
STATE OF RHODE ISLAND

REFUNDING BOND AUTHORITY

(A Component Unit of the
State of Rhode Island)

YEAR ENDED JUNE 30, 2010

Dennis E. Hoyle, CPA
Acting Auditor General

State of Rhode Island and Providence Plantations
General Assembly
Office of the Auditor General



DENNIS E. HOYLE, CPA
ACTING AUDITOR GENERAL
dennis.hoyle@oag.ri.gov

STATE of RHODE ISLAND and PROVIDENCE PLANTATIONS

GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

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- ◆ INDEPENDENCE
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December 1, 2010

JOINT COMMITTEE ON LEGISLATIVE SERVICES:

SPEAKER Gordon D. Fox, Chairman

Senator M. Teresa Paiva-Weed
Senator Dennis L. Algieri
Representative Nicholas A. Mattiello
Representative Robert A. Watson

We have completed our audit of the financial statements of the Rhode Island Refunding Bond Authority for the fiscal year ended June 30, 2010 in accordance with Section 35-8.1-10 of the General Laws.

The Refunding Bond Authority made the final payment on its outstanding bonds during fiscal 2010 and title to all projects financed through the Authority has been transferred to the State of Rhode Island. This is the final audit of the Authority's financial statements.

Our reports are contained herein as outlined in the Table of Contents.

Sincerely,

Dennis E. Hoyle, CPA
Acting Auditor General

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

Year Ended June 30, 2010

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DENNIS E. HOYLE, CPA
ACTING AUDITOR GENERAL
dennis.woyle@oag.ri.gov

STATE of RHODE ISLAND and PROVIDENCE PLANTATIONS

GENERAL ASSEMBLY

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INDEPENDENT AUDITOR'S REPORT

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

BOARD OF DIRECTORS OF THE RHODE ISLAND REFUNDING BOND AUTHORITY:

We have audited the accompanying statement of net assets of the Rhode Island Refunding Bond Authority (the Authority), a component unit of the State of Rhode Island and Providence Plantations, as of June 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Authority as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

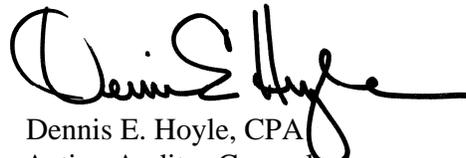
As discussed in Notes 2, 4 and 5, the Authority has repaid all outstanding indebtedness and transferred title for all projects to the State of Rhode Island. As of June 30, 2010, the Authority had no assets or liabilities.

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
BOARD OF DIRECTORS OF THE RHODE ISLAND REFUNDING BOND AUTHORITY
Page 2

In accordance with *Government Auditing Standards*, we issued our report dated November 22, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining fund statements as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dennis E. Hoyle, CPA
Acting Auditor General

November 22, 2010

RHODE ISLAND REFUNDING BOND AUTHORITY

(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis

Management of the Rhode Island Refunding Bond Authority (Authority) provides this Management's Discussion and Analysis of their financial performance for the readers of the Authority's financial statements. This narrative provides an overview of the Authority's financial activity for the year ended June 30, 2010. This analysis is to be considered in conjunction with the financial statements to provide an objective analysis of the Authority's financial activities based on facts, decisions and conditions currently facing management.

Understanding the Authority's Financial Statements

The Authority serves as a financing mechanism for the State of Rhode Island. It was originally created to pay, redeem, or retire all or part of some of the State's general obligation bonds, and it later acquired the functions of the Rhode Island Public Buildings Authority whose purpose was to finance the acquisition, construction and improvement of public facilities through the issuance of revenue bonds. All Authority debt is repaid via annual payments made by the State in amounts equal to debt service requirements. The operating expenses of the authority are also reimbursed by the State.

The Authority is a component unit of the State of Rhode Island and Providence Plantations ("State") and its financial activity is blended into the State's financial statements. In accordance with generally accepted accounting principles, this report consists of a series of financial statements, along with notes to the financial statements. The financial statements immediately follow this discussion and analysis and are designed to highlight the Authority's net assets and changes to those net assets resulting from the Authority's activity.

Multiple funds were established to account for the Authority's activities as required by the underlying bond resolutions. The combining financial statements detail all individual fund activity and are presented beginning on page 13.

Financial Highlights for the Year Ended June 30, 2010

- ❑ All outstanding bonds payable of the Authority were retired on February 1, 2010.
- ❑ Title to all projects financed through the Authority was transferred to the State of Rhode Island.

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis

<u>Assets, Liabilities and Net Assets</u>		
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets:		
Current:		
Cash and cash equivalents		\$ 34,002
Amounts due from the State		10,496,541
Noncurrent:		
Amounts due from the State		
Debt issuance costs		47,730
	<u>\$ - 0 -</u>	<u>\$ 10,578,273</u>
Liabilities:		
Current:		
Accounts payable		\$ 873
Interest payable		328,992
Bonds payable		5,951,471
Project acquisition promissory notes		4,295,530
Noncurrent:		
Project acquisition promissory notes		0
Bonds payable		0
	<u>\$ - 0 -</u>	<u>\$ 10,576,866</u>
Net Assets:		
Unrestricted		1,407
Total net assets	<u>\$ - 0 -</u>	<u>\$ 1,407</u>

Amounts due from the State approximate the Authority's bonds and notes payable plus current interest payable. Decreases in bonds payable due to scheduled payments of principal cause a similar decrease in amounts due from the State.

<u>Authority Operations</u>		
	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>
Rental income	\$ 675,443	\$ 1,471,278
Other operating revenue	23,519	24,693
Interest expense	(627,713)	(1,392,662)
Amortization of debt issuance costs	(47,730)	(74,115)
Operating expenses	<u>(24,926)</u>	<u>(24,693)</u>
Operating income (loss)	(1,407)	4,501
Other income		430
Transfer to State		(4,931)
Change in net assets	(1,407)	0
Net assets, beginning of year	<u>1,407</u>	<u>1,407</u>
Net assets, end of year	<u>\$ 0</u>	<u>\$ 1,407</u>

RHODE ISLAND REFUNDING BOND AUTHORITY

(A Component Unit of the State of Rhode Island)

Management's Discussion and Analysis

The State pays amounts equal to the annual debt service requirements of the Authority and reimburses it for operating and administrative costs. The decreases in rental income and interest expense, compared to 2009, resulted from final payment of the Authority's bonds payable, retirement of project acquisition promissory notes, and corresponding reductions in rentals due.

Future Operations

The Authority has retired all outstanding indebtedness and title to all projects financed through the Authority has been transferred to the State of Rhode Island. The Authority anticipates no further financial activity.

Contacting the Authority's Financial Management

This discussion and analysis presentation is designed to provide a general overview of the Authority's financial activity. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Investment Officer, Office of General Treasurer, 40 Fountain Street, Providence, RI 02903, telephone 401.222.2287.

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS

Total assets	\$ - 0 -
---------------------	-----------------

LIABILITIES

Total liabilities	\$ - 0 -
--------------------------	-----------------

NET ASSETS

Total net assets	\$ - 0 -
-------------------------	-----------------

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

RHODE ISLAND REFUNDING BOND AUTHORITY

(A Component Unit of the State of Rhode Island)

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2010**

Operating revenues	
Rental income	\$ 675,443
Recovery of administrative costs	23,519
Total operating revenues	<u>698,962</u>
Operating expenses	
Interest expense	627,713
Amortization of debt issuance costs	47,730
Personal services	18,549
Trustee fees	2,333
Other	4,044
Total operating expenses	<u>700,369</u>
Operating income (loss)	<u>(1,407)</u>
Change in net assets	(1,407)
Net assets, July 1, 2009	<u>1,407</u>
Net assets, June 30, 2010	<u>\$ - 0 -</u>

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

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Cash received for:	
Administrative costs	\$ 24,926
Rents	6,323,098
Cash paid for:	
Personal services	(18,549)
Trustee fees	(2,333)
Other goods and services	(4,044)
Net cash provided by operating activities	<u>6,323,098</u>
Cash flows from capital and related financing activities:	
Principal paid on debt	(6,040,000)
Interest paid on debt	(317,100)
Net cash used for capital and related financing activities	<u>(6,357,100)</u>
Net decrease in cash and cash equivalents	(34,002)
Cash and cash equivalents, July 1, 2009	<u>34,002</u>
Cash and cash equivalents, June 30, 2010	<u>\$ - 0 -</u>
Reconciliation of operating income(loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (1,407)
Adjustments:	
Amortization of debt issuance costs	47,730
Amortization of premium, discount, and deferred amount on refunding	88,529
Principal paid on debt included in cash flows from capital and related financing activities	6,040,000
Interest on debt included in cash flows from capital and related financing activities	317,100
Changes in assets and liabilities:	
Receivables	161,011
Payables	(329,865)
Total adjustments	<u>6,324,505</u>
Net cash provided by operating activities	<u>\$ 6,323,098</u>

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

RHODE ISLAND REFUNDING BOND AUTHORITY

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Rhode Island Refunding Bond Authority (Authority) was created and established as a public corporation by Chapter 35-8.1 of the General Laws of the State of Rhode Island. The Authority is authorized to issue bonds, upon the request of the governor and a finding of a financial benefit to the State, for the purpose of loaning money to the State to provide funds to pay, redeem or retire all or a part of the State's General Obligation Bonds dated May 1, 1984 and June 28, 1985.

Chapter 35-8.1 of the General Laws was amended to merge the Rhode Island Public Buildings Authority (RIPBA) into the Authority. On July 1, 1997, the RIPBA ceased to exist as an entity and its functions, powers, rights, duties and liabilities, property and resources, including the bonded indebtedness of the RIPBA were transferred to the Authority. The RIPBA's purpose was to finance the acquisition, construction, and improvement of public facilities and equipment through the issuance of revenue bonds financed solely from revenues derived under lease agreements with various governmental entities.

The Authority is a component unit of the State of Rhode Island and Providence Plantations for financial reporting purposes. The financial statements of the Authority are blended into the State of Rhode Island's financial statements.

Basis of Presentation

The accounts of the Authority are maintained in accordance with the principles of "Fund Accounting". Funds have been established as required by various bond resolutions or for certain operating purposes to observe limitations and restrictions placed on the use of resources available to the Authority. For financial reporting purposes, the various accounts of the Authority have been combined and inter-fund transactions have been eliminated.

Two funds are used to account for the operations of the Authority as described below:

General Fund - accounts for the administrative operating activities of the former Rhode Island Public Buildings Authority.

Bond Fund - accounts for revenue bonds and notes payable issued by the former Rhode Island Public Buildings Authority, rentals due from the State, the receipt of rental income, and the payment and amortization of debt issuance costs. The Bond Fund is a consolidation of funds required by various bond resolutions (Debt Service Fund and Cost of Issuance Fund).

RHODE ISLAND REFUNDING BOND AUTHORITY

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for governmental, proprietary fund type activities. In accordance with GASB Statement No. 20, in the absence of specific guidance from a GASB pronouncement, pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 have been followed.

Use of Estimates

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

Income Taxes

The Authority is exempt from Federal and State income taxes.

Operating Revenues and Expenses

The Authority considers rental payments, recovery of administrative costs, interest expense and amortization of debt issuance costs to be operating revenues and expenses since they relate to the Authority's principal functional activity.

Investment Income

Interest earned on investments is recognized as income in the fund in which the investments are held. In accordance with each bond series or resolution, this interest may periodically be transferred to the Bond Fund and be used to reduce future rental payments from the State of Rhode Island.

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. Cash equivalent investments are recorded in the financial statements at fair value.

RHODE ISLAND REFUNDING BOND AUTHORITY

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Issuance Costs

Debt issuance costs represent the costs of issuance of the revenue bonds and are reflected as an asset on the financial statements. These costs are amortized on a straight-line basis over the life of the bonds. Debt issuance costs associated with defeased bonds are deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Bond Discounts and Premiums

Bond discounts and premiums on revenue bonds are recorded as an offset/addition, respectively, to the outstanding revenue bonds payable. Bond discounts and premiums are amortized using the effective interest method over the life of the bonds. Bond discounts, premiums and debt issuance costs associated with defeased bonds (deferred amount on refunding) are deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

2. RENTAL INCOME

Rental income represents amounts payable by the State pursuant to agreements for projects leased by the former Rhode Island Public Buildings Authority. Annual rental payments made by the State to the Authority are equal to the interest and annual principal payment on bonds and notes issued by the Authority (RIPBA), amortization of bond issuance costs and certain administrative expenses of the Authority.

The Authority uses a method similar to the financing method to account for rentals from long-term lease agreements. Under this method, the aggregate amount of rentals due for the repayment of the bond and note principal plus current accrued interest are recorded as rentals due for payment of principal and interest on bonds and notes.

The obligation of the State to make payments to the Authority under various lease agreements is subject to and dependent upon appropriations being made from time to time by the General Assembly of the State for such purpose.

At June 30, 2010, all outstanding indebtedness of the Authority had been retired and all obligations of the State pursuant to agreements for projects leased by the former Rhode Island Public Buildings Authority were satisfied. Title to all projects financed through the Authority was transferred to the State of Rhode Island.

RHODE ISLAND REFUNDING BOND AUTHORITY

(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2010

3. CASH AND CASH EQUIVALENTS

Permitted investments of the Authority are defined by the various bond resolutions governing the Authority's outstanding bonded indebtedness. In general, the Authority may invest in direct obligations of the United States of America, obligations of federal agencies which are backed by the full faith and credit of the United States of America, obligations of certain federal agencies which are not fully guaranteed by the United States of America, dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks bearing the highest rating by national rating agencies, commercial paper bearing the highest rating by national rating agencies, and highly rated money market funds and municipal or state obligations. Other investments may be permissible with permission of the insurer of the Authority's bonds.

The Authority had no cash, cash equivalent investments, or investments at June 30, 2010.

4. PROJECT ACQUISITION PROMISSORY NOTES

Project acquisition promissory (PAP) notes represent the Authority's obligation to the State for certain land and improvements acquired for projects financed by the Authority. Such notes require semi-annual interest payments but are payable as to principal only when the State shall have exercised its right to purchase a specific project under the lease agreement(s). The payment of principal and interest on each PAP note is payable solely from the rent paid by the State for leased projects. The Authority has covenanted to credit to the State any and all rent designated as Project Acquisition Promissory Note Payments accruing to the Authority under the agreements.

As of June 30, 2010, the Authority has satisfied all obligations to the State of Rhode Island pursuant to the project acquisition promissory notes issued in connection with projects financed through the Authority.

5. BONDS PAYABLE

At June 30, 2010, all outstanding bonded indebtedness of the Authority had been retired.

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

COMBINING STATEMENT OF NET ASSETS
June 30, 2010

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Total assets	\$ - 0 -	\$ - 0 -	\$ - 0 -
<u>LIABILITIES</u>			
Total liabilities	- 0 -	- 0 -	- 0 -
<u>NET ASSETS</u>			
Total net assets	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

The accompanying notes are an integral part of these statements.

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FISCAL YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Total</u>
Operating revenues			
Rental income	\$	\$ 675,443	\$ 675,443
Recovery of administrative costs	23,519		23,519
Total operating revenues	<u>23,519</u>	<u>675,443</u>	<u>698,962</u>
Operating expenses			
Interest expense		627,713	627,713
Amortization of debt issuance costs		47,730	47,730
Personal services	18,549		18,549
Trustee fees	2,333		2,333
Professional services	4,044		4,044
Total operating expenses	<u>24,926</u>	<u>675,443</u>	<u>700,369</u>
Operating income (loss)	<u>(1,407)</u>		<u>(1,407)</u>
Change in net assets	(1,407)		(1,407)
Total net assets, July 1, 2009	1,407		1,407
Total net assets, June 30, 2010	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

RHODE ISLAND REFUNDING BOND AUTHORITY
(A Component Unit of the State of Rhode Island)

COMBINING STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	Bond Fund	Total
Cash flows from operating activities:			
Cash received for:			
Administrative costs	\$ 24,926	\$	\$ 24,926
Rents		6,323,098	6,323,098
Cash paid for:			
Personal services	(18,549)		(18,549)
Trustee fees	(2,333)		(2,333)
Other goods and services	(4,044)		(4,044)
Net cash provided by operating activities		6,323,098	6,323,098
Cash flows from capital and related financing activities:			
Principal paid on debt		(6,040,000)	(6,040,000)
Interest paid on debt		(317,100)	(317,100)
Net cash used for capital and related financing activities		(6,357,100)	(6,357,100)
Net increase (decrease) in cash and cash equivalents		(34,002)	(34,002)
Cash and cash equivalents, July 1, 2009		34,002	34,002
Cash and cash equivalents, June 30, 2010	\$ -0-	\$ -0-	\$ -0-
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (1,407)	\$	\$ (1,407)
Adjustments:			
Amortization of debt issuance costs		47,730	47,730
Amortization of premium, discount and deferred amount on refunding (net)		88,529	88,529
Principal paid on debt included in cash flows from capital and related financing activities		6,040,000	6,040,000
Interest paid on debt included in cash flows from capital and related financing activities		317,100	317,100
Changes in assets and liabilities:			
Receivables	2,280	158,731	161,011
Payables	(873)	(328,992)	(329,865)
Total adjustments	1,407	6,323,098	6,324,505
Net cash provided by operating activities	\$ -0-	\$ 6,323,098	\$ 6,323,098

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



DENNIS E. HOYLE, CPA
ACTING AUDITOR GENERAL
dennis.hoyle@oag.ri.gov

STATE of RHODE ISLAND and PROVIDENCE PLANTATIONS

GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

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

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

BOARD OF DIRECTORS OF THE RHODE ISLAND REFUNDING BOND AUTHORITY:

We have audited the financial statements of the Rhode Island Refunding Bond Authority (the Authority), a component unit of the State of Rhode Island and Providence Plantations, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 22, 2010. 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

In planning and performing our audit, we considered the Authority'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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis.

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
BOARD OF DIRECTORS OF THE RHODE ISLAND REFUNDING BOND AUTHORITY:

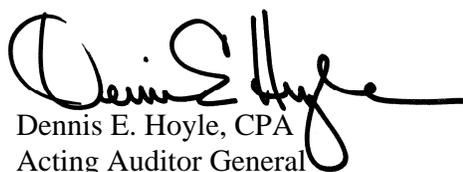
Page 2

Our consideration of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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, management, and others within the Authority, and the Joint Committee on Legislative Services, General Assembly, State of Rhode Island and Providence Plantations and is not intended to be and should not be used by anyone other than these specified parties.



Dennis E. Hoyle, CPA
Acting Auditor General

November 22, 2010