility for the rental car agencies.

(CONCLUDED)

SUPPLEMENTARY INFORMATION

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

(A COMPONENT UNIT OF OF THE STATE OF RHODE ISLAND)

Schedule of funding progress

JUNE 30, 2008

Required supplementary Information

Rhode Island Economic Development Corporation's schedule of funding progress for the Pension Plan is as follows:

<u>Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>AAL as a percentage Of Covered Payroll ((a-b)/c)</u>
7/1/2006	\$10,427,807	\$11,654,510	(\$1,226,703)	89.47%	\$4,160,982	-29.48%
7/1/2007	\$12,167,831	\$12,538,455	(\$370,624)	97.04%	\$3,909,259	-9.48%
7/1/2008	\$13,028,186	\$13,677,506	(\$649,320)	95.25%	\$4,225,458	-15.37%

Since the aggregate actuarial cost methods does not identify and separately amortize unfunded actuarial liabilities, information about funded status and funding progress was prepared using the entry age normal actuarial cost method for that purpose and is intended to serve as a surrogate for the funded status and funding progress of the plan

Rhode Island Airport Corporation's schedule of funding progress for the Rhode Island Retiree Health Care Benefit Plan is as follows:

<u>Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>AAL as a percentage Of Covered Payroll ((a-b)/c)</u>
6/30/2008	\$ -	\$ 967,461	\$ 967,461	0%	\$ 1,362,020	71%

Rhode Island Economic Development Corporation's schedule of funding progress for the Rhode Island Retiree Health Care Benefit Plan is as follows:

<u>Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>AAL as a percentage Of Covered Payroll ((a-b)/c)</u>
6/30/2008	\$ -	\$ 96,746	\$ 96,746	0%	\$ 198,607	49%

SEE INDEPENDENT AUDITOR'S REPORT

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINED STATEMENT OF NET ASSETS
JUNE 30, 2008

Required supplementary information

ASSETS

Current assets:

Cash and cash equivalents	\$ 44,511,236
Accounts receivable	8,265,645
Receivables allowance	(1,963,548)
Restricted:	
Cash and cash equivalents	19,435,422
Investments	34,096,638
Other assets	2,920,799
Due from primary government	1,322,146
Due from other government	2,198,980
Other assets	1,151,751
<i>Total current assets</i>	<u>111,939,069</u>

Noncurrent assets

Receivables	20,227,773
Receivables allowance	(4,505,000)
Restricted assets	
Cash and cash equivalents	100,331,101
Investments	15,939,160
Other assets	34,817,149
Capital assets - nondepreciable	116,098,668
Capital assets - depreciable (net)	377,583,631
Other assets, net of amortization	6,424,344
<i>Total noncurrent assets</i>	<u>666,916,826</u>

TOTAL ASSETS

778,855,895

LIABILITIES

Current liabilities:

Accounts payable	28,670,232
Other liabilities	12,344,117
<i>Total current liabilities</i>	<u>41,014,349</u>

SEE INDEPENDENT AUDITOR'S REPORT

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINED STATEMENT OF NET ASSETS
JUNE 30, 2008

Required supplementary information

LIABILITIES (CONTINUED)

Noncurrent liabilities

Deferred revenue	245,000
Notes payable	5,030,000
Loans payable	377,014,770
Obligations under capital leases	2,075,358
Other liabilities	5,640,230
<i>Total noncurrent liabilities</i>	<u>390,005,358</u>

TOTAL LIABILITIES **431,019,707**

NET ASSETS

Invested in capital assets, net of related debt	224,142,423
Restricted, other	79,366,316
Unrestricted	44,327,449
<i>TOTAL NET ASSETS</i>	<u>\$ 347,836,188</u>

SEE INDEPENDENT AUDITOR'S REPORT

(CONCLUDED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2008

Required supplementary information

<i>Operating revenues</i>	
Charges for services	\$ 62,350,515
Interest income on loans	544,709
Other operating income	<u>260,422</u>
<i>Total operating revenues</i>	<u>63,155,646</u>
<i>Operating expenses</i>	
Personnel services	26,459,593
Supplies, materials and services	17,330,784
Grants, scholarships and contract programs	11,277,475
Depreciation, depletion and amortization	17,902,830
Other operating expenses	<u>10,526,813</u>
<i>Total operating expenses</i>	<u>83,497,495</u>
<i>Operating income (loss)</i>	(20,341,849)
<i>Nonoperating revenues (expenses)</i>	
Interest revenues	7,555,492
Grants	10,035,600
Payments from primary government	21,327,108
Gain (loss) on sale of property	1,684,415
Interest expense	(17,543,950)
Payments from other component units	123,602
Other non-operating revenues (expenses)	<u>8,791,826</u>
<i>Total nonoperating revenues (expenses)</i>	<u>31,974,093</u>
<i>Income (loss) before capital contributions and transfers</i>	<u>11,632,244</u>
<i>Capital contributions</i>	<u>36,492,580</u>
<i>Change in net assets</i>	48,124,824
<i>Total net assets, beginning of year, as adjusted</i>	<u>299,711,364</u>
<i>Total net assets, end of year</i>	<u><u>\$ 347,836,188</u></u>

SEE INDEPENDENT AUDITOR'S REPORT

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

COMBINED SCHEDULE OF LONG-TERM DEBT
JUNE 30, 2008

Required Supplementary Information

Fiscal Year Ending June 30,	Principal	Interest
2009	\$ 14,811,027	\$ 20,017,233
2010	16,514,799	19,227,008
2011	11,709,152	18,415,183
2012	13,728,505	17,721,481
2013	14,449,043	16,985,551
2014 - 2018	78,551,634	72,731,423
2019 - 2023	94,150,905	48,958,983
2024 - 2028	83,587,706	25,356,401
2029 - 2033	42,905,000	9,349,851
2034 - 2038	23,205,000	2,631,483
2039	2,100,000	-
Total	<u>\$ 395,712,771</u>	<u>\$ 251,394,597</u>

SEE INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT ON ACCOMPANYING INFORMATION

Board of Directors
Rhode Island Economic Development Corporation
Providence, Rhode Island

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rhode Island Economic Development Corporation's (the Corporation), a component unit of the State of Rhode Island, basic financial statements. The supplemental schedules on Pages 49 through 53 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information included in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based upon our audit and the report of the other auditors as explained in our report on the basic financial statements on Page 1, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Providence, Rhode Island
September 30, 2008

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES
YEAR ENDED JUNE 30, 2008

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
7/25/2007	Dorothy Reynolds	335	Dept of Defense NE Regional Council Mtg in Bradford, NH
8/11/2007	State Science & Tech	595	Annual Conference attended by Christine Smith in Baltimore, MD
8/24/2007	Maureen Mezei	1,608	Eastern Trade Council Board Meeting & Conference in Quebec City, Canada
	Dorothy Reynolds	341	NE PTAC Mgrs Mtg & Dept of Defense Regional Council Mtg in Portsmouth, NH
8/31/2007	Fred Hashway	309	Meeting with Sprint in Herndon, VA (cancelled; received credit voucher from Jet Blue)
9/14/2007	Stuart Freiman	309	Meeting with Sprint in Herndon, VA (cancelled; received credit voucher from Jet Blue)
9/28/2007	Saul Kaplan	107	Raytheon IDS Strategic Development Program meeting in Durham, NH
	Dianne Ritter	309	Meeting with Sprint in Herndon, VA (cancelled; received credit voucher from Jet Blue)
	Dianne Ritter	501	Best of NE Pavilion at Medica 2007 in Bonn, Germany (airfare)
10/5/2007	David DePetrillo	478	Discover New England Board of Directors Meeting in Stowe, VT
		1,130	Annual Meeting of National Council of State Tourism Directors in Phoenix, AZ
		286	Discover New England Board of Directors Meeting in Falmouth, MA
	Dorothy Reynolds	305	APTAC Fall Conference in Arlington, VA (Airfare)
	Jayne Panarello	2,752	Discover New England Sales Mission in Scotland, England
10/12/2007	Louis Francis	185	APTAC Fall Conference in Arlington, VA (Airfare)
10/26/2007	Saul Kaplan	1,394	Council on Competitiveness Regional Expert Committee Meeting in Washington, DC
	Dorothy Reynolds	697	Dept of Defense Matchmaker Conference in Nashua, NH
	Louis Francis	282	Dept of Defense Matchmaker Conference in Nashua, NH
10/31/2007	Christine Smith	708	SSTI Annual Conference in Baltimore, MD
	Jayne Panarello	233	Discover New England Int'l Mktg Meeting in Concord, NH
	Jean Rienneau	1,790	CoreNet Conference in Atlanta, GA
11/9/2007	Katharine Flynn	887	CoreNet Conference in Atlanta, GA
	Katherine Tufts	215	Food Export USA Seminar in Chicago, IL
11/16/2007	Katrina White	2,003	National Tour Association Convention in Kansas City, MO
11/23/2007	Saul Kaplan	46	Raytheon IDS Strategic Development Program meeting in Durham, NH (balance due)
	Jayne Panarello	3,278	World Travel Market in London, England
	Dianne Ritter	1,862	Medica Int'l Trade Show in Dusseldorf, Germany
	Mark Brodeur	1,135	Travel Outlook Forum in Charlotte, NC
11/30/2007	Dianne Ritter	224	Medica Int'l Trade Show in Dusseldorf, Germany (part 2)
12/7/2007	Katrina White	292	Site inspection for American Bus Association Convention in Virginia Beach, VA
	Dorothy Reynolds	879	APTAC Fall Conference in Arlington, VA
	Maureen Mezei	370	Eastern Trade Council Board Meeting in Washington, DC
	Louis Francis	1,051	APTAC Fall Conference in Arlington, VA
12/14/2007	Katherine Tufts	199	Medica Int'l Trade Show in Dusseldorf, Germany
12/28/2007	Dorothy Reynolds	353	PTAC Mgr Mtg & Dept of Defense Regional Council Mtg in Cambridge, MA
	Dianne Ritter (Biomedical Struc)	58	Medica Int'l Trade Show in Dusseldorf, Germany (balance)
	Katherine Tufts	163	Medica Int'l Trade Show in Dusseldorf, Germany (balance)
1/9/2008	Saul Kaplan	697	Meeting at Business Waek in New York City, NY
2/6/2008	Maureen Mezei	137	Eastern Trade Council Board Meeting in Washington, DC
	David DePetrillo	397	Discover New England Board Meeting in Whitefield, NH
	David DePetrillo	347	Discover New England Board Meeting in Peaks Island, ME
2/27/2008	Katrina White	1,348	American Bus Association Marketplace in Virginia Beach, VA
	Mark Brodeur	606	American Bus Association Marketplace in Virginia Beach, VA
	Mark Brodeur	1,126	Travel Media Association of Canada in Halifax, Nova Scotia Canada
	Dorothy Reynolds	163	Society of Military Engineers Meeting in Newton, MA
3/19/2008	David DePetrillo	1,029	National Council of State Tourism Directors Spring Forum in Washington, DC
4/2/2008	Maureen Mezei	447	Eastern Trade Council Board Meeting in Williamstown, MA
4/9/2008	Katrina White	942	National Tour Association Spring Meet in Uncasville, CT
4/16/2008	Maureen Mezei	227	State International Development Organization Annual Conference in Washington, DC
	Dorothy Reynolds	1,138	APTAC Spring Conference in Lexington, KY
4/23/2008	Christopher Cannata	756	MJSA Expo in New York City, NY
	Jayne Panarello	705	Discover New England Summit in New Haven, CT
	Christine Smith	672	SSTI Spring Dialogue Conference in Washington, DC
4/30/2008	James Walsh	397	NE Visitors' Center Association Convention in Stowe, VT
5/7/2008	Dorothy Reynolds	232	Department of Defense Regional Council Meeting in Windsor Locks, CT
	Maureen Mezei	884	State Int'l Development Organization Conference in Washington, DC
	Saul Kaplan	1,166	Participation in 75th Joint Civilian Orientation Conference in Washington, DC
5/21/2008	Dorothy Reynolds	140	Department of Defense Regional Matchmaker Conference in Killington, VT
5/28/2008	David DePetrillo	707	Discover New England Summit in New Haven, CT
6/4/2008	Katrina White	226	Culinary Tourism Symposium in New Haven, CT
6/11/2008	Jayne Panarello	1,579	Pow Wow Tourism Event in LasVegas, NV
	Dorothy Reynolds	623	Department of Defense Regional Matchmaker Conference in Killington, VT (balance)
6/18/2008	Maureen Mezei	235	Futurallia Business Event in Quebec, Canada
	Saul Kaplan	315	National Summit on American Competitiveness in Chicago, IL (cancelled)
		356	Council on Competitiveness Regional Expert Committee Meeting in Washington, DC
	Jean Rienneau	259	Kuwait Project Meeting with Senator Reed in Washington, DC
6/30/2008	Mark Brodeur	1,085	Pow Wow Tourism Event in LasVegas, NV
	Louis Francis	1,000	APTAC Conference in Lexington, KY

\$ 47,610

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES
YEAR ENDED JUNE 30, 2008

Quonset Development Corporation

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
12/07/07	Antonio Ambrosio	\$282.36	NEARC Conference
06/09/08	Antonio Ambrosio	\$3.20	Tolls May 2008
06/09/08	Timothy Andrews	\$99.99	O&M Collections System Conference
08/10/07	Evan Matthews	\$17.55	Loopnet
10/19/07	Evan Matthews	\$173.76	Automotive Logistics Conference
10/19/07	Evan Matthews	\$906.85	Automotive Logistics Conference
11/09/07	Evan Matthews	\$330.86	Automotive Logistics Conference
12/14/07	Evan Matthews	\$15.50	Short Sea Shipping / Train Ticket
08/10/07	Heidi Green	\$4.00	Parking Fees July 2007
08/29/07	Heidi Green	\$3.50	Parking Fees August 2007
10/05/07	Heidi Green	\$10.00	Parking Fees September 2007
11/09/07	Heidi Green	\$4.00	Parking Fees October 2007
12/07/07	Heidi Green	\$4.00	Parking Fees November 2007
02/07/08	Heidi Green	\$6.00	Parking Fees January 2008
04/03/08	Heidi Green	\$4.00	Parking Fees March 208
06/09/08	Heidi Green	\$4.00	Parking Fees April 2008
06/09/08	Heidi Green	\$8.00	Parking Fees May 2008
08/03/07	Kevin Barry	\$17.00	Mileage July 2007
09/07/07	Steven King	\$6.00	Parking Fees September 2007
10/19/07	Steven King	\$79.99	Mileage Spetember 2007
08/03/07	W. Geoffrey Grout	\$112.32	Mileage July 2007
			Expense Transferred to
		<u>(\$178.56)</u>	Rhode Island Airport Corporation
		<u>\$1,914</u>	

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008**

RI AIRPORT CORPORATION Employee	Purpose	Date	Place	Amount Paid
J DaSilva	AAAE Facilities Seminar	07/29/07 to 07/31/07	Colorado Springs, CO	\$ 1,370
M Brewer	49th NEC Annual Conference	08/04/07 to 08/08/07	Pittsburgh, PA	1,054
J Thomas	ARFF Working Group Annual Conference	09/05/07 to 09/09/07	New Orleans, LA	1,097
M Brewer	NASAO Annual Convention	09/07/07 to 09/08/07	Portland, OR	564
M Brewer	2007 Russell Hoyt Conference	09/08/07 to 09/12/07	Tucson, AZ	1,361
L Benevides	Association of Certified Fraud Examiners Conference	09/09/07 to 09/13/07	Austin, TX	1,340
R Snead	Annual K9 Conference (Sponsored by TSA/DHS)	09/10/07 to 09/13/07	San Antonio, TX	893
A Andrade	Northwest Airlines Winter Summit	09/11/07 to 09/13/07	Bloomington, MN	771
G DeCristofaro	Northwest Airlines Winter Summit	09/11/07 to 09/13/07	Bloomington, MN	862
B Tetreault	APG/NPI Fall Conference	09/17/07 to 09/21/07	Galveston, TX	2,178
D Crossley	Crouse-Hinds Maintenance Seminar	09/18/07 to 09/20/07	Windsor Locks, CT	330
S Catanzaro	Crouse-Hinds Maintenance Seminar	09/18/07 to 09/20/07	Windsor Locks, CT	338
J Diniz	Airport Law Enforcement Agencies Network	09/24/07 to 09/27/07	Las Vegas, NV	1,322
J Ottaviano	Airport Law Enforcement Agencies Network	09/24/07 to 09/27/07	Las Vegas, NV	973
M Brewer	NASAO/FAA Meeting	10/04/2007	Windsor Locks, CT	338
H Reid	AAAE Noise Mitigation Symposium	10/08/07 to 10/10/07	San Diego, CA	1,221
M Brewer	US/Europe Airport Conference	10/13/2007 to 10/17/07	Wroclaw, Poland	2,029
T Pimental	Altitudes East	10/17/07 to 10/19/07	Halifax, Canada	1,182
M Brewer	Airline Visit	10/18/07 to 10/25/07	Dublin, Ireland	4,757
P Goldstein	Airline Visit	10/20/07 to 10/24/07	Dublin, Ireland	1,570
E Seabury	AAAE Airfield Construction Management and Airport Pavement Maintenance and Evaluation Workshops	10/22/07 to 10/24/07	Austin, TX	1,433
B Blair	National Parking Association Conference	10/22/07 to 10/25/07	Hollywood, CA	2,313
D Hayden	AAAE Airport Security Coordinator Training School	11/04/07 to 11/05/07	Tucson, AZ	575
B Cox	GCR Airport IQ World Conference & Training	11/05/07 to 11/08/07	New Orleans, LA	1,207
N Williams	GCR Airport IQ World Conference & Training	11/05/07 to 11/08/07	New Orleans, LA	1,219
D Dansereau	Institute of Internal Auditors - Enterprise Wide Risk Management Course	11/07/07 to 11/09/07	Kissimmee, FL	1,710
C Capp	Vnware Virtual Infrastructure Training	11/13/07 to 11/16/07	Burlington, MA	928
D Edwards	AAAE Runway Safety Conference	11/14/07 to 11/17/07	Milpitas, CA	846
J Gardiner	TSA Explosive Demolition Team Training	11/21/07 to 11/25/07	San Antonio, TX	3,119
B Cooper	Art Program	11/27/07 to 11/28/07	Warwick, RI	548
S Dory	Art Program	11/27/07 to 11/29/07	Warwick, RI	899
M Brewer	NASAO Meeting, Washington	12/04/07 to 12/06/07	Washington, DC	1,390
M Mini	AAAE Seventh Annual AAAE/TSA/DHS Aviation Security Summit	12/09/07 to 12/10/07	Washington, DC	1,258
R Snead	TSA Explosive Demolition Team Handler Course Graduation	12/13/07 to 12/14/07	San Antonio, TX	665
B Pope	AAAE Air Conference	01/27/08 to 01/29/08	Boulder, CO	736

(Continued)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
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SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008**

RI AIRPORT CORPORATION

<u>Employee</u>	<u>Purpose</u>	<u>Date</u>	<u>Place</u>	<u>Amount Paid</u>
K. Pariseault	National Business Aviation Association of Schedulers and Dispatchers	01/28/08 to 02/01/08	Charlotte, NC	\$ 558
T. Henderson	Computer Training Class	01/28/08 to 02/01/08	Lexington, MA	581
J. Warcup	Bell Factory Training	02/10/08 to 02/13/08	Dallas, TX	1,031
B. Cooper	Art Selection Meeting	02/18/08 to 02/19/08	Warwick, RI	325
D. Lipski	Art Selection Meeting	02/18/08 to 02/19/08	Warwick, RI	439
S. Dory	Art Selection Meeting	02/18/08 to 02/19/08	Warwick, RI	603
D. Lipski	Art Program	2/19/2008	Warwick, RI	510
J. Gardiner	TSA Explosive Demolition Team Training	02/24/08 to 02/29/08	San Antonio, TX	332
B. Blair	Logan Airport to review Revenue Control System	02/26/2008	Boston, MA	316
A. Shihadeh	ACC/AAAE Planning, Design & Construction Symposium	02/27/08 to 02/29/08	Denver, CO	916
P. Goldstein	Network 2008 Conference	03/02/08 to 03/05/08	San Diego, CA	1,353
T. Pimental	Network 2008 Conference	03/02/08 to 03/05/08	San Diego, CA	1,147
J. Pavao	Department of Transportation Hazardous Material Shipping Training	03/09/08 to 03/11/08	Greensboro, NC	755
D. Lucas	FBO Training and Leadership Conference	03/17/08 to 03/19/08	Houston, TX	1,541
P. Smith	FBO Training and Leadership Conference	03/17/08 to 03/19/08	Houston, TX	1,452
D. Stolyarov	Vmware Virtual Infrastructure Training	04/01/08 to 04/04/08	Burlington, MA	264
D. Hayden	2008 ALEAN Conference	04/08/08 to 04/11/08	San Antonio, TX	1,135
J. Ottaviano	2008 ALEAN Conference	04/08/08 to 04/11/08	San Antonio, TX	1,297
A. Wolff	Snow Symposium	04/25/08 to 04/30/08	Buffalo, NY	1,215
J. Cowley	Snow Symposium	04/25/08 to 04/30/08	Buffalo, NY	1,303
T. Brown	Snow Symposium	04/25/08 to 04/30/08	Buffalo, NY	1,053
G. DeCristofaro	Snow Symposium	04/26/08 to 05/01/08	Buffalo, NY	1,053
S. Trafficante	7th Annual AAAE Arts in the Airport Workshop	04/30/08 to 05/02/08	Toronto, Canada	1,437
B. Pope	ACI Environmental Conference	05/04/08 to 05/07/08	Denver, CO	1,641
J. D'Espinoza	ACE Operations Program Training	05/05/08 to 05/09/08	Los Angeles, CA	1,800
P. Kaczorowski	ARFF Working Group Training	05/06/08 to 05/10/08	Panama City, FL	673
M. Stuard	Institute of Internal Auditors/MIS - Auditing Outsourced Operations	05/14/08 to 05/16/08	San Francisco, CA	1,675
R. Lafond	International Narcotics Interdiction Association - 2008 Terrorist/Trafficker Conference	05/18/08 to 05/22/08	San Diego, CA	1,469
D. Dansereau	Assoc. of Airport Internal Auditors (AAIA) Conference	05/31/08 to 06/05/08	Anchorage, AK	1,955
J. Piscatelli	International AOA Exposition and Conference	06/01/08 to 06/03/08	South Bend, IN	908
K. Inman	International AOA Exposition and Conference	06/01/08 to 06/03/08	South Bend, IN	1,022
N. Schmaruk	International AOA Exposition and Conference	06/01/08 to 06/03/08	South Bend, IN	860
K. Dillon	Airline Visit	06/02/08 to 06/03/08	Dallas, TX	745
P. Goldstein	Airline Visit	06/02/08 to 06/03/08	Dallas, TX	491
D. Lucas	Landmark General Manager Meeting	06/04/08 to 06/05/08	Virginia Beach, VA	981

(Continued)

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008**

RI AIRPORT CORPORATION

Employee	Purpose	Date	Place	Amount Paid
S Tibbetts	Landmark General Manager Meeting	06/04/08 to 06/05/08	Virginia Beach, VA	\$ 803
K Dillon	AAAE Annual Conference	06/06/08 to 06/11/08	New Orleans, LA	1,566
B Pope	AEC Roadmap Meeting	06/17/08 to 06/18/08	Durham, NC	322
P Goldstein	ACI-NA 2008 Marketing and Communications Conference & Jumpstart Air Service Development	06/22/08 to 06/25/08	Pittsburgh, PA	914
T Pimental	ACI-NA 2008 Marketing and Communications Conference & Jumpstart Air Service Development	06/22/08 to 06/25/08	Pittsburgh, PA	762
K Dillon	Airfare to attend Board Meeting	06/30/2008	Warwick, RI	456
K Dillon	Vehicle Lease	01/08 to 06/08	Warwick, RI	4,750
M Brewer	Vehicle Lease	07/07-01/08	Warwick, RI	4,193
Various	Mileage Reimbursement	07/01/07 to 06/30/08	Warwick, RI	4,009
Various	Board Meeting Meals	07/01/07 to 06/30/08	Warwick, RI	3,859
Various	Snow Meals	07/01/07 to 06/30/08	Warwick, RI	5,239
Various	Various Employee/Vehicle trips to Block Island	07/01/07 to 06/30/08	Block Island, RI	2,484
Various	Various Meeting Expenses	07/01/07 to 06/30/08	Warwick, RI	21,393
Various	Miscellaneous Amounts under \$200	07/01/07 to 06/30/08	Warwick, RI	5,663
				\$ 135,644

**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 Economic Development Corporation
Providence, RI

We have audited the financial statements of the Rhode Island Economic Development Corporation, a component unit of the State of Rhode Island, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 a combination of control deficiencies, that adversely affects the Corporation'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 a misstatement of the Corporation'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 Corporation's internal control.

Our consideration of internal control over financial reporting was for 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 Corporation's financial statements are free of 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.

This report is intended solely for the information and use of the Board of Directors and management of the Rhode Island Economic Development Corporation, the Rhode Island Department of Administration, the Rhode Island Auditor General and other cognizant agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Brian, J. C." with a stylized flourish at the end.

Providence, Rhode Island
September 30, 2008