

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

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2022 AND 2021**

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

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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the 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, 2022 and 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Industrial-Recreational Building Authority, as of June 30, 2022 and 2021, and the respective changes in the financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Rhode Island Industrial-Recreational Building Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the Rhode Island Industrial-Recreational Building Authority will be requesting additional funding from the State of Rhode Island to meet its obligations for insured commitments. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rhode Island Industrial-Recreational Building Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Rhode Island Industrial-Recreational Building Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rhode Island Industrial-Recreational Building Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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 State of Rhode Island Required Forms presented on pages 19-23 are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The 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, the 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 November 9, 2022 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 solely 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 the Rhode Island Industrial-Recreational Building Authority's internal control over financial reporting and compliance.

Marcum LLP

Providence, RI
November 9, 2022

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, 2022 AND 2021

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, 2022 and 2021. 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 statements of net position; the statements of revenues, expenses, and changes in net position; the statements 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 statements of net position present 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 statements of revenues, expenses, and changes in net position present 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 statements of revenues, expenses, and changes in net position will result in cash flows in future periods.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

2022 FINANCIAL HIGHLIGHTS

Total liabilities exceeded total assets by \$1,426,827 (net position) at June 30, 2022. Mortgage insurance premium revenue of \$82,711 contributed to the operating gain of \$20,491 and an increase in net position of \$21,371 for 2022.

2021 FINANCIAL HIGHLIGHTS

Total liabilities exceeded total assets by \$1,448,198 (net position) at June 30, 2021. The gain on insured commitments of \$199,531 contributed to the operating gain of \$237,177 and an increase in net position of \$237,496 for 2021.

CONDENSED COMPARATIVE INFORMATION

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

	Summaries of Net Position				
	June 30,			Increase (decrease)	
	2022	2021	2020	2022 v 2021	2021 v 2020
Net Position					
Current assets	\$ 522	\$ 1,129	\$ 1,400	\$ (607)	\$ (271)
Total Assets	522	1,129	1,400	(607)	(271)
Current liabilities	576	752	609	(176)	143
Noncurrent liabilities	1,373	1,825	2,477	(452)	(652)
Total Liabilities	1,949	2,577	3,086	(628)	(509)
Net Position,					
Unrestricted	\$ (1,427)	\$ (1,448)	\$ (1,686)	\$ 21	\$ 238

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MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

CONDENSED COMPARATIVE INFORMATION (CONTINUED)

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

	Summaries of Revenues, Expenses, and Changes in Net Position				
	Year ended June 30,			Increase (decrease)	
	2022	2021	2020	2022 v 2021	2021 v 2020
Changes in Net Position					
Operating revenues	\$ 112	\$ 145	\$ 69	\$ (33)	\$ 76
Operating expenses	<u>92</u>	<u>(92)</u>	<u>109</u>	<u>184</u>	<u>(201)</u>
Operating Gain/(Loss)	20	237	(40)	(217)	277
Nonoperating Revenues	<u>1</u>	<u>--</u>	<u>11</u>	<u>1</u>	<u>(11)</u>
Change in Net Position	<u>\$ 21</u>	<u>\$ 237</u>	<u>\$ (29)</u>	<u>\$ (216)</u>	<u>\$ 266</u>

2022 FINANCIAL ANALYSIS

Total assets of the Authority decreased by \$607,293 in 2022 due to a decrease in cash. This was predominantly due to the decrease in cash related to payables for insured commitments and to the Rhode Island Industrial Facilities Corporation (“RIIFC”). Total liabilities of the Authority decreased by \$628,664 in 2022. This was predominantly due to the amortization of liabilities related to insured commitments and a decrease in funds due to RIIFC.

In 2023, pursuant to R.I.G.L. § 42-34-15, the Authority plans to request funding from the State of Rhode Island to continue to be able to pay its insured commitments payable obligation. Under R.I.G.L. § 42-34-3, the Authority’s insured commitments are backed by the full faith and credit of the State of Rhode Island.

2022 OPERATING ACTIVITY

Operating revenues of the Authority decreased by \$32,324 compared to 2021 due to a decrease in mortgage insurance premium revenue received.

Total operating expenses increased by \$184,362 due to the prior year gain on insured commitments.

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MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

The Authority’s net position increased \$21,371 in 2022 compared to an increase of \$237,496 in 2021. Currently the revenue being generated in premiums exceeds the costs to run the program. In early 2020, an outbreak of the novel strain of coronavirus (“COVID-19”) emerged globally. In the fiscal years that have followed, it became evident that during the COVID-19 pandemic, economic activity deteriorated, and companies shelved their expansion plans. As such minimal activity was transacted.

2021 FINANCIAL ANALYSIS

Total assets of the Authority decreased by \$271,164 in 2021 due to a decrease in cash. This was predominantly due to the decrease in cash related to payables to Rhode Island Industrial Facilities Corporation (“RIIFC”). Total liabilities of the Authority decreased by \$508,661 in 2021. 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 RIIFC.

2021 OPERATING ACTIVITY

Operating revenues of the Authority increased by \$75,319 compared to 2020 due to a new bond issue insured with a new company.

Total operating expenses decreased by \$201,570 due to an increase in the gain on insured commitments.

The Authority’s net position increased \$237,496 in 2021 compared to a decrease of \$28,279 in 2020. Currently the revenue being generated in premiums exceeds the costs to run the program. 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.

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
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STATEMENTS OF NET POSITION

JUNE 30, 2022 AND 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 485,650	\$ 1,122,683
Mortgage insurance premiums receivable, net of allowance for doubtful accounts of \$0 and \$253,581	28,426	--
Prepaid expenses	8,106	6,491
Total Assets	522,182	1,129,174
Liabilities		
Current liabilities		
Accounts payable	--	--
Unearned revenue	--	12
Due to Rhode Island Industrial Facilities Corporation	123,299	246,776
Due to Rhode Island Commerce Corporation	301	52,622
Insured commitments payable	452,553	452,552
Total Current Liabilities	576,153	751,962
Noncurrent Liabilities		
Insured commitments payable, net of current portion	1,372,856	1,825,410
Total Noncurrent Liabilities	1,372,856	1,825,410
Total Liabilities	1,949,009	2,577,372
Net Position, Unrestricted	\$ (1,426,827)	\$ (1,448,198)

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

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Operating Revenues and Charges for Services		
Mortgage insurance premiums	\$ 82,711	\$ 120,335
Commitment and application fees	29,750	24,450
Total Operating Revenues and Charges for Services	<u>112,461</u>	<u>144,785</u>
Operating Expenses		
Contractual services	45,500	49,150
Insurance	41,217	37,874
Administrative	5,253	20,115
Gain on insured commitments	--	(199,531)
Total Operating Expenses	<u>91,970</u>	<u>(92,392)</u>
Operating Income	20,491	237,177
Nonoperating Revenues, Interest and Dividend Income	<u>880</u>	<u>319</u>
Change in Net Position	21,371	237,496
Net Position - Beginning of Year	<u>(1,448,198)</u>	<u>(1,685,694)</u>
Net Position - End of Year	<u>\$ (1,426,827)</u>	<u>\$ (1,448,198)</u>

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

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Cash received for services	\$ 84,035	\$ 156,721
Cash payments to suppliers for goods and services	(721,948)	(417,339)
Net Cash Used in Operating Activities	(637,913)	(260,618)
 Cash Provided by Investing Activities		
Interest on Investments	880	319
 Net Decrease in Cash and Cash Equivalents	(637,033)	(260,299)
 Cash and Cash Equivalents - Beginning of Year	1,122,683	1,382,982
 Cash and Cash Equivalents - End of Year	\$ 485,650	\$ 1,122,683
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating income (loss)	\$ 20,491	\$ 237,177
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Provision for losses on insured commitments payable	--	(199,531)
Changes in assets and liabilities:		
Mortgage insurance premiums receivable	(28,426)	11,936
Prepaid expenses	(454)	(1,070)
Accounts payable	(12)	12
Due to Rhode Island Industrial Facilities Corporation	(123,477)	123,288
Due to Rhode Island Commerce Corporation	(53,482)	20,123
Insured Commitments Payable	(452,553)	(452,553)
 Net Cash Used in Operating Activities	\$ (637,913)	\$ (260,618)

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

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

**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, 2022, mortgage insurance premiums from four entities represent 100% of the Authority's mortgage insurance premiums. For the year ended June 30, 2021, 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
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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

SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 9, 2022, which is the date these financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.

NOTE 2 - CASH AND CASH EQUIVALENTS

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

	2022	2021
Cash collateralized with securities that are not in the Authority's name	\$ 115,611	\$ 53,525
Cash equivalents - Ocean State Investment Pool Trust ("OSIP")	370,039	1,069,158
Total Cash and Cash Equivalents	\$ 485,650	\$ 1,122,683

The above amounts are collateralized with securities that are not in the Authority's name.

At June 30, 2022 and 2021, 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.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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 ("RIIFC")

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.

**RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 and 2021, due to Rhode Island Commerce Corporation represents amounts owed for services provided.

NOTE 5 - CONDUIT DEBT OBLIGATIONS

At June 30, 2022 and 2021, 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, 2022 and 2021 total approximately \$11,200,000 and \$7,500,000, 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 defaulted 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 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 Building 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 \$1,825,409 at June 30, 2022. The commitment payable is based on the outstanding principal balance for Series A of \$1,020,228 and Series B of \$805,181 at June 30, 2022, amortized over the remaining loan terms at a rate of 3.83% (Federal Home Loan Bank 5 Year Rate + 2.75%) confirmed through June 15, 2025.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - INSURED COMMITMENTS PAYABLE AND CONTINGENCY (CONTINUED)

At June 30, 2022, 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, 2021, are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ 315,645	\$ 31,814
2024	328,076	19,383
2025	318,942	6,368
	\$ 962,663	\$ 57,565

At June 30, 2022, 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, 2021, are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ 79,492	\$ 25,602
2024	82,574	22,520
2025	85,899	19,195
2026	89,294	15,799
2027	92,824	12,270
2028-2030	265,304	14,408
	\$ 695,387	\$ 109,794

During the year ended June 30, 2022 there were no gains recognized by the Authority on insured commitments and during the year ended June 30, 2021, the Authority recognized gains on insured commitments of \$199,531, primarily due to a fluctuation in the floating interest rate that occurs every 5 years.

**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, 2022 AND 2021

NOTE 6 - INSURED COMMITMENTS PAYABLE AND CONTINGENCY (CONTINUED)

LIQUIDITY

The Authority intends on requesting supplemental funding from the State of Rhode Island. Under R.I.G.L. § 42-34-15, the Authority may request funding from the State of Rhode Island to satisfy its insured commitments. In addition, under R.I.G.L. § 42-34-3, the Authority's insured commitments are backed by the faith and credit of the State of Rhode Island.

In the short term, the Authority can obtain funding from RIIFC to pay expenses as they are incurred. See Note 3 to the financial statements.

RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic which continues to spread throughout the United States and the World. The Authority 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 issued, there was considerable uncertainty around expected duration of this pandemic and the extent to which COVID-19 may impact the Authority'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, 2022 AND 2021

	<u>2022</u>	<u>2021</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	<u>10,534,650</u>	<u>7,466,228</u>
Uncommitted Mortgage Insurance Availability	<u>\$ 49,465,350</u>	<u>\$ 52,533,772</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, 2022

Assets	<u>Attachment B</u>
Current assets	
Cash and cash equivalents	\$ 485,650
Investments	--
Receivables (net)	28,426
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	8,106
Total Current Assets	<u>522,182</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	--
Total Noncurrent Assets	<u>--</u>
Total Assets	<u>\$ 522,182</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, 2022

Liabilities	<u>Attachment B</u>
Current Liabilities	
Cash overdraft	\$ --
Accounts payable	--
Due to primary government	--
Due to other component units	123,600
Due to other governments	--
Accrued expenses	--
Compensated absences	--
Unearned revenue	--
Other liabilities	452,553
Current portion of long-term debt	--
Total Current Liabilities	<u>576,153</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	1,372,856
Total Noncurrent Liabilities	<u>1,372,856</u>
Total Liabilities	<u>1,949,009</u>
Net Position, Unrestricted	<u>\$ (1,426,827)</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, 2022

	<u>Attachment C</u>
Expenses	<u>\$ 91,970</u>
Program Revenues	
Charges for services	112,461
Operating grants and contributions	--
Capital grants and contributions	<u>--</u>
Total Program Revenues	<u>112,461</u>
Net (Expenses) Revenues	<u>20,491</u>
General Revenues	
Interest and investment earnings	880
Miscellaneous revenue	<u>--</u>
Total General Revenues	<u>880</u>
Loss Before Contributions, Transfers, and Special and Extraordinary Items	<u>21,371</u>
Special items	--
Extraordinary items	<u>--</u>
Total Contributions and Transfers	<u>21,371</u>
Total Net Position - Beginning	<u>(1,448,198)</u>
Total Net Position - Ending	<u><u>\$ (1,426,827)</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
SCHEDULE OF MATURITIES OF LONG-TERM DEBT (ATTACHMENT D)**

JUNE 30, 2022

June 30,	Principal	Interest	Total
2023	\$ 395,137	\$ 57,416	\$ 452,553
2024	410,650	41,903	452,553
2025	404,841	25,563	430,404
2026	89,294	15,799	105,093
2027	92,824	12,270	105,094
2028-2030	<u>265,304</u>	<u>14,408</u>	<u>279,712</u>
Total Insured Commitments Payable	1,658,050	167,359	1,825,409
Less Current Portion	<u>395,137</u>	<u>57,416</u>	<u>452,553</u>
Net Long-Term Portion of Insured Commitments Payable	<u>\$ 1,262,913</u>	<u>\$ 109,943</u>	<u>\$ 1,372,856</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
SCHEDULE OF CHANGES IN LONG-TERM DEBT**

FOR THE YEAR ENDED JUNE 30, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Attachment E	
					Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Net unamortized premium/discount	--	--	--	--	--	--
Bonds Payable	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Notes payable	--	--	--	--	--	--
Loans payable	--	--	--	--	--	--
Obligations under capital leases	--	--	--	--	--	--
Net pension liability	--	--	--	--	--	--
Net OPEB liability	--	--	--	--	--	--
Due to primary government	--	--	--	--	--	--
Due to component units	299,398	(176,099)	--	123,600	123,600	--
Due to other governments and agencies	--	--	--	--	--	--
Unearned revenue	12	--	(12)	--	--	--
Compensated absences	--	--	--	--	--	--
Arbitrage rebate	--	--	--	--	--	--
Pollution remediation	--	--	--	--	--	--
Funds Held for Others	--	--	--	--	--	--
Other liabilities - insured commitments payable	<u>2,277,962</u>	<u>(1)</u>	<u>(452,552)</u>	<u>1,825,409</u>	<u>452,553</u>	<u>1,372,856</u>
	<u>\$ 2,577,372</u>	<u>\$ (176,100)</u>	<u>\$ (452,564)</u>	<u>\$ 1,949,009</u>	<u>\$ 576,153</u>	<u>\$ 1,372,856</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, 2022, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2022.

Report on 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. 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.

Report on 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, 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
November 9, 2022