

**RHODE ISLAND  
INDUSTRIAL FACILITIES CORPORATION**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
YEARS ENDED JUNE 30, 2011 AND 2010**

**RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION**

**JUNE 30, 2011 AND 2010**

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## **REPORT OF INDEPENDENT AUDITORS**

Board of Directors  
Rhode Island Industrial Facilities Corporation  
Providence, Rhode Island

We have audited the accompanying basic financial statements of the RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION (the Corporation), a component unit of the State of Rhode Island, as of June 30, 2011 and 2010, as listed in the 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.

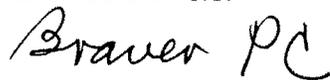
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2011 and 2010 and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2011 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 or on compliance and the results of that testing, and not to provide an opinion on 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 2 through 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. Schedules B and C on pages 11 and 12 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Schedules B and C have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Providence, Rhode Island  
September 15, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Rhode Island Industrial Facilities Corporation (the Corporation), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation as and for the years ended June 30, 2011 and 2010. This information should be read in conjunction with the Corporation's financial statements.

### **Financial Highlights**

- Total assets exceeded total liabilities by \$374,047 and \$364,704 (net assets) at June 30, 2011 and 2010, respectively. The Corporation's net assets are unrestricted and may be used to meet the Corporation's operating requirements.
- Income before transfer for the year ended June 30, 2011, increased by \$ 85,391 when compared to the year ended June 30, 2010. In 2009 a transfer of \$125,000 was made to the RI Economic Development Corporation's Small Business Loan fund to match a portion of an EDA grant application submitted. During 2010, the funds were transferred back as EDA had not funded the grant.
- Net assets increased by \$9,343 during 2011 as compared to an increase of \$48,952 during 2010 primarily due to the transfer noted above.
- In 2011, the Corporation issued \$6,030,000 in bonds on behalf of Enertek (Yardney) and \$3,300,000 on behalf of Bullard Abrasives. In 2010 the Corporation issued \$10 million in bonds on behalf of Calise & Sons, \$5 million on behalf of ATW-Parmatech and \$6 million on behalf of Capco Steel. In 2009, the Corporation issued \$4 million in bonds on behalf of Neurotech for its facility in Highland Industrial Park.

### **Overview of the Financial Statements**

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

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

The statement of net assets presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the Corporation's net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating. You might also need to consider other non-financial factors when evaluating the Corporation's financial position. The statement of revenues, expenses, and changes in net assets presents information on how the Corporation's net assets changed during the year.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis of the Corporation

#### STATEMENT OF NET ASSETS

	2011	2010	% of Change	2010	2009	% of Change
Noncurrent asset	\$ 696,557	\$ 696,441	0.0%	\$ 696,441	\$ 696,069	0.1%
Current and other assets	478,852	529,391	-9.5%	529,391	473,016	11.9%
<b>Total assets</b>	<b>1,175,409</b>	<b>1,225,832</b>	<b>-4.1%</b>	<b>1,225,832</b>	<b>1,169,085</b>	<b>4.9%</b>
Long-term liabilities	778,115	791,062	-1.6%	791,062	696,069	13.6%
Other liabilities	23,247	70,066	-66.8%	70,066	157,264	-55.4%
<b>Total liabilities</b>	<b>801,362</b>	<b>861,128</b>	<b>-6.9%</b>	<b>861,128</b>	<b>853,333</b>	<b>0.9%</b>
<b>Net assets</b>						
Unrestricted	374,047	364,704	2.6%	364,704	315,752	15.5%
<b>TOTAL NET ASSETS</b>	<b>374,047</b>	<b>364,704</b>	<b>2.6%</b>	<b>364,704</b>	<b>315,752</b>	<b>15.5%</b>

#### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

<b>Operating revenues:</b>						
Bond administrative fees	76,394	61,615	24.0%	61,615	72,928	-15.5%
Other	5,000	4,250	17.6%	4,250	3,500	21.4%
<b>Total operating revenues</b>	<b>81,394</b>	<b>65,865</b>	<b>23.6%</b>	<b>65,865</b>	<b>76,428</b>	<b>-13.8%</b>
Non operating revenues, interest income	-	63	-100.0%	63	4,867	-98.7%
<b>Total non operating revenues</b>	<b>-</b>	<b>63</b>	<b>-100.0%</b>	<b>63</b>	<b>4,867</b>	<b>-98.7%</b>
<b>TOTAL REVENUES</b>	<b>81,394</b>	<b>65,928</b>	<b>23.5%</b>	<b>65,928</b>	<b>81,295</b>	<b>-18.9%</b>
<b>Operating expenses</b>						
Administration	42,503	83,056	-48.8%	83,056	85,421	-2.8%
Insurance	11,768	11,768	0.0%	11,768	16,866	-30.2%
Contractual services	15,143	33,248	-54.5%	33,248	11,936	178.6%
Recovery Zone Program Costs	2,608	13,891	-81.2%	13,891	-	-
Other	29	13	123.1%	13	29	-55.2%
<b>Total operating expenses</b>	<b>72,051</b>	<b>141,976</b>	<b>-49.3%</b>	<b>141,976</b>	<b>114,252</b>	<b>24.3%</b>
Income before transfer	9,343	(76,048)	-112.3%	(76,048)	(32,957)	130.7%
Transfer to RI Economic Dev. Corp.	-	125,000	-100.0%	125,000	(125,000)	200.0%
Change in net assets	\$ 9,343	\$ 48,952	-80.9%	\$ 48,952	\$ (157,957)	131.0%

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

### **Financial Analysis of the Corporation (Continued)**

Total net assets increased by 2.6% in 2011 compared to an increase of 15.5% in 2010, primarily due to the Corporation's transfer of funds from/to Rhode Island Economic Development Corporation in 2010 and 2009 as noted above. The increase in the bond administrative fees from FY 2010 to FY 2011 are due to the new issues over the last two years noted in the "Financial Highlights" section above. The 2010 bonds were issued in the last month of the fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the Corporation's finances for all those interested in the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Treasurer, Rhode Island Industrial Facilities Corporation, 315 Iron Horse Way Suite 101, Providence, Rhode Island 02908.

**RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION**

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

**STATEMENTS OF NET ASSETS**

**JUNE 30, 2011 AND 2010**

**ASSETS**

	<u>2011</u>	<u>2010</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 403,131	\$ 511,537
Bond administration fees receivable (net of \$1,000 allowance in 2011 and 2010)	408	4,354
Due from State agencies:		
Rhode Island Industrial-Recreational Building Authority	6,000	13,500
Other receivables	69,313	-
<b>Total current assets</b>	<u>478,852</u>	<u>529,391</u>
<b>Non-current asset, restricted assets:</b>		
Restricted cash and cash equivalents	<u>696,557</u>	<u>696,441</u>
 <b>TOTAL ASSETS</b>	 <u>1,175,409</u>	 <u>1,225,832</u>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities:</b>		
Accounts payable	-	4,716
Deferred revenue	13,063	21,822
Deposit	-	2,000
Due to Rhode Island Economic Development Corporation	10,184	41,528
<b>Total current liabilities</b>	<u>23,247</u>	<u>70,066</u>
<b>Non-current liabilities:</b>		
Due to Rhode Island Industrial-Recreational Building Authority	696,557	696,441
Deferred revenue	81,558	94,621
<b>Total non-current liabilities</b>	<u>778,115</u>	<u>791,062</u>
<b>Total liabilities</b>	<u>801,362</u>	<u>861,128</u>
<b>Net assets, unrestricted</b>	<u>\$ 374,047</u>	<u>\$ 364,704</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**  
**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating revenues</b>		
Charges for services, bond administration fees	\$ 76,394	\$ 61,615
Other	5,000	4,250
<b>Total operating revenues</b>	<u>81,394</u>	<u>65,865</u>
<b>Operating expenses:</b>		
Administrative	42,503	83,056
Insurance	11,768	11,768
Contractual services	15,143	33,248
Recovery Zone Program costs	2,608	13,891
Miscellaneous	29	13
<b>Total operating expenses</b>	<u>72,051</u>	<u>141,976</u>
<b>Operating income (loss)</b>	9,343	(76,111)
<b>Non-operating revenues:</b>		
Interest income	-	63
<b>Income before operating transfers</b>	9,343	(76,048)
<b>Operating transfers:</b>		
Transfer from (to) Rhode Island Economic Development Corporation	-	125,000
<b>Change in net assets</b>	9,343	48,952
<b>Net assets, beginning of the year</b>	<u>364,704</u>	<u>315,752</u>
<b>Net assets, end of the year</b>	<u>\$ 374,047</u>	<u>\$ 364,704</u>

SEE NOTES TO FINANCIAL STATEMENTS.

**RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION**

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

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2011 AND 2010**

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	<u>2011</u>	<u>2010</u>
<b><i>Cash provided by (used for) operating activities:</i></b>		
Cash received for administration fees	\$ 63,519	\$ 67,884
Cash paid to suppliers for goods and services	(110,112)	(139,957)
<b><i>Net cash used for operating activities</i></b>	<u>(46,593)</u>	<u>(72,073)</u>
<b><i>Cash provided by (used for) noncapital financing activities:</i></b>		
Operating transfer in (out)	-	125,000
Withdrawals from restricted account	116	372
<b><i>Net cash provided by (used for) noncapital financing activities</i></b>	<u>116</u>	<u>125,372</u>
<b><i>Cash provided by (used for) investing activities:</i></b>		
Interest income received	-	63
Advances to RIIRBA	(181,895)	(126,383)
Other receivable	(69,313)	
Repayment of advances to RIIRBA	189,395	119,610
<b><i>Net cash used for investing activities</i></b>	<u>(61,813)</u>	<u>(6,710)</u>
<b><i>Net increase (decrease) in cash and cash equivalents</i></b>	(108,290)	46,589
<b><i>Cash and cash equivalents, beginning of the year</i></b>	1,207,978	1,161,389
<b><i>Cash and cash equivalents, end of the year</i></b>	<u>\$ 1,099,688</u>	<u>\$ 1,207,978</u>
<b><i>Reconciliation of operating income to net cash provided by operating activities:</i></b>		
Operating income (loss)	\$ 9,343	\$ (76,111)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	3,946	(3,385)
Deposits	(2,000)	2,000
Accounts payable	(4,716)	4,716
Deferred revenue	(21,822)	3,404
Due to RIEDC	(31,344)	(2,697)
<b><i>Net cash used by operating activities</i></b>	<u>\$ (46,593)</u>	<u>\$ (72,073)</u>
<b><i>End of the year cash and cash equivalents consist of:</i></b>		
Unrestricted cash and cash equivalents	\$ 403,131	\$ 511,537
Restricted cash and cash equivalents	696,557	696,441
<b><i>Total</i></b>	<u>\$ 1,099,688</u>	<u>\$ 1,207,978</u>

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SEE NOTES TO FINANCIAL STATEMENTS.

**RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Description of organization**

The Rhode Island Industrial Facilities Corporation (the Corporation), was organized in 1966 as a non-business corporation under Rhode Island law, and in 1967 was constituted and established as a public body corporate and agency of the State of Rhode Island (the State) by an act of the Rhode Island General Assembly. The Corporation was granted the power to issue revenue bonds, construction loan notes and equipment acquisition notes for the financing of projects which further industrial development in Rhode Island. The Corporation is a component unit of the State for financial reporting purposes. Accordingly, the financial statements of the Corporation are included in the State of Rhode Island's Comprehensive Annual Financial Report.

The Corporation is exempt from Federal and state income taxes.

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 measurement focus and accrual basis of accounting. The Corporation applies all pronouncements of the Governmental Accounting Standards Board (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 they conflict with or contradict GASB pronouncements. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Government 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 nonoperating 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 services provided and administrative expenses. All other revenues and expenses are reported as nonoperating revenues and expenses.

**(b) 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. At June 30, 2011 and 2010, cash equivalents consist of repurchase agreements in the aggregate amount of \$0 and \$696,441, respectively.

**(c) Revenue recognition and concentrations**

Bond administration fees paid by participants in the Corporation's revenue bond and note programs, calculated as one-eighth of one percent of the principal amount outstanding under conduit debt obligations determined at specified measurement dates, are recognized when earned over the terms of the respective bonds and notes. In certain instances, bond administration fees are paid in full by participants upon the Corporation issuing conduit debt obligations. In these instances, bond administration fees are generally calculated by the Corporation as the present value of one-eighth of one percent of the principal amount outstanding, based upon respective amortization schedules, under such conduit debt obligations at specified measurement dates. Such fees are reported as deferred revenue and recognized as revenue ratably over the term of the conduit debt. Other revenue is recognized when received.

(CONTINUED)

**RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

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**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Revenue recognition and concentrations (Continued)**

Bond administration fees from two participants represent 42% of the Corporation's bond administration fees for the year ended June 30, 2011 and one participant represents 31% of the Corporation's bond administration fees for the year ended June 30, 2010.

Bond administration fees receivable from three participants represent 98% and two participants represent 92% of the Corporation's bond administration fees receivable at June 30, 2011 and 2010 (respectively).

**(d) 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(e) Subsequent events**

The Corporation has evaluated all subsequent events through September 15, 2011, the date the financial statements were available to be issued.

**2. CONDUIT DEBT**

From time to time, the Corporation issues revenue bonds, notes, equipment acquisition notes and construction loan notes to provide financial assistance to private-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 entity served by the bond or note issuance. The Corporation 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 fiscal years ended June 30, 2011 and 2010, the Corporation issued in the aggregate \$9,330,000 and \$21,000,000, respectively, of revenue bonds, notes, equipment acquisition notes and construction loan notes to finance various capital expenditures for Rhode Island businesses. The interest rates for outstanding debt range from fixed rates of 3.5% to 13% as well as floating rates set as a percentage of the prime interest rate. Maturity dates for the bonds and notes range from 2012 to 2037.

Under the terms of the various indentures and related loan and lease agreements, the business entities make loan and lease payments directly to the trustees of the related bond and note issues in amounts equal to interest and principal payments due on the respective issues. Accordingly, the payments are not shown as receipts and disbursements of the Corporation. The aggregate amount outstanding on this debt at June 30, 2011 and 2010 was approximately \$103,000,000 and \$113,500,000 respectively.

(CONTINUED)

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**RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**3. CASH DEPOSITS**

The Corporation assumes levels of custodial credit risks for its cash and cash equivalents. Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be recovered. The Corporation is authorized to invest excess funds by the provisions of the General Laws of the State, Chapter 37, Section 45-37.1-6, in obligations of the State and of the United States Government or certain agencies thereof, and in certificates of deposit. The Corporation also is authorized to enter into repurchase agreements.

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

Cash deposits with financial institutions at June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Bank balance and carrying amount of cash deposited - checking ....	<u>\$1,099,688</u>	<u>\$511,537</u>
Bank balances covered by federal depository insurance.....	<u>\$1,099,688</u>	<u>\$250,000</u>
Bank balances uninsured and uncollateralized.....	<u>\$0</u>	<u>\$261,537</u>

At June 30, 2011 and 2010, repurchase agreements, reported as cash equivalents in the accompanying financial statements, are collateralized with securities held by the pledging financial institution's trust department or agent but not in the Corporation's name.

**4. RESTRICTED CASH EQUIVALENT**

The Rhode Island Industrial-Recreational Building Authority (RIIRBA), a component unit of the State, guarantees principal and interest payments required under first mortgages and first security agreements issued to private-sector entities. At June 30, 2011 and 2010, the Corporation is holding funds of the Rhode Island Economic Development Corporation (RIEDC) required to be established and held in escrow on behalf of RIIRBA relating to RIIRBA's guarantee of the revenue bond issued for a private-sector entity. RIIRBA's funds ordinarily are held by the State, but in order to segregate such funds from the State's general fund, the Corporation holds such escrow funds on behalf of RIIRBA.

The escrow funds are held on behalf of RIIRBA and the related amount due to RIIRBA has been recorded separately in the accompanying financial statements.

**5. OTHER RECEIVABLES**

Other receivables consists of amounts paid on behalf of a participant in default. RIIRBA has guaranteed the participant's debt, and will provide reimbursement to the Corporation.

(CONCLUDED)

***SUPPLEMENTARY INFORMATION***

**RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION**

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

**STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

**Attachment B**

<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 403,131
Receivables	70,721
(Receivables allowance)	(1,000)
Due from other component units	6,000
Total current assets	<u>478,852</u>
Noncurrent Assets:	
Restricted assets:	
Cash and cash equivalents	<u>696,557</u>
Total assets	<u>1,175,409</u>
<b>Liabilities</b>	
Current liabilities:	
Due to other component units	10,184
Deferred revenue	13,063
Total current liabilities	<u>23,247</u>
Noncurrent liabilities:	
Due to other component units	696,557
Deferred revenue	<u>81,558</u>
Total liabilities	<u>801,362</u>
<b>Net assets</b>	
Unrestricted	<u>\$ 374,047</u>

**RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION**

**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
STATEMENT REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2011**

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**Attachment C**

<b>Operating revenues:</b>	
Charges for services	\$ 76,394
Other operating income	5,000
Total operating revenues	<u>81,394</u>
<b>Operating expenses:</b>	
Supplies, materials, and services	60,254
Other operating expenses	11,797
Total operating expenses	<u>72,051</u>
Operating income (loss)	9,343
<b>Nonoperating revenues (expenses):</b>	
Interest revenue	-
Total nonoperating revenue (expenses)	<u>-</u>
Income (loss) before contributions	9,343
Transfer from Rhode Island Economic Development Corporation	-
Change in net assets	<u>9,343</u>
Total net assets - beginning	364,704
Total net assets - ending	<u>\$ 374,047</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Rhode Island Industrial Facilities Corporation  
Providence, Rhode Island

We have audited the financial statements of Rhode Island Industrial Facilities Corporation (the Corporation), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2011, and have issued our report thereon dated September 15, 2011. 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**

Management of the Corporation is responsible for establishing and maintaining effective 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Board of Directors  
Rhode Island Industrial Facilities Corporation

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 Rhode Island Industrial Facilities Corporation, the Rhode Island Department of Administration, and the Rhode Island Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Providence, Rhode Island  
September 15, 2011

A handwritten signature in black ink that reads "Brewer, PC". The signature is written in a cursive, flowing style.