

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

CONTENTS

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-7
Financial Statements	
Statements of Net Position.....	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows.....	10
Notes to Financial Statements	11-16
Supplementary Information	
Schedules of Uncommitted Mortgage Insurance Availability	17
State of Rhode Island Required Format	
Statement of Net Position (Attachment B)	18-19
Statement of Activities (Attachment C).....	20
Schedule of Changes in Long-Term Debt (Attachment E).....	21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rhode Island Industrial-Recreational Building Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Rhode Island Industrial-Recreational Building Authority, a component unit of the State of Rhode Island, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Rhode Island Industrial-Recreational Building Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rhode Island Industrial-Recreational Building Authority as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the Rhode Island Industrial-Recreational Building Authority has a net position deficit as of June 30, 2020 relating to the insured commitments payable for a bond issued by the Rhode Island Industrial Facilities Corporation on behalf of a private-sector entity that is in default on its payments to the bondholder. As the insurer of the bond, the Rhode Island Industrial-Recreational Building Authority is responsible for making the debt payments. These payments will be made by first exhausting the Authority's available financial resources. The Rhode Island Industrial-Recreational Building Authority must then request appropriations of the Rhode Island General Assembly for any loss in excess of the Authority's resources. The Rhode Island Industrial-Recreational Building Authority has estimated the insured commitments payable to be \$2,930,045 as of June 30, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rhode Island Industrial-Recreational Building Authority's basic financial statements. The accompanying supplementary information to the financial statements, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information to the financial statements is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020 on our consideration of the Rhode Island Industrial-Recreational Building Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rhode Island Industrial Recreational Building Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rhode Island Industrial-Recreational Building Authority's internal control over financial reporting and compliance.

Marcum LLP

Providence, RI
October 27, 2020

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

As management of the Rhode Island Industrial-Recreational Building Authority (the Authority), a component unit of the State of Rhode Island (the State), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2020 and 2019. The Authority's financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

INTRODUCTION

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

2020 FINANCIAL HIGHLIGHTS

Total liabilities exceeded total assets by \$1,685,694 (net position) at June 30, 2020. The payoffs of insured mortgages during the year resulted in a significant decrease in revenues, which contributed to an operating loss of \$39,713 and a decrease in net position of \$28,279 for 2020.

2019 FINANCIAL HIGHLIGHTS

Total liabilities exceeded total assets by \$1,657,415 (net position) at June 30, 2019. A \$1,500,000 legal settlement was received which restored cash reserves. A loss on insured commitments offset by an early payoff of a policy premium contributed to an operating loss of \$29,548 and a decrease in net position of \$10,942 for 2019.

CONDENSED COMPARATIVE INFORMATION

The following table reflects a summary of changes in certain balances in the statements of net position, and revenues, expenses and changes in net position (in thousands):

	Summaries of Net Position				
	June 30,			Increase (decrease)	
	2020	2019	2018	2020 v 2019	2019 v 2018
Net Position					
Current assets	\$ 1,400	\$ 1,760	\$ 818	\$ (360)	\$ 942
Noncurrent assets	--	--	--	--	--
Total Assets	<u>1,400</u>	<u>1,760</u>	<u>818</u>	<u>(360)</u>	<u>942</u>
Current liabilities	609	473	702	136	(229)
Noncurrent liabilities	<u>2,477</u>	<u>2,945</u>	<u>1,762</u>	<u>(468)</u>	<u>1,183</u>
Total Liabilities	<u>3,086</u>	<u>3,418</u>	<u>2,464</u>	<u>(332)</u>	<u>954</u>
Net Position,					
Unrestricted	<u>\$ (1,686)</u>	<u>\$ (1,658)</u>	<u>\$ (1,646)</u>	<u>\$ (28)</u>	<u>\$ (12)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Summaries of Revenues, Expenses, and Changes in Net Position				
	Year ended June 30,			Increase (decrease)	
	2020	2019	2018	2020 v 2019	2019 v 2018
Changes in Net Position					
Operating revenues	\$ 69	\$ 1,729	\$ 92	\$ (1,660)	\$ 1,637
Operating expenses	<u>109</u>	<u>1,759</u>	<u>918</u>	<u>(1,650)</u>	<u>841</u>
Operating Loss	(40)	(30)	(826)	(10)	796
Nonoperating Revenues	<u>11</u>	<u>19</u>	<u>12</u>	<u>(8)</u>	<u>7</u>
Change in Net Position	<u>\$ (29)</u>	<u>\$ (11)</u>	<u>\$ (814)</u>	<u>\$ (18)</u>	<u>\$ 803</u>

2020 FINANCIAL ANALYSIS

Total assets of the Authority decreased by \$359,930 in 2020 due to a significant decrease in cash. This was predominantly due to the fact that the Authority received a payout from a settlement in 2019 and, as no such event took place during 2020, cash decreased. Total liabilities of the Authority decreased by \$331,651 in 2020. This was predominantly due to the amortization of liabilities related to insured commitments, which was partially offset by a significant increase in funds due to the Rhode Island Industrial Facilities Corporation (RIIFC).

2020 OPERATING ACTIVITY

Operating revenues of the Authority decreased by \$1,659,529 compared to 2019 due to \$1,500,000 settlement occurring in 2019, which did not reoccur during 2020 and a significant decrease in mortgage insurance premium due to an early pay down on a policy in 2019.

Total operating expenses decreased by \$1,649,364 due to a loss on insured commitment associated with final judgement occurring during 2019, which did not reoccur during 2020.

The Authority's net position decreased \$28,279 in 2020 compared to \$10,942 in 2019. Currently the costs to run the program exceed the revenue being generated in premiums. In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. Management is currently evaluating the impact on the financial services industry and has concluded that the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

2019 FINANCIAL ANALYSIS

Total assets of the Authority increased by \$921,266 in 2019 due to a legal settlement being finalized in favor of the Authority for \$1,500,000.

2019 FINANCIAL ANALYSIS

Total liabilities of the Authority increased by \$953,498 in 2019 which reflects a loan loss being recorded including \$1,500,000 loss expense related to the legal settlement, offset partially by a decrease in amounts owed to Rhode Island Industrial Facilities Corporation (RIIFC).

2019 OPERATING ACTIVITY

Operating revenues of the Authority increased by \$1,615,364 compared to 2018 due to \$1,500,000 settlement and an early pay down on a policy in 2019.

Total operating expenses increased by \$840,693 due to an increase in the loss on insured commitment associated with final judgement.

The Authority's net position decreased \$32,232 in 2019 compared to \$813,421 in 2018.

REQUESTS FOR INFORMATION

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

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

STATEMENTS OF NET POSITION

JUNE 30, 2020 AND 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,382,982	\$ 1,724,979
Mortgage insurance premiums receivable, net of allowance for doubtful accounts of \$0 and \$253,581	11,936	29,867
Prepaid expenses	5,420	5,422
Total Assets	1,400,338	1,760,268
Liabilities		
Current liabilities		
Due to Rhode Island Industrial Facilities Corporation	123,488	8,602
Due to Rhode Island Commerce Corporation	32,499	11,726
Insured commitments payable	452,552	452,552
Total Current Liabilities	608,539	472,880
Noncurrent Liabilities		
Insured commitments payable, net of current portion	2,477,493	2,944,803
Total Noncurrent Liabilities	2,477,493	2,944,803
Total Liabilities	3,086,032	3,417,683
Net Position, Unrestricted	\$ (1,685,694)	\$ (1,657,415)

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Operating Revenues and Charges for Services		
Mortgage insurance premiums	\$ 69,466	\$ 228,995
Legal settlement	--	1,500,000
Total Operating Revenues and Charges for Services	69,466	1,728,995
Operating Expenses		
Contractual services	49,350	60,613
Administrative	42,064	30,143
Insurance	32,522	32,373
(Gain) loss on insured commitments (Note 5)	(14,757)	1,635,414
Total Operating Expenses	109,179	1,758,543
Operating Loss	(39,713)	(29,548)
Nonoperating Revenues, Interest and Dividend Income	11,434	18,606
Change in Net Position	(28,279)	(10,942)
Net Position - Beginning of Year	(1,657,415)	(1,646,473)
Net Position - End of Year	\$ (1,685,694)	\$ (1,657,415)

The accompanying notes are an integral part of these financial statements.

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Cash received for services	\$ 87,397	\$ 202,382
Cash payments for debt gaurantee	(337,667)	(684,839)
Cash payments to suppliers for goods and services	(103,161)	(120,491)
Cash received from legal settlement	--	1,500,000
Net Cash (Used in) Provided by Operating Activities	(353,431)	897,052
 Cash Provided by Investing Activities		
Interest on Investments	11,434	18,606
 Net (Decrease) Increase in Cash and Cash Equivalents	(341,997)	915,658
 Cash and Cash Equivalents - Beginning of Year	1,724,979	809,321
 Cash and Cash Equivalents - End of Year	\$ 1,382,982	\$ 1,724,979
 Reconciliation of Operating Loss to Net Cash (Used in) Operating Activities		
Operating loss	\$ (39,713)	\$ (29,548)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Provision for losses on insured commitments	(14,757)	1,635,414
Changes in assets and liabilities:		
Mortgage insurance premiums receivable	17,931	(26,614)
Prepaid expenses	2	(157)
Due to Rhode Island Industrial Facilities Corporaiton	(337,667)	(684,839)
Due to Rhode Island Commerce Corporation	20,773	2,796
 Net Cash (Used in) Provided by Operating Activities	\$ (353,431)	\$ 897,052

The accompanying notes are an integral part of these financial statements.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

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

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

The Authority is exempt from federal and state income taxes.

FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The Authority uses the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when the liability for goods and services have been incurred, regardless of the timing of the related cash flows.

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

When both restricted and unrestricted amounts are available for use, it is the Authority's practice to use the restricted resources first.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

**NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

USE OF ESTIMATES

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

REVENUE RECOGNITION AND CONCENTRATIONS

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

For the year ended June 30, 2020, mortgage insurance premiums from three entities represent 100% of the Authority's mortgage insurance premiums. For the year ended June 30, 2019, mortgage insurance premiums from two entities represented 100% of the Authority's mortgage insurance premiums.

Upon the early repayment of conduit debt obligations insured by the Authority, prepayment penalties are due from the obligor and recognized as revenue by the Authority.

Commitment fees are amounts paid by prospective obligors of conduit debt that has been approved but not yet issued. Such fees are recorded as a liability when received and recognized as revenue by the Authority either when the commitment to lend is exercised or when the commitment expires.

CASH AND CASH EQUIVALENTS

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

LOSSES ON MORTGAGE INSURANCE AGREEMENTS

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

**NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 27, 2020, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these financial statements.

Subsequent to year-end, the Authority authorized resolutions to insure contractual principal and interest payments required under first mortgage and first security agreements for unrelated third parties for up to \$5,000,000.

NOTE 2 - CASH AND CASH EQUIVALENTS

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

	2020	2019
Cash collateralized with securities that are not in the Authority's name	\$ 614,142	\$ 967,572
Cash equivalents - Ocean State Investment Pool Trust (OSIP)	768,840	757,407
Total Cash and Cash Equivalents	\$ 1,382,982	\$ 1,724,979

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

At June 30, 2020 and 2019, the Authority's cash equivalents consisted of amounts invested in OSIP, an investment pool established by the General Treasurer of the State of Rhode Island under the Rhode Island Local Government Investment Pool Act Ch. 35-10.2 of the Rhode Island General Laws as amended, as a voluntary investment vehicle for funds of, and funds under custody of, agencies, authorities, commissions, boards, municipalities, political subdivisions and other public units of the State of Rhode Island. OSIP is an external investment pool as defined by GASB and has elected to measure for financial reporting purposes all of its investments at amortized cost. OSIP has met the criteria outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, regarding portfolio maturity, quality, diversification and liquidity requirements and shadow pricing requirements, which are required for such election. The OSIP is not rated and the weighted average maturity held in the pool, by policy, is not to exceed 60 days. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue - 2nd Floor, Warwick, RI 02886.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

The collateralization policy of the Rhode Island General Treasurer's Office requires 100% collateralization of all bank balances held in the name of the General Treasurer.

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

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

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

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

NOTE 3 - DUE TO RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION

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

NOTE 4 - DUE TO RHODE ISLAND COMMERCE CORPORATION

The Rhode Island Commerce Corporation, a component unit of the State, provides accounting services and other administrative services to the Authority. At June 30, 2020 and 2019, due to Rhode Island Commerce Corporation represents amounts owed for services provided.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 - CONDUIT DEBT OBLIGATIONS

At June 30, 2020 and 2019, the Authority has insured contractual principal and interest payments required under first mortgages and first security agreements principally for land and buildings of manufacturing and distribution entities located throughout Rhode Island. Principal balances outstanding under first mortgages and first security agreements insured by the Authority at June 30, 2020 and 2019 total approximately \$8,633,339 and \$9,568,723, respectively.

NOTE 6 - INSURED COMMITMENTS PAYABLE AND CONTINGENCY

The Authority insures a bond issued by RIIFC on behalf of a private-sector entity. During the year ended June 30, 2012, the private-sector entity was in default on its payments to the bondholder and the Authority assumed responsibility for making the debt payments. In July 2018, a mediation settlement in connection with a pending case in the Providence Superior Court was entered into and approved with a formal vote by the board of Rhode Island Industrial-Recreational Building Authority. This settlement resulted in a payment of \$1,500,000 to the Rhode Island Industrial Recreational Authority replenishing available financial resources. Bond payments will continue to be made by first exhausting the Authority's available existing financial resources and if losses related to the default exceed available resources, the Authority will then request appropriations of the Rhode Island General Assembly for any loss in excess of the insured amount.

The Authority has determined an insured commitment payable of \$2,930,045 at June 30, 2020. The commitment payable is based on the outstanding principal balance for Series A of \$1,558,398 and Series B of \$845,418 at June 30, 2020 amortized over the remaining loan terms at a rate of 4.59% (Federal Home Loan Bank 5 Year Rate + 2.75%) confirmed through July 1, 2021.

At June 30, 2020, aggregate scheduled principal and interest payments due to be paid by the Authority on the defaulted issuer's Series A bonds, based on rates in effect as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 280,843	\$ 66,616
2022	294,199	53,260
2023	308,190	39,269
2024	322,787	24,672
2025 - 2026	352,379	126,448
	<u>\$ 1,558,398</u>	<u>\$ 310,265</u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - INSURED COMMITMENTS PAYABLE AND CONTINGENCY (CONTINUED)

At June 30, 2020, aggregate scheduled principal and interest payments due to be paid by the Authority on the defaulted issuer's Series B bonds, based on rates in effect as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest
2021	\$ 67,161	\$ 37,933
2022	70,354	34,739
2023	73,700	31,394
2024	77,129	27,965
2025	80,872	24,222
2026 - 2031	<u>476,202</u>	<u>59,711</u>
	<u>\$ 845,418</u>	<u>\$ 215,964</u>

RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declares the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and the World. The Corporation is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce the spread. As of the date the financial statements were available to be issues, there was considerable uncertainty around expected duration of this pandemic and the extent to which COVID-19 may impact the Corporation's financial condition or its operations.

SUPPLEMENTARY INFORMATION

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

SCHEDULES OF UNCOMMITTED MORTGAGE INSURANCE AVAILABILITY

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Maximum Contractual Principal Payments the Authority is Authorized to Insure	\$ 60,000,000	\$ 60,000,000
Principal balances outstanding under first mortgages and first security agreements at year end	8,633,339	11,334,714
Approved resolutions at year end	<u> --</u>	<u> --</u>
Uncommitted Mortgage Insurance Availability	<u>\$ 51,366,661</u>	<u>\$ 48,665,286</u>

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

See independent auditors' report on supplementary information.

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

**STATE OF RHODE ISLAND REQUIRED FORMAT
STATEMENT OF NET POSITION**

JUNE 30, 2020

Assets	<u>Attachment B</u>
Current assets	
Cash and cash equivalents	\$ 1,382,982
Investments	--
Receivables (net)	11,936
Restricted Assets	
Cash and cash equivalents	--
Investments	--
Receivables (net)	--
Other assets	--
Due from primary government	--
Due from other component units	--
Due from other governments	--
Inventories	--
Other assets	<u>5,420</u>
Total Current Assets	<u>1,400,338</u>
Noncurrent Assets	
Investments	--
Receivables (net)	--
Restricted assets:	
Cash and cash equivalents	--
Investments	--
Receivables (net)	--
Other assets	--
Due from other component units	--
Net pension asset	--
Net OPEB asset	--
Capital assets - nondepreciable	--
Capital assets - depreciable (net)	--
Other assets, net of amortization	<u>--</u>
Total Noncurrent Assets	<u>--</u>
Total Assets	<u>\$ 1,400,338</u>

See independent auditors' report on supplementary information.

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

**STATE OF RHODE ISLAND REQUIRED FORMAT
STATEMENT OF NET POSITION (CONTINUED)**

JUNE 30, 2020

Liabilities	<u>Attachment B</u>
Current Liabilities	
Cash overdraft	\$ --
Accounts payable	--
Due to primary government	--
Due to other component units	155,987
Due to other governments	--
Accrued expenses	--
Compensated absences	--
Unearned revenue	--
Other liabilities	452,552
Current portion of long-term debt	<u>--</u>
Total Current Liabilities	<u>608,539</u>
Noncurrent Liabilities	
Due to primary government	--
Due to other governments	--
Due to other component units	--
Net pension liability	--
Net OPEB liability	--
Unearned revenue	--
Notes payable	--
Loans payable	--
Obligations under capital leases	--
Compensated absences	--
Bonds payable	--
Other liabilities	<u>2,477,493</u>
Total Noncurrent Liabilities	<u>2,477,493</u>
Total Liabilities	<u>3,086,032</u>
Net Position, Unrestricted	<u><u>\$ (1,685,694)</u></u>

See independent auditors' report on supplementary information.

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

**STATE OF RHODE ISLAND REQUIRED FORMAT
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Attachment C</u>
Expenses	<u>\$ 109,179</u>
Program Revenues	
Charges for services	69,466
Operating grants and contributions	--
Capital grants and contributions	<u>--</u>
Total Program Revenues	<u>69,466</u>
Net (Expenses) Revenues	<u>(39,713)</u>
General Revenues	
Interest and investment earnings	11,434
Miscellaneous revenue	<u>--</u>
Total General Revenues	<u>11,434</u>
Loss Before Contributions, Transfers, and Special and Extraordinary Items	<u>(28,279)</u>
Special items	--
Extraordinary items	<u>--</u>
Total Contributions and Transfers	<u>--</u>
Total Net Position - Beginning	<u>(1,657,415)</u>
Total Net Position - Ending	<u><u>\$ (1,685,694)</u></u>

See independent auditors' report on supplementary information.

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

SCHEDULE OF CHANGES IN LONG-TERM DEBT

FOR THE YEAR ENDED JUNE 30, 2020

	Beginning Balance	Additions	Reductions	Ending Balance	<u>Attachment E</u>	
					Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Net unamortized premium/discount	--	--	--	--	--	--
Bonds Payable	--	--	--	--	--	--
Notes payable	--	--	--	--	--	--
Loans payable	--	--	--	--	--	--
Obligations under capital leases	--	--	--	--	--	--
Net pension liability	--	--	--	--	--	--
Net OPEB liability	--	--	--	--	--	--
Due to primary government	--	--	--	--	--	--
Due to component units	20,328	135,659	--	155,987	155,987	--
Due to other governments and agencies	--	--	--	--	--	--
Unearned revenue	--	--	--	--	--	--
Compensated absences	--	--	--	--	--	--
Arbitrage rebate	--	--	--	--	--	--
Pollution remediation	--	--	--	--	--	--
Funds Held for Others	--	--	--	--	--	--
Other liabilities - insured commitments payable	<u>3,397,355</u>	<u>(14,758)</u>	<u>(452,552)</u>	<u>2,930,045</u>	<u>452,552</u>	<u>2,477,493</u>
	<u>\$ 3,417,683</u>	<u>\$ 120,901</u>	<u>\$ (452,552)</u>	<u>\$ 3,086,032</u>	<u>\$ 608,539</u>	<u>\$ 2,477,493</u>

See independent auditors' report on supplementary information.

**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***

To the Board of Directors
Rhode Island Industrial-Recreational Building Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Rhode Island Industrial Recreational Building Authority as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rhode Island Industrial-Recreational Building Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rhode Island Industrial-Recreational Building Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Rhode Island Industrial-Recreational Building Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rhode Island Industrial-Recreational Building Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements,

Compliance and Other Matters (Continued)

noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Providence, RI
October 27, 2020