

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2009

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

YEAR ENDED JUNE 30, 2009
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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, 2009, 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 \$675,710,758 as of June 30, 2009, and total operating revenues of \$53,836,825 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, 2009, 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.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2009, 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 are 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.

Providence, Rhode Island
September 30, 2009

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

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, 2009. 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 \$1,395,954 (net assets). Net assets totaling \$1,047,417 are unrestricted and may be used to meet the Corporation's general operating requirements.
- Net assets decreased by \$132,142 for the year. The loss before capital contributions and transfers increased by \$42,531 as compared to the prior fiscal year.
- Management of the Renewable Energy Fund was transferred to the RI Economic Development Corporation (EDC) on July 8, 2008 by state statute. The fund balance of \$4.26 million was transferred to the EDC on August 22, 2008. The fund activity has been combined with the EDC in the financial statements. During 2009 the fund issued a \$400,000 loan to the Town of Portsmouth and over \$300,000 in grants/statutory awards.
- During 2009 the Corporation issued over \$332 million in bonds for the State's Department of Transportation Garvee and Motor Fuel tax programs and Historic Structures Tax Credit.

Overview of the Financial Statements

The Corporation (EDC) 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 2009 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 2008 and 2009, is as follows:

STATEMENT OF NET ASSETS

	<u>2009</u>	<u>2008</u>	<u>% of Change</u>
Capital assets, net.....	\$348,537	\$ 348,487	0.0
Current and other assets.....	<u>52,722,546</u>	<u>58,502,969</u>	-9.9
Total assets	<u>53,071,083</u>	<u>58,851,456</u>	-9.8
Long-term liabilities	39,068,352	46,769,122	-16.5
Other liabilities.....	<u>12,606,777</u>	<u>10,554,238</u>	-19.4
Total liabilities	<u>51,675,129</u>	<u>57,323,360</u>	-9.9
Net assets:			
Invested in capital assets	348,537	348,487	0.0
Unrestricted	<u>1,047,417</u>	<u>1,179,609</u>	-11.2
TOTAL NET ASSETS	<u>\$ 1,395,954</u>	<u>\$1,528,096</u>	-8.6

The changes in assets and liabilities between fiscal 2008 and 2009 result principally from 1) 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); 2) the scheduled repayment of debt associated with bonds issued by the Corporation on behalf of FMR Corporation (Fidelity) for it's facility in Smithfield and Fleet National Bank for it's facility in Lincoln (Footnote 6) and 3) the transfer of the Renewable Energy Fund assets to EDC in 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Corporation

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PRIMARY REPORTING ENTITY ONLY

	<u>2009</u>	<u>2008</u>	<u>% of Change</u>
Operating revenues, charges for services:			
Rentals and fees.....	\$ 19,630	\$ 23,000	-14.7%
Interest on loans.....	8,000	-	0.0%
Grant Income.....	153,171	-	0.0%
Subtotal.....	180,801	23,000	686.1%
Nonoperating revenues			
State appropriation.....	22,954,498	24,522,082	-6.4%
Investment income.....	3,199,230	3,342,715	-4.3%
Grant income.....	2,697,623	1,346,434	100.4%
Subtotal.....	28,851,351	29,211,231	-1.2%
TOTAL REVENUES.....	29,032,152	29,234,231	-0.7%
Operating expenses:			
Personnel services.....	3,106,893	3,781,598	-17.8%
Contractual services.....	2,367,797	894,766	164.6%
Grants.....	328,021	5,223,449	-93.7%
Provision for Loan Losses.....	4,745,000	4,505,000	5.3%
Depreciation and Amort.....	7,950	-	0.0%
Other operating expense.....	1,461,062	3,455,616	-57.7%
Subtotal.....	12,016,723	17,860,429	-32.7%
Nonoperating expenses:			
Interest expense.....	3,396,905	3,993,795	-14.9%
Public investment payments and job credits....	6,114,276	6,054,026	1.0%
Grant expense.....	971,791	1,346,434	-27.8%
Other non-operating expense.....	6,595,441	-	0.0%
Subtotal.....	17,078,413	11,394,255	49.9%
TOTAL EXPENSES.....	29,095,136	29,254,684	-0.5%
Loss before capital contributions and transfers....	(62,984)	(20,453)	207.9%
Transfers.....	(69,158)	361,102	-119.2%
Change in net assets.....	\$ (132,142)	\$ 340,649	-138.8%

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 growth 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 541 loans with a face value of \$42.5 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. As of June 30, 2009 all liabilities have been satisfied.

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, 2009

	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	\$ 1,627,520	\$ 2,177,460	\$ 25,795,419	\$ 3,741,420	\$ 4,936
Accounts receivable, less allowance for uncollectibles	77,115	358,954	4,979,352		
Investments			10,000,000		
Notes and loans receivable, less allowance for loan losses	38,000			1,922,551	
Interest receivable	70,101			53,215	
Due from State agencies	137,345				
Due from State of Rhode Island		753,630	15,888		
Grants receivable		57,886			
Deposits and prepaid expenses	34,272	831,816	622,840		
Restricted:					
Cash and cash equivalents	4,861,948		33,896,699		
Receivables	66,938		1,751,043		
Net investment in direct financing leases	1,483,563				
Deposits and prepaid expenses			3,267,811		
Due from State of Rhode Island			34,337,266		
Total current assets	8,396,802	4,179,746	114,666,318	5,717,186	4,936
Noncurrent assets					
Restricted:					
Cash and cash equivalents	4,445,651		77,353,390		
Investments	943,723		15,879,662		
Notes receivable	373,333				
Net investments in direct financing leases, less current portion	32,819,296				
Cash and cash equivalents held for capital acquisition		2,002,501			
Interfund receivable (payable)	297,671	465,208	(525,778)	(237,101)	
Other receivables			153,429		
Due from State agencies	696,070				
Notes and loans receivable, less allowance for loan losses	4,750,000	452,994		6,978,314	
Deferred charges, less accumulated amortization of \$2,626,679			6,009,156		
Capital assets not being depreciated	308,762	51,556,191	109,667,252		
Capital assets being depreciated, net	39,775	63,373,218	352,507,329		
Total noncurrent assets	44,674,281	117,850,112	561,044,440	6,741,213	-
TOTAL ASSETS	53,071,083	122,029,858	675,710,758	12,458,399	4,936

(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, 2009

	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	\$ 360,141	\$ 61,953	\$ 1,451,328	\$ 3,588	\$ -
Accrued expenses and other	492,579	1,276,586	2,926,680	10,561	-
Deferred revenue	5,069,929	37,304	90,051	-	-
Current portion of notes, bonds and leases payable	5,030,000	-	746,411	-	-
Liability for claims, judgements and other settlements	-	-	896,000	-	-
Payable from restricted assets	1,654,128	-	42,362,667	-	-
Total current liabilities	12,606,777	1,375,843	48,473,137	14,149	-
Noncurrent liabilities					
Liabilities payable from restricted cash and cash equivalents	2,804,346	-	-	-	-
Net pension obligation	859,736	1,192,408	-	-	-
Bonds and leases payable, less current portion	35,404,270	-	-	-	-
Other long-term obligations, less current portion	-	-	331,365,575	-	-
Deferred revenue	-	239,000	-	-	-
Total noncurrent liabilities	39,068,352	1,431,408	331,365,575	-	-
TOTAL LIABILITIES	51,675,129	2,807,251	379,838,712	14,149	-
Commitments and contingencies (note 9)					
NET ASSETS					
Invested in capital assets, net of related debt	348,537	114,929,409	183,081,737	-	-
Restricted	-	-	80,164,427	-	4,936
Unrestricted	1,047,417	4,293,198	32,625,882	12,444,250	-
TOTAL NET ASSETS	\$ 1,395,954	\$ 119,222,607	\$ 295,872,046	\$ 12,444,250	\$ 4,936

(CONCLUDED)

SEE NOTES TO FINANCIAL STATEMENTS

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, 2009

	Primary Reporting	Component Units				
	Entity	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						
Rentals and fees	\$ 19,630	\$ 4,939,885	\$ 26,080,630			
Utility and service		1,857,475				
Landing fees			14,171,585			
Parking			13,584,610			
Interest on loans	8,000			\$ 672,715		
Private contributions						\$ 10,000
Recovery of bad debt						36,727
Other income	153,171					
Total operating revenues	180,801	6,797,360	53,836,825	672,715		46,727
Operating expenses						
Personnel services	3,106,893	2,147,486	19,643,330	303,866		17,582
Contractual services	2,367,798	638,859		39,098		
Airport operating expenses			14,462,119			
Utility services		1,518,715				
Rhode Island Economic Policy Council operating expenses						1,256
Grants	328,021					
Other expenses	1,461,061	1,161,527		19,768		
Provision for loan losses and uncollectibles	4,745,000			967,514		
Depreciation and amortization	7,950	1,621,837	18,137,836			6,802
Total operating expenses	12,016,723	7,088,424	52,243,285	1,330,246		25,640
Operating income (loss)	(11,835,922)	(291,064)	1,593,540	(657,531)		21,087

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, 2009

	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
Nonoperating revenues (expenses)					
Appropriations from State	\$ 22,954,498				\$ (29,181)
Gain (loss) on sale of properties		\$ 284,800			7
Investment and other revenue	3,199,230	19,901	\$ 1,727,524	\$ 14,073	
Interest expense	(3,396,905)		(14,193,806)		
Passenger and customer facility charges			14,305,552		
Grant income	2,697,623			363,355	
Claims, judgements and other settlements			(180,301)		
Grant expenses	(971,791)		(3,403,122)	(486,656)	
Transfer to State of Rhode Island					
Public investment payments and job credits	(6,114,276)				
Other	(6,595,441)		80,715		
Total nonoperating revenues, net	11,772,938	304,701	2,156,610	(109,228)	(29,174)
Income (loss) before capital contributions and transfers	(62,984)	13,637	3,750,150	(766,759)	(8,087)
Capital contributions					
State bond proceeds		9,055,653			
Other		1,312,115	67,400,631		
Total capital contribution	-	10,367,768	67,400,631	-	-
Transfers:					
Transfer (to) from Rhode Island Economic Development Corporation	(240,000)	(150,000)		375,000	15,000
Transfer from other State agencies	170,842			125,000	
Total transfers	(69,158)	(150,000)	-	500,000	15,000
Change in net assets	(132,142)	10,231,405	71,150,781	(266,759)	6,913
Total net assets, beginning of year, as restated	1,528,096	108,991,202	224,721,265	12,711,009	(1,977)
Total net assets, end of year	\$ 1,395,954	\$ 119,222,607	\$ 295,872,046	\$ 12,444,250	\$ 4,936

(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, 2009

	Primary Reporting	Component Units				
	Entity	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	\$ 180,801	\$ 6,868,675	\$ 54,142,994	\$ 649,242	\$ 47,297	
Payments to suppliers	(3,956,932)	(3,125,373)	(15,753,083)	(60,037)	(47,353)	
Payments to employees	(3,260,199)	(2,956,279)	(19,956,713)	(144,903)	(17,582)	
Net cash provided by (used in) operating activities	(7,036,330)	787,023	18,433,198	444,302	(17,638)	
Cash flows from noncapital financing activities						
State of Rhode Island appropriation received	22,954,498					
Grants received	6,903,409		3,820,048	363,355		
Grant expenditures	(7,079,224)		(3,403,122)	(486,656)		
Advances from State agencies		253,156		-		
Transfers	(381,707)	(150,000)		500,000	15,000	
Net cash provided by noncapital financing activities	22,396,976	103,156	416,926	376,699	15,000	

(CONTINUED)

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, 2009

	Primary Reporting	Component Units			
	Entity	Quonset	Rhode Island Airport	Small Business Loan	Rhode Island
	Economic	Development	Corporation	Fund Corporation	Economic Policy
	Development	Corporation			Council
	Corporation				
<i>Cash flows from capital and related financing activities</i>					
Proceeds from sale of property		\$ 1,122,191	\$ 45,988		
Bond proceeds, State and capital contributions and grant revenues, net		10,208,757	33,875,341		
Interest paid, long-term obligations	\$ (3,396,905)		(13,079,389)		
Acquisition and construction of capital assets	(8,000)	(10,406,317)	(78,227,803)		
Proceeds from long-term obligations					
Transfer to State of Rhode Island			8,736,410		
Collection of passenger facility charges			5,346,315		
Collection of customer facility charges			(9,171,563)		
Extinguishment of long-term debt	(6,742,853)				
Restricted liabilities	(3,707,942)				
Cost of issuance of long-term debt					
Other			39,715		
<i>Net cash provided by (used in) capital and related financing activities</i>	(13,855,700)	924,631	(52,434,986)	-	-
<i>Cash flows from investing activities</i>					
Proceeds from sale and maturity of investments			47,457,760		
Purchases of investments	5,119		(24,250,141)		
Interest income	3,193,321	19,901	1,745,398	14,073	7
Loan originations and principal collections, net				(2,439,598)	
(Increase) decrease in notes receivable	38,000	2,900			
Principal payments made on note receivable and capital leases	(4,710,812)				
<i>Net cash provided by (used in) investing activities</i>	(1,474,372)	22,801	24,953,017	(2,425,525)	7

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, 2009

	Primary Reporting	Component Units			
	Entity	Quonset	Rhode Island Airport	Small Business Loan	Rhode Island
	Economic	Development	Corporation	Fund Corporation	Economic Policy
	Development	Corporation	Corporation	Corporation	Council
	Corporation	Corporation	Corporation	Corporation	Council
Net increase (decrease) in cash and cash equivalents	30,574	1,837,611	(8,631,845)	(1,604,524)	(2,631)
Cash and cash equivalents, beginning of year	10,904,545	2,342,350	145,677,353	5,345,944	7,567
Cash and cash equivalents, end of year	\$ 10,935,119	\$ 4,179,961	\$ 137,045,508	\$ 3,741,420	\$ 4,936
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$(11,835,922)	\$ (291,064)	\$ 1,593,540	\$ (657,531)	\$ 21,087
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	7,950	1,621,837	18,137,836		6,802
Provision for loan losses	4,745,000			967,514	
Claims, judgements and other settlements					8,537
Changes in:					
Notes and accounts receivable		128,217	305,382	(23,473)	570
Deposits and prepaid expenses	(19,425)	(464,583)	(3,122,711)		1,406
Due to/from state agencies	(17,645)			164,397	
Accounts payable, accrued expenses and deferred revenue	164,860	(96,561)	1,519,151	(6,605)	(56,040)
Net pension obligation	(81,148)	(110,823)			
Net cash provided by (used in) operating activities	\$ (7,036,330)	\$ 787,023	\$ 18,433,198	\$ 444,302	\$ (17,638)
Reconciliation of cash and cash equivalents to the statements of net assets:					
Current unrestricted assets	\$ 1,627,520	\$ 2,177,460	\$ 25,795,419	\$ 3,741,420	\$ 4,936
Current restricted assets	4,861,948		33,896,699		
Noncurrent assets		2,002,501			
Noncurrent restricted assets	4,445,651		77,353,390		
	\$ 10,935,119	\$ 4,179,961	\$ 137,045,508	\$ 3,741,420	\$ 4,936
Supplemental disclosure of cash flow information					
Noncash capital and related financing activities:					
Capital assets acquired through accounts payable			\$ 25,881,777		
Capital contribution recognized through accounts receivable			35,594,944		
Reduction of unamortized bond issuance costs and unamortized original premiums and discounts			415,188		

(CONCLUDED)

SEE NOTES TO FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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."

Blended Entity

In August 2008, pursuant to an act of the General Assembly of the State of Rhode Island, the management and fund balance of the Renewable Energy Fund (REF) was transferred from the State's Office of Energy Resources to RIEDC. While RIEDC is responsible for managing the REF, since the fund does not have separate corporate powers that would distinguish it as being legally separate from RIEDC, it has been presented as a blended unit, and its activities have been included in the primary reporting entity.

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.

(CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Units (Continued)

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.

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.

(CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2009, approximately 53% of QDC's accounts receivable is due from two customers and approximately 20% of the Airport Corporation's accounts receivable is due from one customer.

(CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Recently issued standards

The Corporation has implemented GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, effective for the Corporation's fiscal year ended June 30, 3009. The adoption of this Statement did not have an impact on the Corporation's financial position or results of operation.

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.
- ✓ GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, effective for the Corporation's fiscal year ending June 30, 2010.

The impact of these pronouncements 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, 2009

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, 2009, the Airport Corporation capitalized \$2,541,381 of interest expense, net of interest income of \$714,156.

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, 2009

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, 2009, revenue from three customers comprises approximately 61% of rental revenue and revenue from one customer comprises approximately 28% 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, 2009

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.

Restatement

Net assets of QDC at June 30, 2008 have been restated to reflect a correction of an error in the reporting of notes receivable and capital assets. As a result, notes receivable at June 30, 2008 has been increased \$201,524 and capital assets have been decreased by \$88,117.

The following comprise the restatements resulting from the corrections of errors in the amounts reported at June 30, 2008:

Net assets end of year, as originally reported	\$108,877,795
Understatement of notes receivable	201,524
Overstatement of capital assets	<u>(88,117)</u>
Net assets end of year, as restated	<u>\$108,991,202</u>

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

(CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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.

The bank balances of RIEDC and its component units cash deposits that were exposed to credit risk as of June 30, 2009 are as follows:

	<u>RIEDC</u>	<u>QDC</u>	<u>Airport Corporation</u>	<u>SBLF</u>
Uninsured, uncollateralized.....	\$10,194,212	\$2,387,300		\$1,334,259
Collateralized with securities held by bank trust departments.....			\$65,710,578	
Collateralized with securities held by bank trust departments not in Corporation's name.....	585,710	1,658,653		675,577
Total	<u>\$10,779,922</u>	<u>\$4,045,953</u>	<u>\$65,710,578</u>	<u>\$2,009,836</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, 2009, investments by remaining maturity are as follows:

	<u>1 Year or Less</u>	<u>>1 to 5 Years</u>
RIEDC, U.S. Government Obligation	\$ 943,723	
Airport Corporation:		
Money market funds.....	\$ 82,221,365	
U.S. Government obligations.....	\$ 759,080	\$7,536,487
Commercial paper	\$ 7,584,095	

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, 2009, the Airport Corporation's investments, excluding U.S. Government obligations, were held in money market funds and investment grade corporate debentures rated AAA and AA by S & P and Aaa and Aa 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, 2009, there are no investments in a single issuer that represents 5% or more of RIEDC's or a respective component unit's investments.

(CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

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, 2009, RIEDC and its component units did not have any investments that were subject to custodial credit risk.

3. ACCOUNTS, LOANS AND NOTES RECEIVABLE AND COMMITMENTS

At June 30, 2009, 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>
Unrestricted:				
Rentals		\$ 139,049		
Utilities and service		130,115		
Trade			\$ 4,302,231	
Federal government and other grants	\$ 70,560		1,257,579	
Other	6,555	107,192		
Loans, secured principally through junior liens, by:				
Real estate mortgages	38,000			\$ 5,705,282
Property and equipment		259,424		3,914,956
Unsecured loans (Note 6)	14,000,000	193,570		475,097
Gross receivable	14,115,115	829,350	5,559,810	10,095,335
Less allowance for:				
Uncollectibles		17,402	427,029	
Loan losses	9,250,000			1,194,470
Net unrestricted receivables	4,865,115	811,948	5,132,781	8,900,865
Restricted for capital expenditures, principally passenger facility and customer facility charges			1,751,043	
Due from RI Dept. of Transportation			34,337,266	
Other restricted receivables, principally unsecured notes receivables	440,271			
Total receivables, net	\$ 5,305,386	\$ 811,948	\$ 41,221,090	\$ 8,900,865

An analysis of the SBLF's allowance for loan losses for the year ended June 30, 2009 is as follows:

Balance, beginning of year	\$1,070,138
Provision for loan losses	967,514
Loans charged off	<u>(843,182)</u>
Balance, end of year	<u>\$1,194,470</u>

(CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

The SBLF had the following outstanding loan and grant commitments at June 30, 2009:

Commitments to originate loans/grants	\$750,000
Unadvanced portions of construction and commercial loans ..	\$146,069

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, 2009, RIEDC's note receivable is summarized as follows:

Note receivable, noninterest-bearing, receivable in annual installments of \$38,000, maturing July 2010	\$38,000
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	14,038,000
Less current portion	<u>38,000</u>
Notes receivable, long-term portion	14,000,000
Less allowance for loan losses	<u>9,250,000</u>
Notes receivable, long term portion, net of allowance	<u>\$4,750,000</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, 2009

5 CAPITAL ASSETS

Capital asset activity for RIEDC for the year ended June 30, 2009 is as follows

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 308,762	\$ -	\$ -	\$ 308,762
Equipment not placed into service	39,725	-	(39,725)	-
Total Capital assets not being depreciated	348,487	-	(39,725)	308,762
Capital assets being depreciated				
Equipment	-	47,725	-	47,725
Less accumulated depreciation	-	(7,950)		(7,950)
Total capital assets being depreciated, net	-	39,775	-	39,775
Total capital assets, net	\$ 348,487	\$ 39,775	\$ (39,725)	\$ 348,537

Capital asset activity for QDC for the year ended June 30, 2009 is as follows

	<u>Beginning Balance (as restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 48,308,868	\$ 482,689	\$ (661,543)	\$ 48,130,014
Construction in progress	7,575,137	10,828,236	(14,977,196)	3,426,177
Total capital assets not being depreciated	55,884,005	11,310,925	(15,638,739)	51,556,191
Capital assets being depreciated				
Land improvements	14,506,305	5,481,143	-	19,987,448
Buildings and improvements	32,736,731	8,287,156	(226,421)	40,797,466
Furniture and equipment	7,700,714	368,806	(91,373)	7,978,147
Total capital assets being depreciated	54,943,750	14,137,105	(317,794)	68,763,061
Less accumulated depreciation	(3,845,435)	(1,621,837)	77,429	(5,389,843)
Total capital assets being depreciated, net	51,098,315	12,515,268	(240,365)	63,373,218
Total capital assets, net	\$ 106,982,320	\$ 23,826,193	\$ (15,879,104)	\$ 114,929,409

(CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

5 CAPITAL ASSETS (Continued):

Capital asset activity for the Airport Corporation for the year ended June 30, 2009, is as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 27,497,816	\$ 4,763,127	\$ -	\$ 32,260,943
Construction in progress	32,280,243	89,535,346	(44,409,280)	77,406,309
Total capital assets not being depreciated	59,778,059	94,298,473	(44,409,280)	109,667,252
Capital assets being depreciated				
Assets leased from the State	30,608,849	-	-	30,608,849
Leasehold improvements	428,724,080	41,970,797	(10,078)	470,684,799
Machinery and equipment	24,350,227	2,438,483	(278,698)	26,510,012
Vehicles	1,942,747	-	(57,018)	1,885,729
Total capital assets being depreciated	485,625,903	44,409,280	(345,794)	529,689,389
Less accumulated depreciation	(159,185,107)	(18,332,294)	335,341	(177,182,060)
Total capital assets being depreciated, net	326,440,796	26,076,986	(10,453)	352,507,329
Total capital assets, net	\$ 386,218,855	\$ 120,375,459	\$ (44,419,733)	\$ 462,174,581

Accumulated amortization on assets under capital lease for the Airport Corporation amounts to \$4,911,869 at June 30, 2009.

Capital asset activity for the Rhode Island Economic Policy Council for the year ended June 30, 2009, is as follows

Capital assets being depreciated				
Leasehold improvements	\$ 3,875	\$ -	\$ (3,875)	\$ -
Furniture and equipment	107,941		(107,941)	-
Total capital assets being depreciated	111,816	-	(111,816)	-
Less accumulated depreciation	(67,296)	(6,802)	74,098	-
Total capital assets, net	\$ 44,520	\$ (6,802)	\$ (37,718)	\$ -

(CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009 was approximately \$19,155,000.

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, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
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	2,019,566	2,344,357
2015 – 2019	12,870,086	8,943,983
2020 – 2024	10,805,905	3,522,940
2025 – 2027	<u>4,507,578</u>	<u>571,118</u>
	36,887,833	<u>\$26,188,687</u>
Less: current portion of long-term debt.....	<u>1,483,563 (1)</u>	
Net long-term portion of bonds payable.....	<u>\$35,404,270</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, 2009, job rent credits issued by RIEDC totaled \$2,554,276.

(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 \$1,654,128 includes \$1,483,563 of current portion of long-term debt and \$170,565 of other current liabilities payable from restricted assets.

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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.

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, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 5,030,000	\$ 306,830
Less: current portion of long-term debt.....	<u>5,030,000</u>	
Net long-term portion of note payable.....	<u>\$ 0</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%.....	33,605,000
2000 Series A and B bonds, interest at 5.51% to 6.5%.....	4,005,000
2003 Series A bonds, interest at 3.5% to 5%	20,600,000
2004 Series A bonds, interest at 2% to 5%	49,155,000
2005 Series A, B, and C bonds, interest at 3% to 5%	114,660,000
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>50,880,000</u>

Total principal outstanding..... 327,740,000

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

6. LONG-TERM DEBT (Continued)

Airport Corporation Long-term Debt (Continued)

Add: unamortized bond premium, net.....	81,383
Revenue bonds payable, less unamortized discount, net	327,821,383
State of Rhode Island payable (2)	10,110,200
Obligations under capital leases (3)	1,542,780
TIFIA loan	83,232
Note payable (4)	619,391
 Total	 340,176,986
Less: current portion	8,811,411
 TOTAL	 \$331,365,575

- (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, 2009, \$42,165,000 of outstanding refunding bonds, including prior year refundings, are considered defeased.

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RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 \$244,000. 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, 2009, 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:		
2010	\$ 8,151,036	\$ 16,175,454
2011	10,489,875	15,711,470
2012	11,903,468	15,172,215
2013	12,492,422	14,585,951
2014	13,267,790	13,803,797
2015 – 2019	72,235,000	60,285,410
2020 – 2024	86,820,000	40,489,914
2025 – 2029	70,825,000	21,025,781
2030 – 2034	31,825,000	8,129,602
2035 - 2039	20,460,000	2,083,726
Total	<u>\$338,469,591</u>	<u>\$207,463,320</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>
2010	\$ 714,971
2011	534,577
2012	324,396
2013	64,700
Total	<u>1,638,644</u>
Less: amount representing interest.....	<u>95,864</u>
Present value of minimum lease payments.....	<u>\$1,542,780</u>

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

6. LONG-TERM DEBT (Continued)

Changes in long-term debt, net of unamortized bond premium, for the year ended June 30, 2009 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due within One year</u>
RIEDC					
Revenue bonds	\$38,772,462	\$ -	\$(1,884,629)	\$36,887,833	\$1,483,563
Note payable	9,775,000		(4,745,000)	5,030,000	5,030,000
Total long-term liabilities	\$ 48,547,462	\$ -	\$ (6,629,629)	\$ 41,917,833	\$ 6,513,563
Airport Corporation:					
Revenue bonds	\$ 334,809,670	\$ -	\$ (6,988,287)	\$ 327,821,383	\$8,065,000
State of Rhode Island payable	11,678,354		(1,568,154)	10,110,200	
Note payable	701,935		(82,544)	619,391	86,036
TIFIA loan	83,232			83,232	
Obligations under capital leases	2,075,358		(532,578)	1,542,780	660,375
Total long-term liabilities	\$349,348,549	\$ -	\$(9,171,563)	\$340,176,986	\$8,811,411

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, 2009, the Airport Corporation had approximately \$83,000 in borrowings under this agreement.

7. STATE APPROPRIATIONS AND BOND PROCEEDS

During the year ended June 30, 2009, RIEDC, QDC and RIEPC received the following appropriations and bond proceeds from the State:

Budget	\$ 5,098,486
Legislative	730,320
Slater	3,000,000
Public Investment Payment (Note 10)	3,560,000
Job rent credits (Note 6)	2,554,276
Epscore	1,500,000
RI Airport Corporation Impact Aid	1,000,754
Masonic Temple	5,183,708
Science and Technology	100,000
Business innovation	100,000
Rhode Island Department of Education	125,000
State general obligation bond proceeds, construction	<u>9,055,653</u>
Total received	32,008,197
Less: deferred at June 30, 2009	(203,034)
Add: deferred at June 30, 2008	204,988
State Appropriations and Bond Proceeds	<u>\$32,010,151</u>

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

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RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 was amended to eliminate the 3% cost of living adjustment with respect to participants and beneficiaries who commence benefit payments after March 1, 2009. 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, 2009 and net pension obligation were as follows:

Annual required contribution	\$ 605,716
Interest on net pension obligation	145,867
Adjustment to annual required contribution	<u>(243,554)</u>
Annual pension cost	508,029
Contributions made	<u>(700,000)</u>
Decrease in net pension obligation	(191,971)
Net pension obligation, beginning of year	<u>2,244,115</u>
Net pension obligation, end of year	<u>\$2,052,144</u>

The net pension obligation at June 30, 2009 and the annual pension cost for the year ended June 30, 2009 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, 2009 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

Fiscal year Ended June 30,	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
2009	\$508,029	\$700,000	137.8%	\$2,052,144
2008	\$443,038	\$595,000	134.3%	\$2,244,115
2007	\$559,182	\$656,741	117.4%	\$2,396,077

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RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

8. PENSION PLANS (Continued)

RIEDC Pension Plan

Funding Progress

As of the latest actuarial valuation date (July 1, 2009), actuarial value of assets in the RIEDC plan was \$11,859,194 and actuarial accrued liability was \$12,752,117 for a total unfunded actuarial liability of \$892,923. Annual covered payroll was \$3,570,995. The unfunded actuarial liability is 25.0% 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.

Other Plans

Employees of the Corporation hired on or after 1/01/06 participate in the Rhode Island Economic Development Corporation Retirement and Savings Plan (401a) (a discretionary contribution plan). 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, 2009 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, 2009 were \$59,801.

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 approximately \$13,901,000, of which \$1,277,020 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:

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RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 21.64% for the fiscal year 2009. 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 6.00% 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>
2009.....	\$276,372	100%
2008.....	\$282,891	100%
2007.....	\$254,691	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 158. The Airport Corporation's total payroll was approximately \$13,901,000, of which \$10,403,000 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, 2009 were \$624,157 by the employer and \$640,358 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)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

The Rhode Island Economic Development Corporation and the Airport 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, 2009, 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, or on or before June 30, 2009 for employees of the Rhode Island Airport Corporation, 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.

The retirees' fiscal 2009 contributions for those who retired on or before September 30, 2008, or on or before June 30, 2009 for employees of the Rhode Island Airport Corporation, 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%

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Funding Policy (Continued)

- (1) The monthly premium rate is \$789.76 for the individual plan. The retiree's cost is then calculated based on a maximum of \$481.28 (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 \$201.16 for the individual plan, and the monthly premium for the Medicare HMO plan was \$107.00 for the first six months of fiscal year 2009 and \$115 thereafter. Retirees can choose between the two plans. The retiree's cost is then calculated based on their years-of-service subsidy above.

For anyone who retired on or after October 1, 2008, or on or after July 1, 2009 for the Rhode Island Airport Corporation, age 59 through 64, with a minimum of 20 years of service, the State will pay 80% of the actual cost of health care coverage. The State contributed \$631.81 per month for these retirees during fiscal 2009. For eligible retirees 65 or older, The State pays 80% of the cost of the Medicare supplement products as described in note (3) above.

Annual OPEB Cost

The Rhode Island Economic Development Corporation and the Airport 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, interest on the net OPEB obligation at the beginning of the fiscal year and the ARC adjustment. 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 ARC for fiscal year 2009 was determined based on an actuarial valuation performed as of June 30, 2005. For fiscal year 2009, the ARC, as a percentage of covered payroll for participating component units was the same for all active plan members, 6.01% of covered payroll. The number of EDC and RIAC employees covered by the plan throughout the year averaged three and nineteen, respectively, in 2009. Beginning with the actuarial valuation performed as of June 30, 2007, separate ARCs and unfunded actuarial accrued liabilities were determined for each participating component unit. EDC and RIAC actually contributed 5.62% of annual covered payroll for fiscal 2009. EDC's and RIAC's annual OPEB cost and the net OPEB obligation for fiscal 2009 were as follows:

	<u>Rhode Island Economic Development Corporation</u>	<u>Rhode Island Airport Corporation</u>
Annual required contribution (ARC)	\$ 11,662	\$ 76,756
Plus: Interest on net OPEB obligation at beginning of year	-	1,156
Less: Adjustment to ARC	-	1,092
Annual OPEB cost	11,662	76,820
Contributions made	6,314	70,651
Increase in OPEB obligation	5,348	6,169
Net obligation at beginning of year	4,170	32,416
Net obligation at end of year	\$ 9,518	\$ 38,585

(CONTINUED)

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9. POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Annual OPEB Cost (Continued)

RIEDC's and RIAC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 (first year of GASB 45 implementation) were as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<i>Rhode Island Economic Development Corporation</i>			
2008	\$ 11,936	64%	\$ 4,170
2009	\$ 11,662	54%	\$ 9,518
<i>Airport Corporation</i>			
2008	\$ 80,050	65%	\$ 32,416
2009	\$ 76,820	92%	\$ 38,585

Funded Status and Funding Progress

The funded statuses of Rhode Island Economic Development Corporation's and the Airport Corporation's shares of the plan as of June 30, 2007, were as follows:

	Rhode Island Economic Development Corporation	Rhode Island Airport Corporation
Actuarial Accrued Liability (AAL)	\$ 192,455	\$ 1,291,388
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 192,455</u>	<u>\$ 1,291,388</u>
Funded Ratio (Actuarial Value of Plan Assets / AAL)	0%	0%
Annual Covered Payroll (Active Plan Members)	\$ 213,000	\$ 1,277,137
UAAL as a Percentage of Covered Payroll	90%	101%

Separate actuarial valuations were not performed to determine the actuarial liability for Rhode Island Economic Development Corporation or the Airport 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, 2009

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 Annual Required Contribution for fiscal year 2009 was determined based on the June 30, 2005 valuation. The most recent actuarial valuation was performed as of June 30, 2007. The annual required contribution was determined using the individual entry age actuarial cost method. The unfunded actuarial liability (UAAL) is amortized over a period of 30 years using the level (principal and interest combined) percent of payroll contribution amortization method for each component unit employer. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date. The UAAL is being amortized over the remainder of a closed 30-year (or shorter) period.

Plan changes effective for employees retiring after October 1, 2008, or after July 1, 2009 for employees of the Rhode Island Airport Corporation, have been reflected in the actuarial valuation performed as of June 30, 2007 and 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. In the June 30, 2007 valuation the health care cost trend assumption was changed to a rate of 10% progressively declining to 4.5% after 8 years and the salary growth assumption was changed to a rate of 9% in the first year of service to 4.5% in year 15 and beyond. Other changes in assumptions between the 2005 and the 2007 valuations include changes in the assumed rates of termination, rates of retirement, percent married, and retiree health care election rates. These assumptions changes based on the experience study for the Employees' Retirement System of Rhode Island as well as anticipated experience changes in conjunction with the adopted plan changes.

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)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009, 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.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 \$896,000 as of June 30, 2009, 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, 2009, 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, 2009, the balance outstanding is \$696,096.

(CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

10. COMMITMENTS AND CONTINGENCIES (Continued)

Capital Improvements

At June 30, 2009, QDC was obligated for the completion of certain construction contracts under commitments totaling approximately \$886,439 are expected to be funded from receipt of State bond proceeds and internal funding.

At June 30, 2009, the Airport Corporation was obligated for completion of certain airport improvements under commitments of approximately \$12,340,000 which are expected to be funded from current available resources and future operations. As of June 30, 2009, the Airport Corporation was also obligated for the completion of certain projects related to the Intermodal Facility of approximately \$141,922,000.

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, 2009, RIEDC issued \$332,345,000 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, 2009 was approximately \$1,169,000,000.

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, 2009 are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2010	\$ 4,746,492
2011	4,572,847
2012	4,455,320
2013	4,346,750
2014	4,335,301
Thereafter.....	<u>100,796,030</u>
Total	<u>\$123,252,740</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, 2009

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, 2009 are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2010	\$ 3,395,443
2011	3,455,729
2012	3,523,839
2013	3,593,416
2014	2,916,223
2015 – 2019	14,381,257
2020 - 2030	<u>2,347,501</u>
Total	<u>\$33,613,408</u>

In the event of tenant default, the Airport Corporation has the right to reclaim its leased property together with any improvements thereon.

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 \$167,726,000, based on a rate of \$4.50 per enplaned passenger. Aggregate collections, including interest thereon, through June 30, 2009, were approximately \$110,878,000.

(CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 January 1, 2009 the CFC is \$4.50 in line with the plan of finance for the Intermodal Facility. CFC revenue is recorded as non-operating revenue as earned, based upon daily car rentals reported by the rental car agencies. Additional CFC revenues resulting from audits of the rental car agency records are recognized when such amounts become known.

13. CONTRACTUAL SERVICES

Contractual services by service category for RIEDC, QDC and SBLF for the year ended June 30, 2009 are as follows:

<u>SERVICE CATEGORY</u>	<u>PRIMARY REPORTING ENTITY</u>			<u>COMPONENT UNITS</u>	
	<u>Economic</u>	<u>Renewable</u>	<u>TOTAL</u>	<u>Quonset</u>	<u>Small Business</u>
	<u>Development</u>	<u>Energy Fund</u>		<u>Development</u>	<u>Loan Fund</u>
	<u>Corporation</u>	<u>Energy Fund</u>		<u>Corporation</u>	<u>Corporation</u>
Information Technology	\$ 205,712		\$ 205,712	\$ 91,400	
Legal	269,679	\$ 269,397	539,076	340,271	\$ 28,098
Liabilities Assumed from Office of Energy Resources		140,005	140,005		
Public Relations	218,922		218,922	101,259	
RI Export Assistance Center	285,000		285,000		
Science & Technology Advisory Council Initiatives	55,984		55,984		
Special Area Management Plan (SAMP)		858,134	858,134		
Other	64,965		64,965	105,929	11,000
	<u>\$ 1,100,262</u>	<u>\$ 1,267,536</u>	<u>\$ 2,367,798</u>	<u>\$ 638,859</u>	<u>\$ 39,098</u>

(CONCLUDED)

SUPPLEMENTARY INFORMATION

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

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

Schedule of funding progress

JUNE 30, 2009

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>
7/1/2007	\$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%
7/1/2009	\$11,859,194	\$12,752,117	(\$892,923)	93.00%	\$3,570,995	-25.00%

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>
6/30/2007	\$ -	\$ 1,291,388	\$(1,291,388)	0%	\$ 1,277,137	-101.12%

Prior to the valuation performed at June 30, 2007, separate actuarial valuations were not performed to determine the actuarial accrued liability for RIAC a participating employer

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>
6/30/2007	\$ -	\$ 192,455	\$(192,455)	0%	\$ 213,000	-90.35%

Prior to the valuation performed at June 30, 2007, separate actuarial valuations were not performed to determine the actuarial accrued liability for RIEDC, a participating employer

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, 2009

Required supplementary information

ASSETS

Current assets:

Cash and cash equivalents	\$ 35,349,256
Investments	10,000,000
Accounts receivable	6,904,405
Receivables allowance	(1,604,097)
Restricted:	
Cash and cash equivalents	38,758,647
Other assets	6,569,355
Due from primary government	35,244,129
Due from other government	2,256,866
Other assets	1,488,928
Total current assets	<u>134,967,489</u>

Noncurrent assets

Receivables	21,584,737
Receivables allowance	(9,250,000)
Due from primary government	696,070
Restricted assets	
Cash and cash equivalents	81,799,041
Investments	16,823,385
Other assets	33,192,629
Capital assets - nondepreciable	161,532,205
Capital assets - depreciable (net)	415,920,322
Other assets, net of amortization	6,009,156
Total noncurrent assets	<u>728,307,545</u>

TOTAL ASSETS

863,275,034

LIABILITIES

Current liabilities:

Accounts payable	44,410,242
Deferred revenue	5,197,284
Other liabilities	5,602,406
Current portion of long-term debt	7,259,974
Total current liabilities	<u>62,469,906</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, 2009

Required supplementary information

LIABILITIES (CONTINUED)

Noncurrent liabilities

Deferred revenue	239,000
Loans payable	365,227,065
Obligations under capital leases	1,542,780
Other liabilities	4,856,490
<i>Total noncurrent liabilities</i>	<u>371,865,335</u>

TOTAL LIABILITIES 434,335,241

NET ASSETS

Invested in capital assets, net of related debt	298,359,683
Restricted, other	80,164,427
Unrestricted	50,415,683
	<u>50,415,683</u>

TOTAL NET ASSETS \$ 428,939,793

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, 2009

Required supplementary information

Operating revenues

Charges for services	\$ 60,653,815
Interest income on loans	680,715
Other operating income	199,898

Total operating revenues 61,534,428

Operating expenses

Personnel services	25,219,157
Supplies, materials and services	19,027,845
Grants, scholarships and contract programs	328,021
Depreciation, depletion and amortization	19,774,425
Other operating expenses	8,354,870

Total operating expenses 72,704,318

Operating loss (11,169,890)

Nonoperating revenues (expenses)

Interest revenues	4,960,735
Grants	6,881,026
Payments from primary government	22,954,498
Gain on sale of property	255,619
Interest expense	(17,590,711)
Payments from other component units	295,842
Other non-operating revenues (expenses)	(3,365,320)

Total nonoperating revenues 14,391,689

Income before capital contributions and transfers 3,221,799

Capital contributions 77,768,399

Change in net assets 80,990,198

Total net assets, beginning of year, as restated 347,949,595

Total net assets, end of year \$ 428,939,793

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, 2009

Required Supplementary Information

Fiscal Year Ending June 30,	Principal	Interest
2010	\$ 14,664,599	\$ 19,375,393
2011	12,089,352	18,482,983
2012	13,633,505	17,815,882
2013	14,364,043	17,083,951
2014	15,287,356	16,148,154
2015 - 2019	85,105,086	69,229,393
2020 - 2024	97,625,905	44,012,854
2025 - 2029	75,332,578	21,596,899
2030 - 2034	31,825,000	8,129,602
2035 - 2039	20,460,000	2,083,726
Total	\$ 380,387,424	\$ 233,958,837

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 pages 1 – 2 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Providence, Rhode Island
September 30, 2009

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

SCHEDULE OF TRAVEL /PER DIEM
YEAR ENDED JUNE 30, 2009

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
8/14/2008	Alicia Pomfret	\$ 664	EDA Conference in Philadelphia, PA
8/20/2008	Saul Kaplan	275	Meet with Business Week and Anatomical Travelogue- New York City, NY
8/28/2008	APTAC	550	Dorothy Reynolds Registration Fee for Fall APTAC Conference in Arlington, VA
8/28/2008	APTAC	550	Louis Francis Registration Fee for Fall APTAC Conference in Arlington, VA
9/11/2008	David DePetrillo	1,185	NSCTD Meeting in Bonita Springs Florida
9/18/2008	Claudine Tikoian	389	EDA Conference in Philadelphia, PA
9/25/2008	Dorothy Reynolds	69	Rhode Island Biz Day in Washington, DC
9/25/2008	Katherine Tufts	453	Jewelry Delegation to Hong Kong
9/25/2008	Jean Riendeau	211	RI Business Day in Washington, DC
9/25/2008	Jayne Panarello	37	Discover New England Meeting in Boston, MA
10/9/2008	Maureen Mezei	227	Invest in America Seminar in New York City, NY
10/17/2008	Dorothy Reynolds	1,319	APTAC Conference in Arlington, VA
10/23/2008	Christine Smith	951	SSTI Conference in Cleveland, OH
10/23/2008	Mark Brodeur	145	Discover New England Board Meeting in Hartford, CT
11/6/2008	Dorothy Reynolds	470	Department of Defense Council NE Matchmaker in New Haven, CT
11/13/2008	Maureen Mezei	196	ETC Board Meeting in Portland, ME
11/13/2008	Mark Brodeur	1,261	Travel Industry of America-Travel Outlook in Portland, OR
11/20/2008	Paul Harden	364	NEDA 08 Conference in Buffalo, NY
11/20/2008	Jean Riendeau	1,704	CORE NET 09 in Orlando, FL
11/20/2008	Jayne Panarello	2,423	UK Sales Mission 2008 in London, England
11/25/2008	Saul Kaplan	886	University of Toronto in Toronto, Canada
11/30/2008	Katrina White	1,837	NTA Conference in Pittsburgh, PA
12/5/2008	Paul Harden	1,698	IBEX 08 Convention in Miami, FL
12/10/2008	Mark Brodeur	170	Discover New England Conference in Portland, ME
12/11/2008	Louis Francis	354	Matchmaker Conference in New Haven, CT
12/18/2008	Katherine Tufts	369	MEDICA 08 in Dusseldorf, Germany
1/22/2009	Katrina White	1,984	American Bus Association in Charlotte, NC
2/17/2009	Katherine Tufts	772	Airfare for MEDICA 08 in Dusseldorf, Germany
2/19/2009	Saul Kaplan	771	Lumina Foundation in Indianapolis, IN
2/19/2009	Louis Francis	1,347	APTAC Conference in Washington, DC
2/19/2009	Rocky Top Event Management Ser	550	Dorothy Reynolds Registration Fee for Spring APTAC Conference in Reno, Nevada
2/19/2009	Rocky Top Event Management Ser	650	Louis Francis Registration Fee for Spring APTAC Conference in Reno, Nevada
2/19/2009	Rocky Top Event Management Ser	550	Richard Ferro Registration Fee for Spring APTAC Conference in Reno, Nevada
2/19/2009	Jayne Panarello	988	RSAA Show in New York City, NY
2/19/2009	Jayne Panarello	2,701	World Travel Market in London, England
2/28/2009	Mark Brodeur	889	US Travel Association in Washington, DC
3/9/2009	Katrina White	1,880	ETC Conference in New Orleans, LA
3/26/2009	Jayne Panarello	447	Airfare for PowWow in Miami, FL
4/2/2009	Katrina White	380	Airfare for ICTA Conference in Portland, OR
4/8/2009	Dorothy Reynolds	1,388	Spring 09 APTAC in Reno, Nevada
4/8/2009	RLF Management Services LLC	957	Spring 09 APTAC in Reno, Nevada
4/16/2009	Maureen Mezei	219	SIDO Conference Airfare in Washington, DC
4/30/2009	Louis Francis	1,146	APTAC Spring 09 in Lexington, KY
4/30/2009	Maureen Mezei	1,041	SIDO Conference in Washington, DC
4/30/2009	Discover New England	271	Mark Brodeur Discover New England Summit in Sunday River, Maine
4/30/2009	Jayne Panarello	907	DNE Summit in Sunday River, Maine
5/28/2009	Dorothy Reynolds	406	Department of Defense NE Conference in Tarrytown, NY
5/28/2009	RLF Management Services LLC	103	National Contract Management 09 in Bedford, MA
5/28/2009	Jayne Panarello	1,656	PowWow 09 in Miami, FL
5/31/2009	Jean Riendeau	310	RI Congressional Delegation Meeting in Washington, DC
5/31/2009	Mark Brodeur	156	Discover New England Meeting in Boston, MA
6/11/2009	Katrina White	413	Board of Directors ICTA Meeting in Portland, OR
6/11/2009	Katrina White	1,816	National Tour Association Spring Meet in Monterey, CA
6/17/2009	Jayne Panarello	152	Discover New England Board Meeting in Ogunquit, Maine
6/18/2009	Paul Harden	1,571	SAMPE 09 Conference & Exhibition in Baltimore, MD
6/18/2009	Julian Dash	1,304	Renewable Energy Technology Conference in Las Vegas, NV
6/19/2009	Maureen Mezei	161	Regional Export Promotion Meeting in Hartford, CT
6/30/2009	Dorothy Reynolds	117	Dept. of Defense Meeting in Massachusetts
6/30/2009	Louis Francis	131	Dept. of Defense Meeting in Boston, Massachusetts
6/30/2009	Mark Brodeur	305	Discover New England in Bethel, Maine
6/30/2009	Mark Brodeur	292	Discover New England in Algonquin, Maine
6/30/2009	Katrina White	283	American Academy of Hospitality Meeting in New York City, NY
6/30/2009	Katrina White	64	ETC Roundtable Meeting in Boston, MA
6/30/2009	Christine Smith	993	SSTI Dialogue in Washington, DC
Various	Mileage	4,546	
		<u>\$ 53,374</u>	

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES
YEAR ENDED JUNE 30, 2009

Quonset Development Corporation

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
10/7/2008	Antonio Ambrosio	\$ 152.00	NEARC Conference
7/11/2008	Heidi Green	9.00	Parking Fees June, 2008
9/5/2008	Heidi Green	2.00	Parking Fees July, 2008
9/5/2008	Heidi Green	2.00	Parking Fees August, 2008
12/18/2008	Heidi Green	3.00	Parking Fees December, 2008
9/5/2008	Vasillios Harritos	16.00	Parking Fees June, 2008
7/11/2008	Steven King	4.00	Parking RIAC Meeting
12/24/2008	Steven King	8.00	Parking CBRE Market Overview
3/16/2009	Steven King	7.00	Parking RIAC Meeting
9/26/2008	Evan Matthews	95.00	ULI Mtg, Boston; Propeller Club - Meeting
9/26/2008	Evan Matthews	159.00	North Atlantic Ports Mtg, Philadelphia
10/30/2008	Evan Matthews	112.17	ULI Mtg, Boston; North Atlantic Ports Mtg, Philadelphia, Parking
11/21/2008	Evan Matthews	35.00	Propeller Club - Meeting
12/5/2008	Evan Matthews	21.43	Tolls - Columbia Coastal, Liberty Corner, NJ
1/15/2009	Evan Matthews	30.00	Propeller Club - Meeting
4/2/2009	Evan Matthews	30.00	Propeller Club - Meeting
5/15/2009	Evan Matthews	129.20	NAPA Meeting-Baltimore, MD
6/9/2009	Evan Matthews	619.23	NAPA Meeting-Baltimore, MD
4/2/2009	James McCullough	42.58	Propeller Club - Meeting; ATAC Spring Training Seminar
8/8/2008	Dan Morrison	503.44	FSO School, Bourne, MA
4/2/2009	Dan Morrison	43.12	Propeller Club - Meeting/Dues; Terrorism Training Seminar, Warwick
9/26/2008	Patricia Petty	12.00	Parking, Payables Seminar
4/2/2009	Jill Sherman	12.00	Parking, Excel Seminar
4/2/2009	Brian Smith	30.00	Proppeller Club - Meeting
6/30/2009	Charged to Airport Fund	(180.76)	Charged to Airport Fund
		<u>\$ 1,896.41</u>	

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

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES
YEAR ENDED JUNE 30, 2009

Rhode Island Airport Corporation

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
7/9/08 to 7/11/08	K Dillon	\$ 772	AAAE Energy/Air Service Summit
7/13/08 to 7/16/08	L Benevides	720	Association of Certified Fraud Examiners Annual Conference
7/13/08 to 7/27/08	D Stolyarov	293	Cisco Training
7/22/08 to 7/25/08	D. Lucas	890	Department of Transportation Hazardous Material Shipping Training
8/9/08 to 8/13/08	S Traficante	1,308	50th Annual NEC/AAAE Conference
9/28/08 to 10/2/08	J Ottaviano	1,170	2008 Airport Law Enforcement Agencies Network Fall Conference
10/1/08	K Dillon	324	Airline Visit
10/1/08	P Goldstein	239	Airline Visit
10/19/08 to 10/24/08	K Dillon	3,248	Airline Visit
10/19/08 to 10/24/08	P Goldstein	2,862	Airline Visit
11/2/08 to 11/4/08	S Cahill	839	AAAE Airport Security Coordinator School
11/7/08 to 11/8/08	S Traficante	494	Planning Committee for the Northeast Chapter 2009 Conference
11/24/08	Various	1,250	Providence Chamber Annual Dinner
2/8/09 to 2/11/09	J Warcup	727	Bell Helicopter Training
2/28/09 to 3/4/09	P Goldstein	921	Network USA 2009 Conference
2/28/09 to 3/4/09	T Pimental	832	Network USA 2009 Conference
3/9/09 to 3/10/09	K Dillon	560	Airline Visit
3/9/09 to 3/10/09	P Goldstein	493	Airline Visit
3/31/09 to 4/3/09	A Andrade	284	Airway Facility Terminal Intergration Lab Meeting
3/31/09 to 4/3/09	A Clarke	288	Airway Facility Terminal Intergration Lab Meeting
4/15/09 to 4/19/09	K Dillon	587	Airline Visit
4/25/09 to 4/30/09	R Bateman	895	NEC/AAAE Snow Symposium
5/6/09	Various	750	Economic Outlook Luncheon
5/12/09	Various	957	Business Outreach Breakfast
5/14/09 to 5/15/09	A Clarke	254	Intermodal Meeting
5/25/09 to 6/24/09	S McElroy	762	TSA Explosive Demolition Team Training
5/31/09 to 6/4/09	P Goldstein	1,677	Jumpstart Conference
5/31/09 to 6/4/09	T Pimental	1,481	Jumpstart Conference
6/12/09 to 6/18/09	K Dillon	2,125	81st Annual AAAE Conference and Exposition
6/30/09	K Dillon	352	Business Meeting
7/1/08 to 6/30/09	Various	5,888	Mileage, Parking, Tolls & Gas Reimbursement
7/1/08 to 6/30/09	Various	7,443	Snow Meals
7/1/08 to 6/30/09	Various	8,758	Various Meeting Expenses
7/1/08 to 6/30/09	Various	3,726	Various Employee trips to Block Island
7/1/08 to 6/30/09	Various	3,567	Miscellaneous Amounts under \$200
		<u>\$ 57,736</u>	

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Economic Development Corporation</u>	<u>Renewable Energy Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 1,627,520		\$ 1,627,520
Accounts receivable, less allowance for uncollectibles	77,115		77,115
Notes and loans receivable, less allowance for loan losses	38,000		38,000
Interest receivable	70,101		70,101
Due from State agencies	137,345		137,345
Deposits and prepaid expenses	34,272		34,272
Restricted:			
Cash and cash equivalents	379,869	4,482,079	4,861,948
Receivables		66,938	66,938
Net investment in direct financing leases	1,483,563		1,483,563
Total current assets	3,847,785	4,549,017	8,396,802
Noncurrent assets			
Restricted:			
Cash and cash equivalents	4,445,651		4,445,651
Investments	943,723		943,723
Notes receivable		373,333	373,333
Net investments in direct financing leases, less current portion	32,819,296		32,819,296
Interfund receivable (payable)	377,443	(79,772)	297,671
Due from State agencies	696,070		696,070
Notes and loans receivable, less allowance for loan losses	4,750,000		4,750,000
Capital assets not being depreciated	308,762		308,762
Capital assets being depreciated, net	39,775		39,775
Total noncurrent assets	44,380,720	293,561	44,674,281
TOTAL ASSETS	48,228,505	4,842,578	53,071,083
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	360,141		360,141
Accrued expenses and other	492,579		492,579
Current portion of notes, bonds and leases payable	5,030,000		5,030,000
Payable from restricted assets	1,544,522	109,606	1,654,128
Deferred revenue	348,048	4,721,881	5,069,929
Total current liabilities	7,775,290	4,831,487	12,606,777
Noncurrent liabilities			
Liabilities payable from restricted cash and cash equivalents	2,804,346		2,804,346
Net pension obligation	859,736		859,736
Bonds and leases payable, less current portion	35,404,270		35,404,270
Total noncurrent liabilities	39,068,352	-	39,068,352
TOTAL LIABILITIES	46,843,642	4,831,487	51,675,129
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	348,537		348,537
Restricted			-
Unrestricted	1,036,326	11,091	1,047,417
TOTAL NET ASSETS	\$ 1,384,863	\$ 11,091	\$ 1,395,954

SEE INDEPENDENT AUDITOR'S REPORT

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2009

	<u>Economic Development Corporation</u>	<u>Renewable Energy Fund</u>	<u>Total</u>
Operating revenues			
Charges for services			
Rentals and fees	\$ 19,630		\$ 19,630
Interest on loans		\$ 8,000	8,000
Other income	153,171		153,171
Total operating revenues	<u>172,801</u>	<u>8,000</u>	<u>180,801</u>
Operating expenses			
Personnel services	3,012,845	94,048	3,106,893
Contractual services	1,100,262	1,267,536	2,367,798
Grants		328,021	328,021
Other expenses	1,424,834	36,227	1,461,061
Provision for loan losses and uncollectibles	4,745,000		4,745,000
Depreciation and amortization	7,950		7,950
Total operating expenses	<u>10,290,891</u>	<u>1,725,832</u>	<u>12,016,723</u>
Operating income (loss)	<u>(10,118,090)</u>	<u>(1,717,832)</u>	<u>(11,835,922)</u>
Nonoperating revenues (expenses)			
Appropriations from State	22,954,498		22,954,498
Investment and other revenue	3,196,139	3,091	3,199,230
Interest expense	(3,396,905)		(3,396,905)
Grant income	971,791	1,725,832	2,697,623
Grant expenses	(971,791)		(971,791)
Public investment payments and job credits	(6,114,276)		(6,114,276)
Other	(6,595,441)		(6,595,441)
Total nonoperating revenues, net	<u>10,044,015</u>	<u>1,728,923</u>	<u>11,772,938</u>
Income (loss) before transfers	<u>(74,075)</u>	<u>11,091</u>	<u>(62,984)</u>
Transfers:			
Transfer (to) from Rhode Island Economic Development Corporation	(240,000)		(240,000)
Transfer from other State agencies	170,842		170,842
Total transfers	<u>(69,158)</u>	<u>-</u>	<u>(69,158)</u>
Change in net assets	<u>(143,233)</u>	<u>11,091</u>	<u>(132,142)</u>
Total net assets, beginning of year	<u>1,528,096</u>	<u>-</u>	<u>1,528,096</u>
Total net assets, end of year	<u>\$ 1,384,863</u>	<u>\$ 11,091</u>	<u>\$ 1,395,954</u>

SEE INDEPENDENT AUDITOR'S REPORT

**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, 2009, and have issued our report thereon dated September 30, 2009. 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 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.

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 that reads "Braver, OC". The signature is written in a cursive style with a large, looped initial "B".

Providence, Rhode Island
September 30, 2009