

**RHODE ISLAND
INDUSTRIAL FACILITIES
CORPORATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2012 AND 2011**

RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION

JUNE 30, 2012 AND 2011

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying basic financial statements of the Rhode Island Industrial Facilities Corporation (the Corporation), a component unit of the State of Rhode Island, as of June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2012 and 2011 the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2012 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion on Pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's financial statements. Schedules B, C and E, on Pages 12, 13 and 14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedules B, C and E are fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Braver PC". The letters are cursive and somewhat stylized.

Providence, Rhode Island
August 23, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Rhode Island Industrial Facilities Corporation (the Corporation), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation as and for the years ended June 30, 2012 and 2011. This information should be read in conjunction with the Corporation's financial statements.

Financial Highlights

- Total assets exceeded total liabilities by \$349,252 and \$374,047 (net assets) at June 30, 2012 and 2011, respectively. The Corporation's net assets are unrestricted and may be used to meet the Corporation's operating requirements.
- Net assets decreased by \$24,795 during 2012 as compared to an increase of \$9,343 during 2011 primarily due to an increase in administrative costs.
- In 2011, the Corporation issued \$6,030,000 in bonds on behalf of Ener-Tek (Yardney) and \$3,300,000 on behalf of Bullard Abrasives. In 2012 RIIFC issued and then paid off a bond for Material Sampling Technologies.

Overview of the Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Corporation

STATEMENT OF NET ASSETS

	2012	2011	% of Change	2011	2010	% of Change
Noncurrent asset	\$696,557	\$ 696,557	0.0%	\$ 696,557	\$ 696,441	0.0%
Current and other assets	460,271	478,852	-3.8%	478,852	529,391	-9.5%
Total assets	1,156,828	1,175,409	-1.5%	1,175,409	1,225,832	-4.1%
Noncurrent liabilities	764,756	778,115	-1.7%	778,115	791,062	-1.6%
Current liabilities	42,820	23,247	84.1%	23,247	70,066	-66.8%
Total liabilities	807,576	801,362	0.7%	801,362	861,128	-6.9%
Net assets						
Unrestricted	349,252	374,047	-6.6%	374,047	364,704	2.6%
TOTAL NET ASSETS	\$ 349,252	\$ 374,047	-6.6%	\$ 374,047	\$ 364,704	2.6%

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Operating revenues:						
Bond administrative fees	\$ 72,067	\$ 76,394	-5.7%	\$ 76,394	\$ 61,615	24.0%
Other	1,000	5,000	-80.0%	5,000	4,250	17.6%
Total operating revenues	73,067	81,394	-10.2%	81,394	65,865	23.6%
Non operating revenues, interest income	-	-	0.0%	-	63	-100.0%
Total non operating revenues	-	-	0.0%	-	63	-100.0%
TOTAL REVENUES	73,067	81,394	-10.2%	81,394	65,928	23.5%
Operating expenses						
Administration	70,424	42,503	65.7%	42,503	83,056	-48.8%
Insurance	11,768	11,768	0.0%	11,768	11,768	0.0%
Contractual services	15,670	15,143	3.5%	15,143	33,248	-54.5%
Recovery Zone Program Costs	-	2,608	-100.0%	2,608	13,891	-81.2%
Miscellaneous	-	29	-100.0%	29	13	123.1%
Total operating expenses	97,862	72,051	35.8%	72,051	141,976	-49.3%
Income before transfer	(24,795)	9,343	-365.4%	9,343	(76,048)	-112.3%
Transfer to RI Economic Dev. Corp.	-	-	0.0%	-	125,000	-100.0%
Change in net assets	\$ (24,795)	\$ 9,343	-365.4%	\$ 9,343	\$ 48,952	-80.9%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Corporation (Continued)

Total net assets decreased by 6.6% in 2012 compared to an increase of 2.6% in 2011. Total revenues decreased by 10.2% due to only one bond issue being paid off and a discharge payment of \$1,000 was for one issue. Operating expenses increased by 35.8% due to the allocation of administration among all entities. RIIFC does not have any employees. The Corporation is staffed by RIEDC employees.

Requests for Information

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

RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION

(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENTS OF NET ASSETS

JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 358,714	\$ 403,131
Bond administration fees receivable (net of \$1,000 allowance in 2012 and 2011)	121	408
Due from State agencies:		
Rhode Island Industrial-Recreational Building Authority	84,058	6,000
Prepaid Insurance	12,944	-
Other receivables	4,434	69,313
Total current assets	<u>460,271</u>	<u>478,852</u>
Non-current asset, restricted assets:		
Restricted cash and cash equivalents	<u>696,557</u>	<u>696,557</u>
TOTAL ASSETS	<u>1,156,828</u>	<u>1,175,409</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	205	-
Deferred revenue	13,063	13,063
Due to Rhode Island Economic Development Corporation	29,552	10,184
Total current liabilities	<u>42,820</u>	<u>23,247</u>
Non-current liabilities:		
Due to Rhode Island Industrial-Recreational Building Authority	696,557	696,557
Deferred revenue	68,199	81,558
Total non-current liabilities	<u>764,756</u>	<u>778,115</u>
Total liabilities	<u>807,576</u>	<u>801,362</u>
Net assets, unrestricted	<u>\$ 349,252</u>	<u>\$ 374,047</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Operating revenues		
Charges for services, bond administration fees	\$ 72,067	\$ 76,394
Other	1,000	5,000
Total operating revenues	73,067	81,394
Operating expenses:		
Administrative	70,424	42,503
Insurance	11,768	11,768
Contractual services	15,670	15,143
Recovery Zone Program costs	-	2,608
Miscellaneous	-	29
Total operating expenses	97,862	72,051
Change in net assets	(24,795)	9,343
Net assets, beginning of the year	374,047	364,704
Net assets, end of the year	\$ 349,252	\$ 374,047

SEE NOTES TO FINANCIAL STATEMENTS.

RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION

(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<i>Cash provided by (used for) operating activities:</i>		
Cash received for administration fees	\$ 59,995	\$ 63,519
Cash paid to suppliers for goods and services	(91,233)	(110,112)
<i>Net cash used for operating activities</i>	<u>(31,238)</u>	<u>(46,593)</u>
<i>Cash provided by (used for) noncapital financing activities:</i>		
Withdrawals from restricted account	-	116
<i>Net cash provided by (used for) noncapital financing activities</i>	<u>-</u>	<u>116</u>
<i>Cash provided by (used for) investing activities:</i>		
Advances to RIIRBA	(336,008)	(181,895)
Other receivable	64,879	(69,313)
Repayment of advances to RIIRBA	257,950	189,395
<i>Net cash used for investing activities</i>	<u>(13,179)</u>	<u>(61,813)</u>
<i>Net decrease in cash and cash equivalents</i>	(44,417)	(108,290)
<i>Cash and cash equivalents, beginning of the year</i>	<u>1,099,688</u>	<u>1,207,978</u>
<i>Cash and cash equivalents, end of the year</i>	<u>\$ 1,055,271</u>	<u>\$ 1,099,688</u>
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
Operating income (loss)	\$ (24,795)	\$ 9,343
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	287	3,946
Prepaid expenses	(12,944)	-
Deposits	-	(2,000)
Accounts payable	205	(4,716)
Deferred revenue	(13,359)	(21,822)
Due to RIEDC	19,368	(31,344)
<i>Net cash used by operating activities</i>	<u>\$ (31,238)</u>	<u>\$ (46,593)</u>
<i>End of the year cash and cash equivalents consist of:</i>		
Unrestricted cash and cash equivalents	\$ 358,714	\$ 403,131
Restricted cash and cash equivalents	696,557	696,557
<i>Total</i>	<u>\$ 1,055,271</u>	<u>\$ 1,099,688</u>

SEE NOTES TO FINANCIAL STATEMENTS.

RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Description of organization

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

The Corporation is exempt from Federal and state income taxes.

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

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

The Corporation distinguishes between operating and 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 services provided and administrative expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

(b) Cash and cash equivalents

The Corporation considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents.

(c) Revenue recognition and concentrations

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

(CONTINUED)

RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Revenue recognition and concentrations (Continued)

Bond administration fees from three participants represent 54% of the Corporation's bond administration fees for the year ended June 30, 2012 and two participants represent 42% of the Corporation's bond administration fees for the year ended June 30, 2011.

Bond administration fees receivable from one participant represents 56% and three participants represent 98% of the Corporation's bond administration fees receivable at June 30, 2012 and 2011, respectively.

(d) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Basis of accounting

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

2. CONDUIT DEBT

From time to time, the Corporation issues revenue bonds, notes, equipment acquisition notes and construction loan notes to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities. The bonds and notes are secured by the property financed and are payable solely from payments received on the underlying mortgage loans and lease agreements. Upon repayment of the bonds and notes, ownership of the acquired facilities transfers to the private-sector entity served by the bond or note issuance. The Corporation is not obligated in any manner for repayment of the bonds and notes. Accordingly, the bonds and notes are not reported as liabilities in the accompanying financial statements.

During the fiscal years ended June 30, 2012 and 2011, the Corporation issued in the aggregate \$1,388,000 and \$9,330,000, respectively, of revenue bonds, notes, equipment acquisition notes and construction loan notes to finance various capital expenditures for Rhode Island businesses. The revenue bond issued during fiscal year 2012 was paid off as of June 30, 2012. The interest rates for outstanding debt range from fixed rates of 3.5% to 13% as well as floating rates set as a percentage of the prime interest rate. Maturity dates for the bonds and notes range from 2012 to 2037.

Under the terms of the various indentures and related loan and lease agreements, the business entities make loan and lease payments directly to the trustees of the related bond and note issues in amounts equal to interest and principal payments due on the respective issues. Accordingly, the payments are not shown as receipts and disbursements of the Corporation. The aggregate amount outstanding on this debt at June 30, 2012 and 2011 was approximately \$65,500,000 and \$103,000,000, respectively.

(CONTINUED)

RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

3. CASH DEPOSITS

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

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

Cash deposits with financial institutions at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Bank balance and carrying amount of cash deposited - checking.....	\$1,055,271	\$1,099,688
Bank balances covered by federal depository insurance.....	\$1,055,271	\$1,099,688
Bank balances uninsured and uncollateralized.....	\$0	\$0

4. RESTRICTED CASH EQUIVALENT

The Rhode Island Industrial-Recreational Building Authority (RIIRBA), a component unit of the State, guarantees principal and interest payments required under first mortgages and first security agreements issued to private-sector entities. At June 30, 2012 and 2011, the Corporation is holding funds of the Rhode Island Economic Development Corporation (RIEDC) required to be established and held in escrow on behalf of RIIRBA relating to RIIRBA's guarantee of the revenue bond issued for a private-sector entity. RIIRBA's funds ordinarily are held by the State, but in order to segregate such funds from the State's general fund, the Corporation holds such escrow funds on behalf of RIIRBA.

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

5. OTHER RECEIVABLES

Other receivables consists of amounts paid on behalf of a sub-recipient of a federally funded grant. Based on the agreement, signed by both parties, the sub recipient of these federal funds will reimburse the Corporation for all legal expenses paid in relation to the TIGER grant.

6. SUBSEQUENT EVENTS

The Corporation has evaluated all subsequent events through August 23, 2012, the date the financial statements were available to be issued.

(CONCLUDED)

SUPPLEMENTARY INFORMATION

RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION

(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF NET ASSETS

JUNE 30, 2012

Attachment B

Assets

Current Assets:

Cash and cash equivalents	\$ 358,714
Receivables	5,555
(Receivables allowance)	(1,000)

Restricted assets:

Other assets	12,944
Due from other component units	84,058

Total current assets	<u>460,271</u>
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Noncurrent Assets:

Restricted assets:

Cash and cash equivalents	<u>696,557</u>
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Total assets	<u>1,156,828</u>
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Liabilities

Current liabilities:

Accounts payable	205
Due to other component units	29,552
Deferred revenue	<u>13,063</u>

Total current liabilities	<u>42,820</u>
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Noncurrent liabilities:

Due to other component units	696,557
Deferred revenue	<u>68,199</u>

Total liabilities	<u>807,576</u>
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Net assets

Unrestricted	<u>\$ 349,252</u>
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RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION

**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012**

	<u>Attachment C</u>
Operating revenues:	
Charges for services	\$ 72,067
Other operating income	1,000
Total operating revenues	<u>73,067</u>
Operating expenses:	
Supplies, materials, and services	86,094
Other operating expenses	11,768
Total operating expenses	<u>97,862</u>
Change in net assets	(24,795)
Total net assets - beginning	<u>374,047</u>
Total net assets - ending	<u><u>\$ 349,252</u></u>

RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION

(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

SCHEDULE OF CHANGES IN LONG-TERM DEBT

YEAR ENDED JUNE 30, 2012

Attachment E

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due Thereafter</u>
Due to Primary Government	\$ 696,557	-	\$ -	\$ 696,557	\$ -	\$ 696,557
Deferred Revenue	94,621	-	(13,359)	81,262	13,063	68,199
Total Long-Term Debt	<u>\$ 791,178</u>	<u>\$ -</u>	<u>\$ (13,359)</u>	<u>\$ 777,819</u>	<u>\$ 13,063</u>	<u>\$ 764,756</u>

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

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

We have audited the financial statements of Rhode Island Industrial Facilities Corporation (the Corporation), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2012, and have issued our report thereon dated August 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Rhode Island Industrial Facilities Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the 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.

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Compliance and Other Matters

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

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

Braver PC

Providence, Rhode Island
August 23, 2012