

**RHODE ISLAND INFRASTRUCTURE BANK**

**(FORMERLY RHODE ISLAND CLEAN  
WATER FINANCE AGENCY)**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2015 AND 2014**

**RHODE ISLAND INFRASTRUCTURE BANK**

**(FORMERLY RHODE ISLAND CLEAN  
WATER FINANCE AGENCY)**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2015 AND 2014**

***Prepared by:***

***The Finance Department of the  
Rhode Island Infrastructure Bank***

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**

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# ***RHODE ISLAND INFRASTRUCTURE BANK***

## **INTRODUCTORY SECTION**

*This section contains the following:*

*Letter of Transmittal*

*List of Principal Officers, Bank Staff, and Technical Advisors*

*Organizational Chart*

*Certificate of Achievement for Excellence in Financial Reporting*





Merrill W. Sherman  
Chair

Joseph Dewhirst  
Interim Executive Director

November 6, 2015

We are pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the Rhode Island Infrastructure Bank (the "Bank") formerly the Rhode Island Clean Water Finance Agency, for the fiscal year ended June 30, 2015. This year's CAFR is presented comparatively with the fiscal year ended June 30, 2014. This report has been prepared in conformity with generally accepted accounting principles ("GAAP"), thereby satisfying applicable federal and state laws, program regulations, and other Bank agreements.

The data presented is accurate in all material aspects and is reported in a manner that presents fairly the Bank's financial position and results of operations. We have included all disclosures necessary to enable the reader to gain an understanding of the Bank's activities. Management is responsible for the information contained within this report.

The CAFR is presented in three sections: Introductory, Financial and Statistical. The Introductory Section contains an overview of current initiatives and summary financial data. The Financial Section contains a Management's Discussion and Analysis ("MD&A") section and the Basic Financial Statements. GAAP requires that management provide a narrative overview and analysis, in the form of a MD&A, to accompany the basic financial statements. The Bank's MD&A can be found immediately following the independent auditor's report. The Statistical Section, which is unaudited, contains selected financial and demographic information.

#### *Reporting Entity*

The Bank is reported as a related organization of the State of Rhode Island. Pursuant to its enabling statute, the Bank also submits its independently audited financial statements to the State's Senate Fiscal Offices and House Fiscal Offices, the Office of the Auditor General, the Department of Administration, and other interested parties. The Bank's Board of Directors requires the Bank to undergo quarterly agreed-upon procedures that review bank reconciliations, investments, loan receivables, bonds payable, accrued interest payable, and payroll taxes. The Bank's independent auditors perform these procedures. Also, as an entity receiving federal funding, the Bank is required to undergo an annual single audit to conform with the requirements of the Single Audit Act of 1984, as amended, and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*.

The Bank is governed by a Board of Directors consisting of five members, four of whom are members of the public appointed by the Governor, with the advice and consent of the State Senate. The General Treasurer or such officer's designee, who shall be a subordinate within the General Treasurer's department, shall serve on the Board of Directors as an ex-officio member. The Bank currently operates under the direction of the Interim Executive Director, Joseph Dewhirst. Following this transmittal letter is a list of the Bank's management and organizational chart.

## *Profile of the Rhode Island Infrastructure Bank*

The RI Clean Water Finance Agency (the "RICWFA") was created in 1989 as a body politic and corporate, and a public instrumentality of the State to administer certain Federal and State programs relating to municipal or community wastewater and drinking water financial assistance. The RICWFA became the RI Infrastructure Bank on September 1, 2015. The Bank administers the revolving loan funds created under Title VI of the Federal Clean Water Act and its State counterpart, and the Federal Safe Drinking Water Act, as amended. The Bank also administers the Municipal Road and Bridge Revolving Fund established during 2014 by the General Assembly. The Bank also administers the Water Quality Protection Charge Program (the "WQPCP") in accordance with Rhode Island Public Laws Chapters 46-12.2, 46-15.1, and 46-15.3. During fiscal year 2015, the General Assembly created four new programs for the Bank to establish and operate: The Efficient Building Fund (the "EBF"), The RI Commercial Property Assessed Clean Energy Fund (the "C-PACE"), The RI Residential Property Assessed Clean Energy Fund (the "R-PACE") and The RI Brownfields Fund (the "BF"). The Bank is in the process of developing the programs' policies and procedures and anticipates funding the projects in fiscal year 2016.

The Bank administers loan programs that provide funding to cities, towns, other governmental units and certain eligible private entities to finance improvements to drinking water, wastewater infrastructure, and road and bridge infrastructure. To qualify for a loan with the Bank, the project requires approval by the Rhode Island Department of Environmental Management (the "DEM") for wastewater projects, the Department of Health (the "DOH") for drinking water projects, and the Department of Transportation (the "DOT") for road and bridge projects.

## *Information Useful in Assessing the Economic Condition of the Rhode Island Infrastructure Bank*

The Financial Section of this report provides information regarding the economic condition of the Bank. Please see Management's Discussion and Analysis in the Financial Section for a presentation of the Bank's financial condition. To assess the Bank's financial condition, it is essential to understand the Bank's loan programs.

## *Loan Programs of the Bank*

The Bank currently administers four major loan programs. The Clean Water State Revolving Fund (the "CWSRF") primarily finances wastewater infrastructure and improvements to private homeowner septic systems. The Rhode Island Water Pollution Control Revolving Fund (the "RIWPCRF") primarily finances complementary projects that do not meet federal program requirements. The Drinking Water State Revolving Fund (the "DWSRF") primarily finances drinking water infrastructure projects. The Municipal Road and Bridge Revolving Fund (the "MRBRF") finances municipality owned road and bridge infrastructure projects. To fund its operations, the Bank charges an administrative fee of 0.5% of the principal outstanding per year on Clean Water, Drinking Water and Municipal Road and Bridge loans.

## *Current Major Programs*

### *Clean Water Program*

The CWSRF is a subsidized loan program utilized by local governmental units to finance wastewater infrastructure projects. To be eligible for funding, the project must be on the Department of Environmental Management's Project Priority List (the "PPL") and have a Certificate of Approval from DEM. The PPL is updated annually. Since the inception of the CWSRF, the Bank has closed over \$1.119 billion in loans to municipalities, the Narragansett Bay Commission, the Providence Water Supply Board and the RI Airport Corporation. The CWSRF program provides a subsidy to its borrowers. Currently, the standard loan offer is for a term up to 20 years at a subsidized loan rate of 66 2/3% of the borrower's market rate.

The Clean Water Program also supports the Community Septic System Loan Program (the "CSSLP"), which provides no interest loans to Rhode Island communities to assist homeowners in repairing or replacing a failing or failed septic system at a subsidized interest rate. Loans made by the communities to homeowners are secured by a lien on the property. Currently, the standard loan offer to homeowners is a term of ten years at a subsidized loan rate of 1% and a \$300 dollar application fee. The Bank has closed 41 CSSLP loans totaling \$11.5 million since program inception.

### *Rhode Island Water Pollution Control Revolving Fund*

The RIWPCRF receives state capital contributions before the funds are transferred to the CWSRF or DWSRF programs. The Bank has the authority to use these funds to make loans, issue bonds, and receive interest earnings or other capital from public or private sources complementing the federally supported activity described above. The Bank has used the Fund to finance projects not meeting the requirements of the federal SRF programs. To date, the Bank has closed nine loans totaling over \$58 million from this fund.

### *Drinking Water Program*

The DWSRF program promotes the completion of cost-effective projects that maximize public health protection. It supports public health protection by ensuring that all Rhode Island Public Water Suppliers have the necessary technical, financing, and managerial capacity to maintain compliance with the current and future requirements of the Safe Drinking Water Act. To be eligible for funding, the DWSRF projects typically involve construction and/or rehabilitation of drinking water treatment plants, replacement of aging water mains and construction of drinking water storage facilities. Since the inception of the DWSRF, the Bank has closed over \$386 million in loans to municipalities, and publicly and privately organized water suppliers. The program promotes the completion of cost-effective projects that maximize public health protection. Currently, the standard loan offer is for a term up to 20 years at a subsidized loan rate of 75% of the borrower's market rate.

### *Municipal Road and Bridge Revolving Fund*

The MRBRF is a subsidized loan program to provide municipalities with low-cost financial assistance for road and bridge infrastructure projects. To be eligible for funding, the project must be on the Department of Transportation PPL. The PPL is updated annually. The MRBRF closed 15 loans totaling over \$18.6 million during fiscal 2015. Currently, the standard loan offer is for a term up to 20 years at a subsidized loan rate of 66 2/3% of the borrower's market rate.

### *Interim Loans*

Bank funding is available to eligible projects in both the CWSRF and DWSRF programs. Borrowers may access a short term loan to enable projects to proceed prior to the Bank's bond sale. The Bank is capable of funding a project from 30 days to 1 year prior to a bond sale by extending the use of program equity funds as a source of capital. Interest is accrued monthly on the balance drawn on the construction account.

### *Programs Under Development*

#### *Water Quality Protection Charge Program*

The WQPCP provides low cost funding for land acquisition for water shed protection and other projects as requested by water suppliers. The Bank is currently developing the program's policies and procedures and should begin funding projects during fiscal 2016.

#### *Efficient Buildings Fund*

The EBF is a program to provide municipalities, school districts, and quasi-state entities access to low cost financing to make renewable energy and energy efficiency improvements to their facilities. The Bank is currently developing the program's policies and procedures and anticipates funding projects during fiscal 2016.

#### *Commercial Property Assessed Clean Energy Program*

C-PACE is a financing program designed to enable qualifying property owners to invest in specified energy efficiency, renewable energy, and/or environmental health and safety improvements. Commercial property owners participating in the program repay the cost of their improvement over a set time period, usually 10 to 20 years, through an assessment on their property tax bill. The Bank is currently developing the program's policies and procedures and anticipates launching the program during fiscal 2016.

#### *Residential Property Assessed Clean Energy Program*

R-PACE is a financing program designed to enable qualifying property owners to invest in specified energy efficiency, renewable energy, and/or environmental health and safety improvements. Residential property owners participating in the program repay the cost of their improvement over a set time period, usually 10 to 20 years, through an assessment on their property tax bill. The Bank is currently developing the program's policies and procedures and anticipates launching the program during fiscal 2017.

#### *The Brownfields Revolving Loan Fund*

The BF will finance brownfield remediation projects for municipal and private entities. The program is being developed in partnership with the RI DEM and the Commerce Corporation. The Bank is currently developing the program's policies and procedures and anticipates launching the program during fiscal 2017.

## *Financing*

### *Leveraged Financing Model*

The Bank's SRF Programs utilize a "leveraged" financing model. The Bank's SRF loan programs receive seed funding from the Environmental Protection Agency (the "EPA") in the form of annual grants. These funds are supplemented by state matching funds and by the repayment of loans from borrowers ("SRF Program Funds"). These federal grants and state matching grants are used as a source of security for revenue bonds ("SRF Bonds") issued by the Bank. The combined federal grant, state match, revolved capital and bond proceeds are used to fund loans to eligible borrowers for eligible project costs. The leveraged structure of the Bank's program permits the Bank to substantially increase amounts available to fund eligible project costs. Each federal grant and associated state matching grant dollar contributed to the program results in at least three to four dollars of project cost financing while ensuring the perpetual nature of the revolving fund. The Bank has received total combined federal and state support of over \$511 million to date which has provided funding for nearly \$1.505 billion in clean water and drinking water construction projects.

The Bank's federal capitalization grant awards include requirements to provide defined levels of subsidization (i.e., principal forgiveness). The Bank has issued over \$37 million in loans subject to some principle forgiveness combined in both the CWSRF and the DWSRF. The Bank recognizes principal forgiveness as an expense as the related loans are repaid. To date, the Bank has forgiven \$4,257,199 in loans in both programs. Rhode Island chose to apply principal forgiveness funds first to projects designated as "green" by the DEM or the DOH and then pro-rata to the remaining pool of borrowers.

The Bank's lending and bond issuance programs are structured to ensure adequate cash flows to fund its loans and to repay its bonds to maturity. The Bank's bonds are secured by a combination of pledged sources, which include borrower loan repayments and interest earnings on pledged SRF Program Funds.

The credit quality of the loan portfolio is important since loan repayments are the primary source of revenue for the Bank's debt service payments. The Bank loans are secured either by a general obligation pledge of the borrowers, or by a revenue pledge payable from drinking water and wastewater revenues of the related borrowers. The Bank has a large diverse pool of borrowers with sound credit quality.

The Bank utilizes its SRF Program Funds to fund either state or federal direct loans to eligible borrowers, which are then pledged as a source of payment and security for the SRF Bonds.

Under the pledged direct loan approach, the Bank pledges direct loans that it has issued from its SRF Program Funds to eligible borrowers for water pollution abatement and drinking water projects. The Bank applies the interest payments on these pledged direct loans to pay a portion of the debt service on the related series of SRF Bonds. Principal payments on the pledged direct loans are pledged as security for the related series of SRF Bonds.

In the past, the Bank has applied a portion of its SRF Program Funds to establish reserve funds to secure a series of its SRF Bonds. Those funds are invested and the investment earnings are then applied to pay a portion of the debt service on the related SRF Bonds, thereby supplementing the loan repayment obligations of the borrowers of the leveraged loans funded by such SRF Bonds. As of June 30, 2015, the Bank has \$118 million in SRF reserve funds invested in guaranteed investment contracts (GIC's) and United States Treasury and Municipal Bonds.

The Bank's SRF bonds are rated AAA by Fitch and Standard and Poor's. The SRF bonds issued through 2009 were rated Aaa by Moody's.

### *Long Term Financial Planning*

Relative to its long-term financial position, one of the most important issues facing the Bank is the status of future federal support for the CWSRF and DWSRF.

If federal funding declines, without additional state support, the Bank's ability to maintain or increase its lending activities will be limited. While this would not affect the financial health of the Bank, it would affect the CWSRF and DWSRF programs administered by the Bank. The Bank's financial capacity is not adequate to fund all of the projects currently listed on the project priority lists approved by DEM and DOH; however, future growth of the Bank's capacity is dependent on additional state support and/or federal appropriations to the State Revolving Fund programs, as explained in Note 5 of the Bank's Financial Statements, "Capitalization Grants."

### *Economic Factors Affecting the Bank*

The finances of the Bank have not been dramatically affected by past national economic stress, due to the Bank's highly-structured approach to lending and bonding. Although there are many current credit pressures affecting our borrowers, primarily municipalities and utilities in Rhode Island, the projects financed are oriented to drinking water supply and wastewater treatment, which are primarily supported by drinking water and sewer enterprise systems with their own user-fee or rate-based revenue. Accordingly, the projects are somewhat insulated from the general fiscal and expenditure pressures facing municipal governments. Furthermore, the Bank benefits from a diversified pool of borrowers reducing its vulnerability to significant deterioration of any single borrower.

Demand for the Bank's pooled loans in the CWSRF continued to increase in 2015 but the loan closings were delayed until July 2015 due to borrower issues. DEM's PPL included \$1.8 billion in Clean Water projects through June of 2015 and the Bank expects to close two pooled bond issues during fiscal 2016 totaling over \$140 million. Demand in the DWSRF was stable in 2015. DOH's PPL included over \$72 million in Drinking Water projects through June of 2015 and the Bank funded \$28 million in borrower loans during fiscal 2015 and the Bank expects to close over \$40 million in loans during fiscal 2016. The municipal Road and Bridge program funded over \$18 million in loans during 2015. The Department of Transportation's PPL included over \$19 million in Municipal Road and Bridge projects through June of 2015 and the Bank expects to fund over \$18 million in loans during fiscal 2016. The Bank expects demand for its lending programs to remain strong as communities work to meet tightening environmental standards and maintain aging infrastructure.

The current record low interest rate environment has greatly reduced the value of the subsidization resulting from the below market rate provided to the Bank's borrowers. However, the Bank expects to continue to award additional subsidization in the form of principal forgiveness to its eligible borrowers.

While economic factors have not affected the Bank's current financial position, macroeconomic stresses pose risks to the Bank's long-term investment portfolio. Over the past few years, a number of institutions providing guaranteed investment contracts (GIC's) to the Bank have experienced credit downgrades by various rating agencies. These actions did not adversely affect the Bank as the Bank has multiple providers reducing concentration risk, as well as contract provisions for collateralization upon credit downgrades. The Bank has been actively managing its GIC portfolio and will continue to take necessary steps to mitigate risks while preserving the overall cash flows of the program. The Bank has employed a number of mitigation strategies during recent fiscal years such as terminating GIC's and reinvesting in portfolios comprised of U.S. Agency securities and other highly rated state municipal bonds that replace the original GIC's cash flows. The overall credit quality of the Bank's investment portfolio remains strong.

### *Independent Audit*

The Bank's independent auditors, Cayer Caccia LLP, have performed an independent audit of the Bank for the fiscal years ended June 30, 2015 and 2014. The independent auditor's report is located at the front of the Financial Section of this report.

The Bank prepares these financial statements and is responsible for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the Bank has established an internal control framework that is designed to protect the Bank's assets from loss, theft or misuse and to compile sufficiently reliable information for the preparation of the Bank's financial statements in conformity with GAAP. The Bank's framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

### *Awards and Acknowledgments*

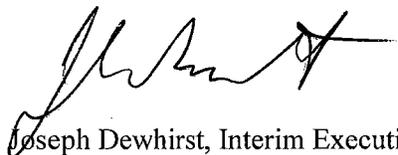
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Rhode Island Infrastructure Bank (formerly Rhode Island Clean Water Finance Agency) for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we will submit it to the GFOA to determine eligibility for another certificate.

The Rhode Island Infrastructure Bank collaborates with the Department of Environmental Management, the Department of Health, the Department of Transportation, the Department of Administration, the Office of Energy Resources, the Office of Commerce, the House and Senate Fiscal Offices, and the U. S. Environmental Protection Agency. The Bank could not accomplish its goals without the hard work and strong support of the people in each of these agencies. To them, we extend our deepest gratitude.

The diligent work of the entire staff of the Rhode Island Infrastructure Bank has made preparation of this report possible. We also acknowledge the Chair and the Board of Directors for the confidence they have placed in us, the Governor, the Legislature, and the people of the State of Rhode Island for their continued support.

Respectfully submitted,



Joseph Dewhirst, Interim Executive Director



Michael Larocque, Deputy Director/CFO

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**List of Principal Officers, Bank Staff and Technical Advisors**  
**June 30, 2015**

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**Board of Directors**

Merrill W. Sherman, Chair  
Scott D. Lajoie, Vice Chair  
Seth Magaziner, Treasurer  
Joshua Celeste, Secretary  
Lisa Ferrara, Assistant Secretary

**Bank Staff**

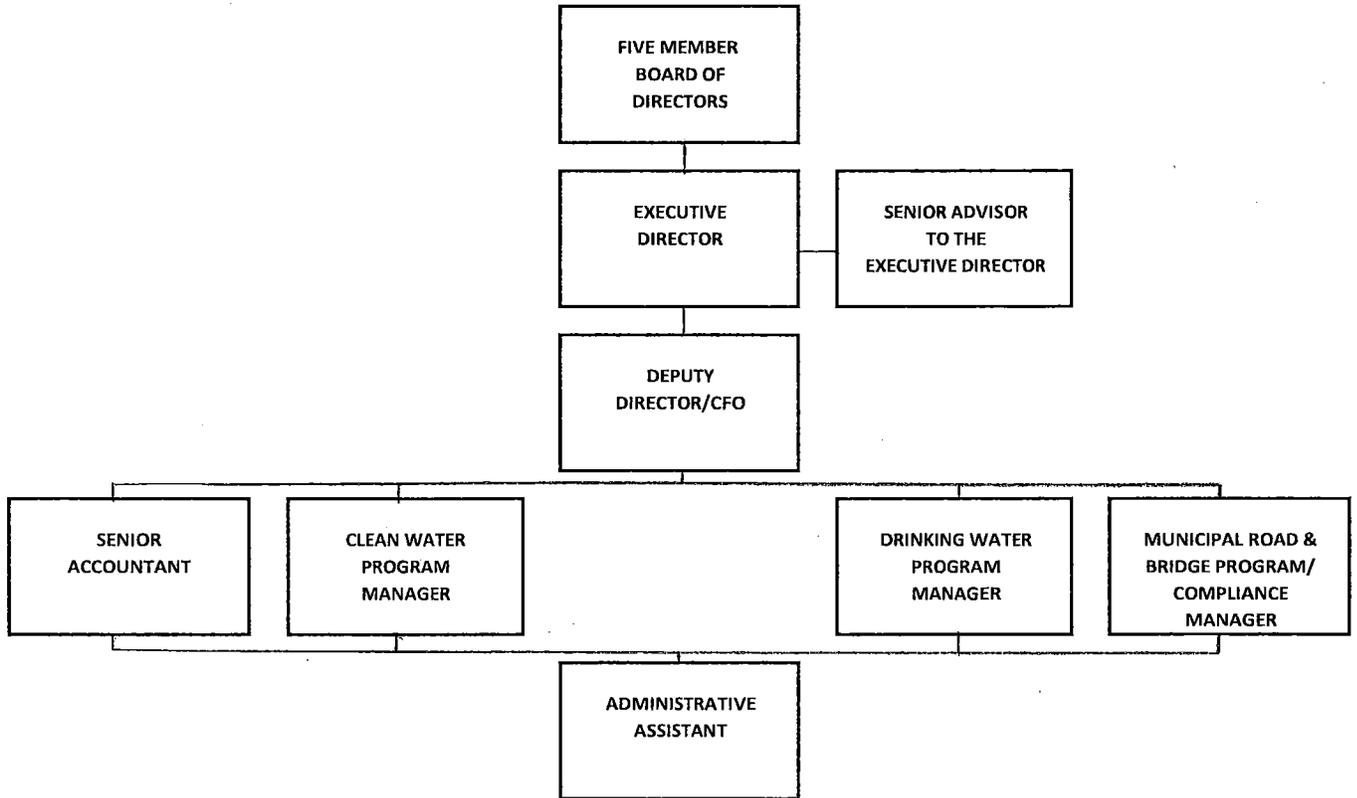
William Sequino, Jr., Executive Director  
Michael P. Larocque, Deputy Director/CFO  
Michael Baer, Senior Advisor to Executive Director  
Robin K. Hedges, Clean Water SRF Program Manager  
Anna M. Coelho Cortes, Drinking Water SRF Program Manager  
Michael P. Pagliaro, Senior Accountant  
Helen Terra, Municipal Road and Bridge Program/Compliance Manager  
Marcelina Jackson, Administrative Assistant

**Technical Advisors**

RI Department of Environmental Management  
RI Department of Health  
RI Department of Transportation  
Harrington & Vitale Ltd, Legal Counsel  
First Southwest Company, Financial Advisor  
Cayer Caccia, LLP, Independent Auditors  
US Bank & Trust, Trustee  
Nixon Peabody, Bond Counsel

**RHODE ISLAND INFRASTRUCTURE BANK  
(FORMERLY RHODE ISLAND CLEAN WATER FINANCE AGENCY)**

**ORGANIZATION CHART**





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Rhode Island Clean Water  
Finance Agency**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# ***RHODE ISLAND INFRASTRUCTURE BANK***

## **FINANCIAL SECTION**

*This section contains the following:*

*Independent Auditor's Report  
Management's Discussion and Analysis  
Basic Financial Statements  
Supplementary Information*





**Gerard R. Cayer**  
CPA, MST

**Mark V. Caccia**  
CPA, MST

**Donna T. Caccia**  
CPA, MST, CFP™

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Rhode Island Infrastructure Bank  
Providence, Rhode Island

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Rhode Island Infrastructure Bank (the Bank) (formerly Rhode Island Clean Water Finance Agency), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Rhode Island Infrastructure Bank'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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 auditor's 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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Infrastructure Bank as of June 30, 2015 and 2014, 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.

## ***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 through 15 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 opinions on the financial statements that collectively comprise the Rhode Island Infrastructure Bank's basic financial statements. The introductory section, combining financial statements, schedule of travel and entertainment expenses, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and schedule of travel and entertainment expenses are 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, the combining financial statements and schedule of travel and entertainment expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of the Rhode Island Infrastructure Bank'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 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 Infrastructure Bank's internal control over financial reporting and compliance.

*Cayer Caccia, LLP*

November 6, 2015

**Rhode Island Infrastructure Bank  
(Formerly Rhode Island Clean Water Finance Agency)  
Management's Discussion and Analysis**

The Rhode Island Infrastructure Bank (the "Bank") is pleased to offer readers of these financial statements this narrative overview and analysis of the Bank's financial activities for the fiscal year ended June 30, 2015. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. The Bank encourages readers to consider the information presented here in conjunction with the financial statements as a whole.

**FINANCIAL HIGHLIGHTS – FISCAL YEAR 2015:**

- The Bank's total assets at June 30, 2015 were \$1,443,980,060, which is a decrease of \$86,161,822 or 6% below June 30, 2014.
- The Bank's operating revenues for the fiscal year ended June 30, 2015 were \$36,071,450, which is a decrease of \$580,143 or 2% below the fiscal year ended June 30, 2014.
- The Bank's operating expenses for the fiscal year ended June 30, 2015 were \$37,280,969 which is an increase of \$21,022 or less than 1% over the fiscal year ended June 30, 2014.
- The Bank's total net position for the fiscal year ended June 30, 2015 was \$541,665,344, which is an increase of \$20,304,152 or 4% over the fiscal year ended June 30, 2014.
- In fiscal year 2015, the Bank continued to receive capitalization grants from the Environmental Protection Agency (EPA) for both the Clean Water and Drinking Water SRF programs. The Bank also received a contribution from the State of Rhode Island for the newly established Municipal Road and Bridge SRF program (MRBRF). The continued capitalization of the Bank, combined with the Bank's access to the bond market, allowed the Bank to provide funding to all qualified borrowers.

**FINANCIAL HIGHLIGHTS – FISCAL YEAR 2014:**

- The Bank's total assets at June 30, 2014 were \$1,530,141,882, which is an increase of \$51,432,805 or 3% over June 30, 2013.
- The Bank's operating revenues for the fiscal year ended June 30, 2014 were \$36,651,593, which is an increase of \$2,502,992 or 7% over the fiscal year ended June 30, 2013.
- The Bank's operating expenses for the fiscal year ended June 30, 2014 were \$37,259,947 which is an increase of \$1,119,662 or 3% over the fiscal year ended June 30, 2013.

**Rhode Island Infrastructure Bank  
(Formerly Rhode Island Clean Water Finance Agency)  
Management's Discussion and Analysis**

**FINANCIAL HIGHLIGHTS – FISCAL YEAR 2014 (Continued):**

- The Bank's total net position for the fiscal year ended June 30, 2014 was \$521,361,192, which is an increase of \$33,101,376 or 7% over the fiscal year ended June 30, 2013.
- In fiscal year 2014, the Bank continued to receive capitalization grants from the EPA for both the Clean Water and Drinking Water SRF programs. The continued capitalization of the Bank, combined with the Bank's access to the bond market, allowed the Bank to provide funding to all qualified borrowers.

**INVESTMENT HIGHLIGHTS:**

- For the fiscal year ended June 30, 2015, the Bank had an unrealized loss on investments of \$82,536. The unrealized loss was due to the change in market value at June 30, 2015 of investments held in the Local Interest Subsidy Trust Fund (LIST).
- Interest rates still being at historic lows has limited qualifying investment alternatives for existing cash, bond proceeds and grant funds. The interest rates on secured long-term investments required by the Bank financing model in the Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) may subject those programs to additional investment interest rate risk. Lower investment interest rates also reduce the Bank's loan capacity, the dollars available to fund new loans, while maintaining the same rate of loan interest subsidy.
- The Rhode Island Infrastructure Bank seeks investments that offer strong security to bondholders. Permitted investments are reviewed in the context of the current market to provide needed cash flows while meeting the Bank's rating criteria. Credit downgrade and collateral provisions are key criteria for each investment. The Bank's management is proactive in regularly monitoring investments and investment agreement providers and has taken swift action to address downgrades of investment agreement providers.

**Rhode Island Infrastructure Bank  
(Formerly Rhode Island Clean Water Finance Agency)  
Management's Discussion and Analysis**

**INVESTMENT HIGHLIGHTS (Continued):**

- Over the past years, the credit rating downgrades of firms that have provided Guaranteed Investment Contracts (GIC's) have presented significant challenges for issuers that historically, utilized GIC's in their investment portfolios. The Bank may request a return of its GIC investment upon credit rating trigger requirements whenever documents permit or by provider agreement. The first priority of the Bank's reinvestment strategy is preservation of principal or safety, followed by liquidity, and finally yield. In most cases, the current investment alternatives do not match the yields on the liquidated investments and in some cases, a cash contribution may be required to match prior cash flows at available investment yields.
- Due to low investment interest rates, the Bank has decided to invest Federal Capitalization Grants into federal direct loans instead of funding a LIST Fund. This aids the Bank as it reduces the amount of the Bank's bond issuance, thus reducing the Bank's debt and providing a better rate of return than the Bank could have received had it invested the funds in a LIST investment. This results in increased Bank revenue.

**2015 FISCAL SUMMARY:**

During fiscal year 2015 the Bank issued \$13,090,000 in new debt in the Drinking Water SRF. The Bank closed a total of \$56,586,747 of new loans consisting of \$600,000 in the Community Septic System Loan Programs (Clean Water SRF) to two borrowers, \$28,368,232 in the Drinking Water SRF to three borrowers, \$9,000,000 in Administrative loans to two borrowers and \$18,618,515 in the Municipal Road and Bridge Revolving Fund to fifteen borrowers. The detail of the Bank's financing for fiscal 2015 is as follows:

- July 17, 2014, the Bank issued three Municipal Road and Bridge Revolving Fund loans totaling \$3,070,000 to the following cities and town:

New Shoreham	\$ 255,000
East Providence	1,215,000
Warwick	<u>1,600,000</u>
	<u>\$3,070,000</u>

- July 24, 2014, the Bank issued a \$5,500,000 Administrative / Operating Loan to the Town of West Warwick.
- August 20, 2014, the Bank issued a \$1,643,232 Drinking Water Direct Loan to the Bristol County Water Authority.

**Rhode Island Infrastructure Bank  
(Formerly Rhode Island Clean Water Finance Agency)  
Management's Discussion and Analysis**

**2015 FISCAL SUMMARY (Continued):**

- September 3, 2014, the Bank issued six Municipal Road and Bridge Revolving Fund loans totaling \$6,745,000 to the following cities and towns:

Newport	\$1,500,000
Westerly	225,000
Pawtucket	3,500,000
Coventry	340,000
Cumberland	500,000
Burrillville	<u>680,000</u>
	<u>\$6,745,000</u>

- November 3, 2014, the Bank issued a \$300,000 CSSLP loan to the Town of Charlestown.
- December 8, 2014, the Bank issued a \$300,000 CSSLP loan to the Town of South Kingstown.
- December 18, 2014, the Bank issued \$13,090,000 in Drinking Water bonds which had a \$958,267 net premium. The Bank added \$6,133,420 of the 2013 federal capitalization grant and \$307,508 of the associated state matching funds. The Bank used \$6,548,248 of revolved federal and state dollars to combine with the funds above to create a \$27,037,443 pool of funds. The Bank had \$312,443 in expenses to close the Bank bond issue which left \$26,725,000 to fund the following loans:

East Providence	\$18,725,000
Providence Water Supply Board	<u>8,000,000</u>
	<u>\$26,725,000</u>

- March 31, 2015, the Bank issued a \$3,500,000 Administrative / Operating Loan to the City of Warwick.

**Rhode Island Infrastructure Bank  
(Formerly Rhode Island Clean Water Finance Agency)  
Management's Discussion and Analysis**

**2015 FISCAL SUMMARY (Continued):**

- March 28, 2015, the Bank issued six Municipal Road and Bridge Revolving Fund loans totaling \$8,803,515 to the following city and towns:

Bristol	\$ 500,000
East Greenwich	2,000,000
West Warwick	150,515
Coventry	900,000
Hopkinton	253,000
Pawtucket	<u>5,000,000</u>
	<u>\$8,803,515</u>

**OVERVIEW OF THE FINANCIAL STATEMENTS:**

The Bank's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied on the accrual basis. Under the accrual basis, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The three basic financial statements presented within the financial statements are:

Statement of Net Position – This statement presents information regarding the Bank's assets, liabilities and net position. Net position represents the total amount of assets plus deferred outflows of resources less the total liabilities. The statement of net position classifies assets, liabilities and net position as current, non-current and restricted.

Statement of Revenues, Expenses and Changes in Net Position – This statement presents the Bank's operating revenues, operating expenses, nonoperating revenues, and changes in net position for the fiscal year.

Statement of Cash Flows – The Bank's statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, non-capital financing, capital and investing activities.

**Rhode Island Infrastructure Bank  
(Formerly Rhode Island Clean Water Finance Agency)  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS:**

**NET POSITION**

The Bank's net position at June 30, 2015 was \$541,665,344, which is an increase of \$20,304,152 or 4% over June 30, 2014. Components of the Bank's statement of net position was as follows at June 30:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Other assets	\$1,443,904,853	\$1,530,061,696	\$1,478,683,573
Capital assets	75,207	80,186	25,504
<b>Total assets</b>	<u>1,443,980,060</u>	<u>1,530,141,882</u>	<u>1,478,709,077</u>
<b>Deferred outflows of resources</b>	<u>5,859,265</u>	<u>6,812,889</u>	<u>7,771,775</u>
Current liabilities	143,736,752	217,094,499	225,321,412
Non-current liabilities	764,437,229	798,499,080	772,899,624
<b>Total liabilities</b>	<u>908,173,981</u>	<u>1,015,593,579</u>	<u>998,221,036</u>
<b>Net position:</b>			
Net investment in capital assets	75,207	80,186	25,504
Restricted for program purposes	497,412,843	477,557,093	448,629,618
Unrestricted	<u>44,177,294</u>	<u>43,723,913</u>	<u>39,604,694</u>
<b>Total net position</b>	<u>\$ 541,665,344</u>	<u>\$ 521,361,192</u>	<u>\$ 488,259,816</u>

**Rhode Island Infrastructure Bank  
(Formerly Rhode Island Clean Water Finance Agency)  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS (Continued):**

**NET POSITION (Continued)**

June 30, 2015:

Despite the above noted decreases in the Bank's total assets and liabilities the statement still confirms the Bank's growth. A large part of the 2015 decrease resulted from the Bank not closing a \$56.275 million Clean Water bond issue in March due to numerous delays. This would have resulted in \$82.4 million in loans issued during fiscal year 2015. Total assets decreased by 6% from \$1,530,141,882 at June 30, 2014 to \$1,443,980,060 at June 30, 2015. Current liabilities decreased by 34% from \$217,094,499 at June 30, 2014 to \$143,736,752 at June 30, 2015. At June 30, 2015 non-current liabilities totaled \$764,437,229 which is a decrease of \$34,061,851 or 4% below June 30, 2014. The decreases noted in unrestricted assets, restricted assets, and noncurrent liabilities are due mainly to the aforementioned Clean Water bond issue closing after the fiscal year ended.

June 30, 2014:

The increases noted above in the Bank's total assets and liabilities confirm the Bank's steady growth. The 2014 increase resulted from the Bank closing a \$8.225 million Conduit issue in September and a \$55.925 million Clean Water bond issue in March, plus two Administrative / Operating loans totaling \$8 million along with several smaller loans issued during fiscal year 2014. Total assets increased by 3% from \$1,478,709,077 at June 30, 2013 to \$1,530,141,882 at June 30, 2014. Current liabilities decreased 4% from \$225,321,412 at June 30, 2013 to \$217,094,499 at June 30, 2014. The growth over the past year also relates to non-current liabilities totaling \$798,499,080 which is an increase of \$25,599,456 or 3% over June 30, 2013. The increases noted in unrestricted assets, restricted assets and non-current liabilities are related to the increased level of loan activity through the issuance of bonds. The Bank closed over \$108 million in loans during 2014 and over \$151 million during 2013. The decrease in loan activity resulted from a decrease in loans in the Bank's Drinking Water SRF.

**Rhode Island Infrastructure Bank  
(Formerly Rhode Island Clean Water Finance Agency)  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS (Continued):**

**CHANGES IN NET POSITION**

The Bank's change in net position for the fiscal year ended June 30, 2015 increased \$20,304,152 or 4%. There was a decrease in federal and state grant income of \$12,615,167 from June 30, 2014 to June 30, 2015. This was due mainly to a decrease of \$13,676,729 in federal capitalization grants due to a decrease in construction draws by borrowers who had federal direct loans offset by a increase in state funding of the MRBRF of \$1,061,562. There was also an increase in interest income (due to new loans) at June 30, 2015.

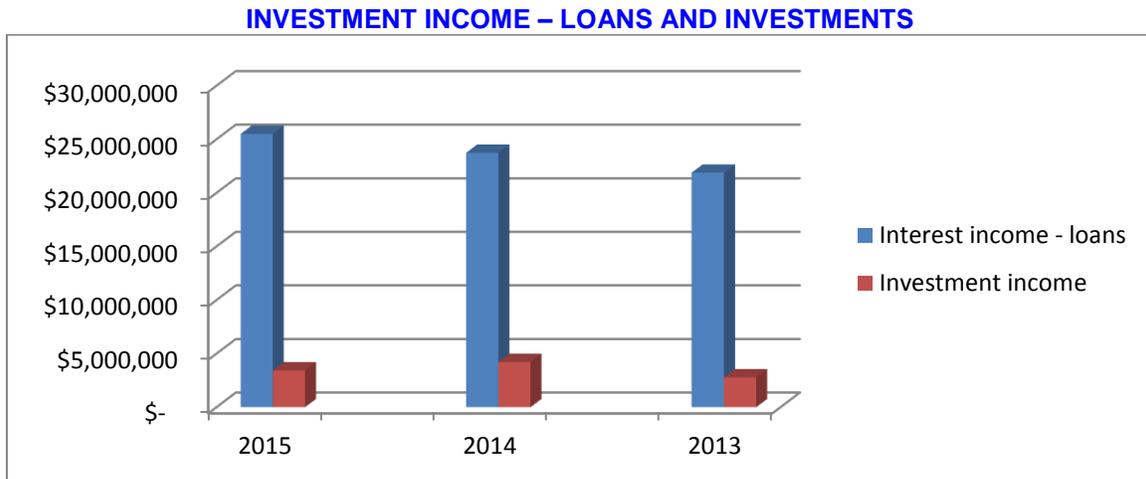
The Bank's change in net position for the fiscal year ended June 30, 2014 increased \$33,101,376 or 7%. There was an increase of \$3,208,551 in the federal capitalization grants due to an increase in construction draws by borrowers who had federal direct loans. There was also an increase in interest income (due to new loans) at June 30, 2014.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Interest income – loans	\$ 25,507,195	\$ 23,738,021	\$ 21,885,290
Investment income	3,430,248	4,215,886	2,782,770
Grant income - DEM & DOH	1,780,527	3,169,330	3,574,257
Other operating revenues	<u>5,353,480</u>	<u>5,528,356</u>	<u>5,906,284</u>
<b>Total operating revenues</b>	<u>36,071,450</u>	<u>36,651,593</u>	<u>34,148,601</u>
Interest expense	31,318,445	30,732,606	28,153,557
Other operating expenses:			
Consulting fees: DEM & DOH	2,590,814	3,545,965	3,574,257
Loan principal forgiveness	1,337,385	1,058,604	894,241
General administration	1,275,198	1,495,923	3,128,167
Professional fees	<u>759,127</u>	<u>426,849</u>	<u>390,063</u>
<b>Total operating expenses</b>	<u>37,280,969</u>	<u>37,259,947</u>	<u>36,140,285</u>
Operating loss	<u>(1,209,519)</u>	<u>(608,354)</u>	<u>(1,991,684)</u>
Nonoperating revenues:			
Grant income - federal and state	21,094,563	33,709,730	30,501,179
Water quality protection charges	<u>419,108</u>	<u>0</u>	<u>0</u>
<b>Total nonoperating revenues</b>	<u>21,513,671</u>	<u>33,709,730</u>	<u>30,501,179</u>
Increase in net position	20,304,152	33,101,376	28,509,495
<b>Net position, beginning of year</b>	<u>521,361,192</u>	<u>488,259,816</u>	<u>459,750,321</u>
<b>Net position, end of year</b>	<u>\$ 541,665,344</u>	<u>\$ 521,361,192</u>	<u>\$ 488,259,816</u>

**Rhode Island Infrastructure Bank  
(Formerly Rhode Island Clean Water Finance Agency)  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS (Continued):**

As graphically portrayed below, the increase in interest income-loans is related to the Bank's portfolio growth. Interest income was \$25,507,195 at June 30, 2015, an increase of 7% over June 30, 2014. Interest income was \$23,738,021 at June 30, 2014, an increase of 8% over June 30, 2013.



As graphically portrayed above and stated earlier, investment income decreased 19% to \$3,430,248 at June 30, 2015 from \$4,215,886 at June 30, 2014. The majority of this decrease was due to the Bank not closing the Clean Water bond issue until after the fiscal year had closed. The Bank also made three arbitrage rebate payments during fiscal year 2015. The stated decrease was also due to unrealized losses on the Bank's investments and the decrease in total investments as of June 30, 2015.

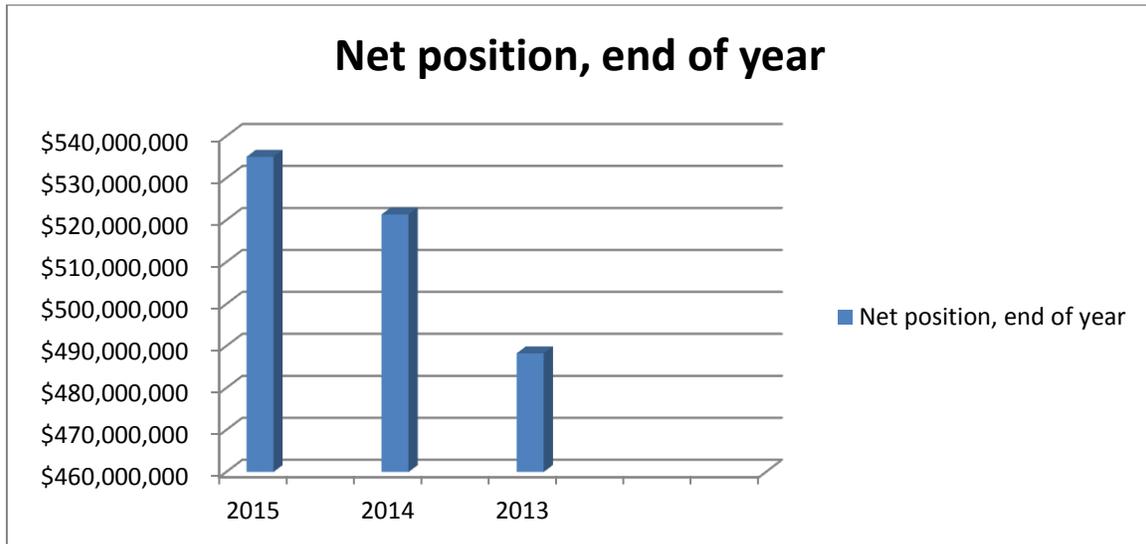
Investment income increased 51% to \$4,215,886 at June 30, 2014 from \$2,782,770 at June 30, 2013. The majority of this increase was due to a \$2,176,329 increase in the unrealized gains on the Bank's investments offset by a decrease in the Bank's total investments from \$98,409,206 at June 30, 2014 to \$108,723,144 at June 30, 2013.

**Rhode Island Infrastructure Bank  
(Formerly Rhode Island Clean Water Finance Agency)  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS (Continued):**

Total net position at June 30, 2015 was \$541,665,344 representing a 4% increase over fiscal year June 30, 2014.

Total net position at June 30, 2014 was \$521,361,192 representing a 7% increase over fiscal year June 30, 2013.

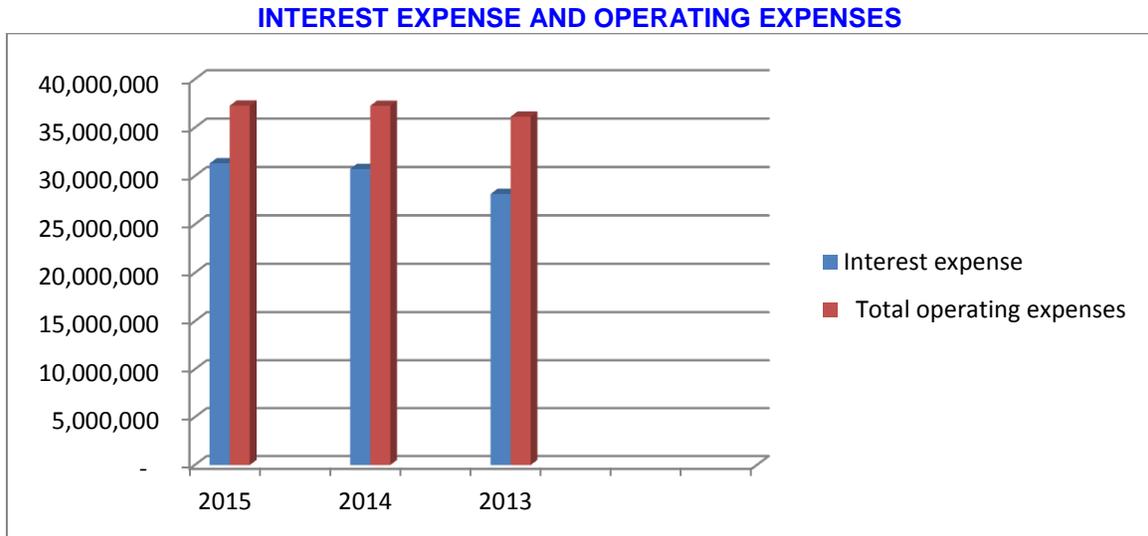


Interest expense was \$31,318,445 for fiscal year 2015, a 2% increase over fiscal year 2014. The majority of the increase was due to the Bank closing a Drinking Water bond issue in December. Operating expenses were \$37,280,969 for fiscal year 2015, a less than 1% increase over fiscal year 2014. Despite the increase in interest expense, there was a \$955,151 decrease in consulting fees due to a decrease in the utilization of set-asides. The Bank's principal forgiveness expense increased from fiscal year 2014 and will continue to increase as the loans continue to mature and additional loans are added annually.

Interest expense was \$30,732,606 for fiscal year 2014, a 9% increase over fiscal year 2013. The majority of the increase was due to the Bank closing two bond issues late in the last quarter of the Bank's fiscal year 2013. Operating expenses were \$37,259,947 for fiscal year 2014, a 3% increase over fiscal year 2013. The Bank experienced a large decrease in bond issuance costs during 2014 as compared to 2013. This resulted from the Bank closing four bond issues, two refunding issues and two pooled issues in fiscal year 2013 as compared to one pooled issue during fiscal year 2014. The Bank's fiscal year 2014 principal forgiveness expense increased \$164,363 or 18% from fiscal year 2013.

**Rhode Island Infrastructure Bank  
(Formerly Rhode Island Clean Water Finance Agency)  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS (Continued):**



**BUDGETARY RESULTS**

The Bank prepares an annual operating budget (approved by the Bank's Board of Directors) that is used as a management tool for tracking various revenues and expenses. For the fiscal years ended June 30, 2015 and 2014, the Bank realized a positive budgetary variance related to its administrative expenses.

**DEBT ADMINISTRATION**

The Bank administers the Water Pollution Control and the Rhode Island Water Pollution Control revolving loan funds created under Title VI of the Federal Clean Water Act and its State counterpart known as the Clean Water State Revolving Fund (CWSRF). The Bank also administers the Drinking Water State Revolving Fund (DWSRF) created under the Federal Safe Drinking Water Act amendments of 1996. During fiscal year 2015 the Bank began a new State of Rhode Island program known as the Municipal Road and Bridge Revolving Fund (MRBRF). The Bank has established a Community Septic System Loan Program (CSSLP) as part of the Federal Clean Water State Revolving Fund. The Bank also provides conduit loans to municipalities for various water and wastewater system improvements. The Bank administers a Rhode Island Zero Interest Loan Fund (RIZILF) which has issued 59 loans totaling \$255 million. The Bank has also established a Sewer Tie-In Loan Fund (STILF) under the Rhode Island Water Pollution Control Revolving Fund.

The Bank's balance of bond indebtedness was \$746,553,000 at June 30, 2015, a 4% decrease from the \$774,122,000 outstanding at June 30, 2014. Detailed information related to the Bank's debt is presented in Note 4 to the financial statements.

**Rhode Island Infrastructure Bank  
(Formerly Rhode Island Clean Water Finance Agency)  
Management's Discussion and Analysis**

The Bank (Board of Directors and Staff) is proud of the confidence placed in the Bank by the three nationally recognized rating services who continue to rate Bank Bonds as follows:

Fitch	AAA
Standard & Poor's	AAA
Moody's**	Aaa

\*\*Only rated through the 2009 SRF bonds

The Bank has experienced growth in all aspects of its operations and the future of the Bank continues in a positive direction.

The Bank's Board of Directors voted to designate all net assets in excess of the Bank's annual operating budget to be used for interim, short-term and long-term financing to qualified borrowers.

The Bank's investments are monitored monthly, including GIC contract providers, credit ratings and maturity dates. The Bank continues to remain pro-active by engaging an Independent Audit firm to conduct quarterly agreed-upon financial procedures.

Principal Forgiveness Loans – These are loans the EPA requires the Bank to issue. Starting with the 2009 ARRA Capitalization Grants for Clean Water and Drinking Water Programs, the EPA has required that a certain percentage of each Capitalization Grant must be issued to the Bank's borrowers as Principal Forgiveness Loans. The Bank awards the principal forgiveness over the life of the borrower's loan. As of June 30, 2015 the Bank issued a total of \$37,278,760 of Principal Forgiveness Loans and has forgiven \$4,257,199.

**FACTORS AFFECTING FUTURE OPERATIONS**

1. During fiscal year 2015 the Bank continues to receive funds from the state for the Municipal Road and Bridge Revolving Fund. The State provided the Bank with \$11.4 million and the Bank provided an additional \$3.5 million to fund loans during fiscal year 2015.
2. Guaranteed investment contract provider credit ratings are shown on page 32 and are stated as of June 30, 2015. Credit ratings during these uncertain times are subject to change. Readers are encouraged to access Moody's and Standard & Poor's websites to obtain the most recent credit ratings.

**REQUEST FOR INFORMATION**

The financial report is designed to provide a general overview of the Bank's financial activity for fiscal year 2015. If you have questions about this report or need additional financial information, contact the Rhode Island Infrastructure Bank, 235 Promenade Street, Suite 119, Providence, Rhode Island 02908, telephone number (401) 453-4430 or email us at [info@riinfrastructurebank.com](mailto:info@riinfrastructurebank.com).

# ***RHODE ISLAND INFRASTRUCTURE BANK***

## **BASIC FINANCIAL STATEMENTS**

*The Basic Financial Statements include:*

*Proprietary Fund Financial Statements*

*In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.*

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Board of Directors  
Rhode Island Infrastructure Bank  
Providence, Rhode Island

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Rhode Island Infrastructure Bank (the Bank) (formerly Rhode Island Clean Water Finance Agency), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Rhode Island Infrastructure Bank'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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 auditor's 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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Infrastructure Bank as of June 30, 2015 and 2014, 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.

## ***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 through 15 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 opinions on the financial statements that collectively comprise the Rhode Island Infrastructure Bank's basic financial statements. The introductory section, combining financial statements, schedule of travel and entertainment expenses, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and schedule of travel and entertainment expenses are 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, the combining financial statements and schedule of travel and entertainment expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of the Rhode Island Infrastructure Bank'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 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 Infrastructure Bank's internal control over financial reporting and compliance.

November 6, 2015

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**STATEMENTS OF NET POSITION**  
**JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
<b>Current assets:</b>		
Cash equivalents and investments:		
<b>Unrestricted:</b>		
Cash equivalents .....	\$ 26,835,916	\$ 38,025,075
<b>Total unrestricted cash equivalents</b> .....	<u>26,835,916</u>	<u>38,025,075</u>
<b>Restricted:</b>		
Cash equivalents .....	147,574,920	211,815,885
Investments .....	87,472,876	98,409,206
<b>Total restricted cash equivalents and investments</b> .....	<u>235,047,796</u>	<u>310,225,091</u>
Restricted loans receivable .....	72,359,350	62,936,768
Accrued interest receivable:		
Loans .....	8,459,490	7,977,399
Investments .....	921,538	1,043,324
Accounts receivable:		
Service fees .....	1,647,125	1,549,701
Water quality protection charges .....	272,268	
Intergovernmental receivable .....	6,375,431	
Prepaid expenses and other receivables .....	104,648	129,570
<b>Total current assets</b> .....	<u>352,023,562</u>	<u>421,886,928</u>
<b>Noncurrent assets:</b>		
Restricted loans receivable .....	1,091,881,291	1,108,174,768
Capital assets - property and equipment, net of accumulated depreciation .....	75,207	80,186
<b>Total noncurrent assets</b> .....	<u>1,091,956,498</u>	<u>1,108,254,954</u>
<b>TOTAL ASSETS</b> .....	<u>1,443,980,060</u>	<u>1,530,141,882</u>
<b>Deferred outflows of resources</b> .....	<u>5,859,265</u>	<u>6,812,889</u>
<b><u>LIABILITIES</u></b>		
<b>Current liabilities:</b>		
Project costs payable .....	90,629,791	166,974,448
Bonds payable .....	44,016,000	40,659,000
Accrued interest payable .....	8,768,255	9,237,085
Accounts payable and accrued expenses .....	322,706	223,966
<b>Total current liabilities</b> .....	<u>143,736,752</u>	<u>217,094,499</u>
<b>Noncurrent liabilities:</b>		
Bonds payable, net of current portion .....	763,049,770	796,963,084
Accrued arbitrage rebate .....	1,387,459	1,535,996
<b>Total noncurrent liabilities</b> .....	<u>764,437,229</u>	<u>798,499,080</u>
<b>TOTAL LIABILITIES</b> .....	<u>908,173,981</u>	<u>1,015,593,579</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets .....	75,207	80,186
Restricted for program purposes .....	497,412,843	477,557,093
Unrestricted .....	44,177,294	43,723,913
<b>TOTAL NET POSITION</b> .....	<u>\$ 541,665,344</u>	<u>\$ 521,361,192</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

**RHODE ISLAND INFRASTRUCTURE BANK**  
(Formerly Rhode Island Clean Water Finance Agency)

**STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating revenues:</b>		
Investment income .....	\$ 3,430,248	\$ 4,215,886
Interest income - loans .....	25,507,195	23,738,021
Grant income - operating .....	1,780,527	3,169,330
Loan servicing fees .....	4,789,613	4,511,793
Loan origination fees .....	563,867	1,016,563
<b>Total operating revenues</b> .....	<u>36,071,450</u>	<u>36,651,593</u>
<b>Operating expenses:</b>		
Interest expense .....	31,318,445	30,732,606
Consulting fees - D.E.M and D.O.H. ....	2,590,814	3,545,965
Employee expense .....	782,116	744,882
Insurance expense .....	27,490	13,871
Legal fees .....	337,681	149,016
Loan principal forgiveness .....	1,337,385	1,058,604
Bond issuance costs .....	297,614	580,952
Office expense .....	120,278	111,320
Accounting and auditing .....	62,567	52,918
Depreciation expense .....	12,062	9,027
Trustee/bank fees .....	190,879	181,891
Promotional expenses .....	9,320	7,483
Financial advisor fees .....	168,000	43,024
Dues and subscriptions .....	9,291	9,441
Seminars .....	3,515	1,923
Business and travel expense .....	7,572	10,233
Miscellaneous expense .....	5,940	6,791
<b>Total operating expenses</b> .....	<u>37,280,969</u>	<u>37,259,947</u>
Operating loss .....	<u>(1,209,519)</u>	<u>(608,354)</u>
<b>Nonoperating revenues:</b>		
Grant income - nonoperating .....	21,094,563	33,709,730
Water quality protection charges .....	419,108	0
<b>Total nonoperating revenues</b> .....	<u>21,513,671</u>	<u>33,709,730</u>
Change in net position .....	20,304,152	33,101,376
<b>Net position, beginning of the year</b> .....	<u>521,361,192</u>	<u>488,259,816</u>
<b>Net position, end of the year</b> .....	<u>\$ 541,665,344</u>	<u>\$ 521,361,192</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Cash receipts for loan repayments .....	\$ 69,531,009	\$ 63,872,179
Cash receipts for operating grants .....	1,780,527	3,169,330
Cash receipts for loan origination fees .....	563,867	1,016,563
Cash receipts for loan servicing fees .....	4,692,189	4,384,908
Cash payments for loan disbursement activities .....	(140,342,155)	(126,651,280)
Cash payments to suppliers .....	(3,476,547)	(4,413,710)
Cash payments to employees .....	(782,116)	(744,882)
<b>Net cash used for operating activities .....</b>	<b><u>(68,033,226)</u></b>	<b><u>(59,366,892)</u></b>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of property and equipment .....	(7,084)	(63,709)
<b>Cash flows from noncapital financing activities:</b>		
Proceeds from bond issuance .....	14,048,267	70,473,260
Repayment of bond principal .....	(40,659,000)	(36,987,000)
Nonoperating grants received .....	14,719,132	33,709,730
Cash receipts for water quality protection charges .....	213,702	0
Interest paid on revenue bonds .....	(34,779,232)	(32,330,302)
Bond issuance costs .....	(297,614)	(580,952)
<b>Net cash provided by (used for) noncapital financing activities .....</b>	<b><u>(46,754,745)</u></b>	<b><u>34,284,736</u></b>
<b>Cash flows from investing activities:</b>		
Investment income .....	4,092,387	4,384,864
Interest income – loan program .....	25,025,104	23,070,693
Interest rebate paid to US Government .....	(606,354)	(164,864)
Proceeds from sale of investments .....	10,853,794	10,505,694
<b>Net cash provided by investing activities .....</b>	<b><u>39,364,931</u></b>	<b><u>37,796,387</u></b>
<b>Net increase (decrease) in cash and cash equivalents .....</b>	<b>(75,430,124)</b>	<b>12,650,522</b>
<b>Cash and cash equivalents, beginning of the year .....</b>	<b><u>249,840,960</u></b>	<b><u>237,190,438</u></b>
<b>Cash and cash equivalents, end of the year .....</b>	<b><u>\$ 174,410,836</u></b>	<b><u>\$ 249,840,960</u></b>
<b>Displayed as:</b>		
Cash equivalents - unrestricted .....	\$ 26,835,916	\$ 38,025,075
Cash equivalents - restricted .....	147,574,920	211,815,885
<b>Total .....</b>	<b><u>\$ 174,410,836</u></b>	<b><u>\$ 249,840,960</u></b>

(CONTINUED)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>		
Operating loss .....	\$ (1,209,519)	\$ (608,354)
Adjustments:		
Investment income .....	(3,430,248)	(4,215,886)
Interest income - loans .....	(25,507,195)	(23,738,021)
Interest expense .....	31,318,445	30,732,606
Bond issuance costs .....	297,614	580,952
Depreciation .....	12,062	9,027
Loan principal forgiveness .....	1,337,385	1,058,604
Increase in loans receivable, net .....	(70,811,146)	(62,779,101)
Decrease in prepaid expenses .....	24,922	55,784
Increase (decrease) in accounts payable and accrued expenses .....	31,878	(335,618)
Increase in accounts receivable – service fees .....	(97,424)	(126,885)
<b>Net cash used for operating activities</b> .....	<u>\$ (68,033,226)</u>	<u>\$ (59,366,892)</u>

**Supplemental Cash Flow Information:**

**Noncash transactions:**

Decrease in loans receivable issued related to project costs payable.....	\$(76,344,657)	\$(13,278,402)
Increase (decrease) in fair value of investments .....	\$ (82,536)	\$ 191,755

(CONCLUDED)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Organization**

The Rhode Island Infrastructure Bank (Bank), formerly the Rhode Island Clean Water Finance Agency, was established by the State of Rhode Island Legislature, under Section 46-12.2 of the Rhode Island General Laws (1986) as from time to time amended and supplemented, as a body politic and corporate and public instrumentality of the State having distinct legal existence separate from the State and does not constitute a department of the State Government. Pursuant to an Operating Agreement between the United States Environmental Protection Agency (EPA), the Rhode Island Department of Environmental Management, the Rhode Island Department of Health, and the Bank, the Bank administers the State's Clean Water and Drinking Water State Revolving Fund (SRF) programs.

As a result of enactment of Rhode Island Public Law Chapter 15-141, signed into law by the Governor on June 30, 2015, the name of the Rhode Island Clean Water Finance Agency was changed to the Rhode Island Infrastructure Bank. Pursuant to Chapter 15-141, this name change became effective September 1, 2015.

The Bank established a Community Septic System Loan Program as part of the Federal Clean Water State Revolving Fund. The Bank also established a Sewer Tie-In Loan Program. In 2013, the Municipal Road and Bridge Revolving Fund (MRBRF) was established by the General Assembly to be administered by the Bank in conjunction with the Rhode Island Department of Transportation. In March 2015, pursuant to Rhode Island Public Laws Chapters 46-12.2, 46-15.1, and 46-15.3, the Bank began administering the Water Quality Protection Charge Program.

The Bank has no power to raise or collect taxes of any kind or to establish any generally applicable fees and charges, other than administrative fees charged directly to those borrowers that receive the benefit of the Bank's financing programs. The Bank, in its discretion, may charge cost of issuance fees to borrowers.

The Bank commenced operations on July 29, 1990 and began lending activities during the first quarter of fiscal year 1992. The Bank is not financially accountable for any other organization. The Bank is a related organization of the State. The Bank is governed by a Board of Directors consisting of five members, four of whom are members of the public appointed by the Governor, with the advice and consent of the State Senate. The General Treasurer or such officer's designee, who shall be a subordinate within the General Treasurer's department, shall serve on the Board of Directors as an ex-officio member. The State is not financially accountable for the Bank even though it appoints a voting majority of the Bank's governing board.

In accordance with the standards for component units as promulgated in GASB Statement No. 61 - The Financial Reporting Entity, the State of Rhode Island has determined that the Bank does not meet the revised definition of a component unit. As a result, the Bank's results of operations and financial position are no longer incorporated in the State of Rhode Island's Comprehensive Annual Financial Report.

**(b) Description of Business**

***Clean Water and Drinking Water SRF Programs***

The SRF programs, which were authorized by federal legislation – the Water Quality Act of 1987 for the Clean Water SRF and the Safe Drinking Water Act of 1996 for the Drinking Water SRF – provide low-cost financing to cities, towns, and other eligible borrowers primarily for the construction and improvement of drinking water and wastewater infrastructure. The Bank's SRF program's primary activities include providing low-cost financing for eligible projects funded by the issuance of debt, providing low-cost interim financing for its borrowers, the investment of program funds, and the management and coordination of the programs.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Description of Business (Continued)**

***Clean Water and Drinking Water SRF Programs (Continued)***

SRF program capitalization grants are issued from the EPA to the Bank, for which the State is required to provide 20% in matching funds. The Bank's program is leveraged by issuing bonds to provide funds for loans. Federal and state grants and other monies available to the Bank are pledged to secure bonds by either financing reserve funds or pledged loans. Earnings on these pledged assets are used to pay a portion of the debt service on the related bonds, thereby reducing the borrowers' loan repayment obligation. The Bank provides loans to borrowers at 67% and 75% of the borrower's current market rate for the Clean Water SRF and Drinking Water SRF, respectively.

The SRF programs are called the State Revolving Fund programs because as borrowers pay down the principal balances of their loans and as the Bank pays principal on its SRF bonds, proportional amounts are released from the reserves and/or loans pledged to secure the related SRF bonds. These funds come back to the Bank and "revolve" or are used to establish new reserve funds or loans to borrowers that are pledged as a source of payment and security, for new SRF bonds or for other eligible purposes.

Funds pertaining to the SRF programs are limited to specific uses by laws and regulations as well as Grant and Operating Agreements entered into between EPA and the Bank. As a result of these limitations on uses, these funds are classified as restricted on the statements of net position.

Included under the Clean Water SRF program, the Bank has established a Community Septic System Loan Program (CSSLP) under the Federal Act through which communities may borrow funds to address non-point source wastewater pollution abatement issues. The CSSLP gives communities the ability to provide their residents whose septic systems are failing, have failed or are substandard with low-cost funds for repair or replacement. Revolved capital provides funding for this direct loan program.

***Rhode Island Water Pollution Control Revolving Fund (RIWPCRF)***

This fund receives state capital contributions before the funds are transferred to the Clean Water and Drinking Water SRFs. The Bank has the authority to use the fund to make loans, issue bonds and receive interest earnings or other capital from public or private sources. The fund has been used to finance projects not meeting the requirements of the federal programs. The following programs are included in the RIWPCRF.

***Rhode Island Zero Interest Loan Fund (RIZILF)***

This program was established under the authority of Chapter 55 of the 2000 Public Laws of Rhode Island. The Bank received \$60 million from the State of Rhode Island of which \$3 million was used for the Drinking Water state match and \$57 million was loaned to Narragansett Bay Commission as an investment to provide the corpus of the funding of the zero interest loan program. Narragansett Bay Commission's repayments will be used to provide the additional subsidization provided to borrowers who have received a portion of their loan at 0% interest within the Clean Water SRF. Under this program, borrowers whose rating is investment grade or better may receive 50% of their project costs at 0% interest and 50% of their project costs at the Bank's regular subsidy at 33% below the borrower's market rate. These two rates are blended thereby significantly reducing the borrower's interest payments to the Bank. Those borrowers whose rating is non-investment grade, including those borrowers which were non-investment grade within the twelve months prior to filing a loan application with the Bank, are eligible to receive 100% of their project funds, up to \$25 million, at 0% interest.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Description of Business (Continued)**

***Rhode Island Water Pollution Control Revolving Fund (RIWPCRF) (Continued)***

**Facility Plan Loan Program (FPLP)**

This program allows the Bank to make low-interest loans to municipalities so facility plan documents, amendments, or updates can be completed. These facility plans are a prerequisite for funding from the Clean Water SRF program. The loans have an interest rate of 1% and cannot exceed \$150,000. Revolved capital provides funding for this direct loan program.

**Sewer Tie-In Loan Fund (STILF)**

This program allows communities to borrow funds to address non-point source wastewater pollution abatement issues. The STILF gives communities the ability to provide their residents low-cost financing for sewer connections. Revolved capital from the RIWPCRF provides funding for this direct loan program.

***Municipal Road and Bridge Revolving Fund (MRBRF)***

This fund was established to provide municipalities with low-cost financial assistance for road and bridge projects. State statute requires the Bank to administer the financial components of this fund and requires the Rhode Island Department of Transportation (DOT) to receive, review, and rank municipal road and bridge projects submitted for funding consideration on an annual basis. Initial funding for this program was provided through State of Rhode Island grants totaling \$10,313,869 through June 30, 2014. Additional funding of \$11,375,431 was provided during fiscal year 2015, of which \$6,375,431 is reported as an intergovernmental receivable on the Statement of Net Position. No loans had been issued through June 30, 2014. Fifteen loans totaling \$18,618,515 were awarded, of which \$6,880,274 was disbursed in fiscal year 2015.

***Water Quality Protection Charge Program (WQPCP)***

In accordance with Article 5 of the State Appropriation Act, the Rhode Island Water Resources Board Corporate (Board Corporate) permanently ceased operations in June 2015. During March 2015, the Board Corporate's remaining receivables of approximately \$279,000 were transferred to the Rhode Island Infrastructure Bank. The remaining assets of the Board Corporate, consisting of cash and investments of approximately \$1,050,000, was transferred to the State of Rhode Island General Fund. This fund accounts for water quality protection charges received from various Rhode Island water suppliers. This program is being developed to provide low cost financing to water suppliers for water shed protection land acquisition, water pipe replacement, and other related projects.

**(c) Basis of Accounting**

The Bank is engaged only in business-type activities. The Bank's operations are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs of providing goods or services is financed through user charges. The financial statements of the Bank are prepared using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for a special purpose entity engaged solely in business-type activities.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Basis of Accounting (Continued)**

During fiscal year 2014, the Bank implemented GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It requires the reclassification of amounts previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources or to expenses or revenues. The implementation of GASB Statement No. 65 changed the Bank's beginning net position as of July 1, 2012, resulting from the change in accounting for deferred bond issuance costs and loan origination fees. Bond issuance costs are now expensed as incurred and loan origination fees are recognized as revenue in the period received. In addition, this Statement requires the amounts deferred on bond refundings to be reported as a deferred outflow or a deferred inflow of resources on the statement of net position, rather than as an addition to or a reduction from the bond liability.

**(d) Revenue Recognition**

Operating revenues, including interest income, and expenses are generated through the issuance of loans to governments and other eligible borrowers within the State. All other revenues and expenses are reported as nonoperating revenues and expenses.

Funding from federal capitalization grants and state matching grants are reported as nonoperating revenue. Federal capitalization grant revenue is recognized in accordance with funding availability schedules contained within the individual grant agreements. Revenue recognition associated with these grants is based on the standard principles of eligibility, including timing requirements. The Bank recognizes grant revenue upon acceptance of their request for drawdowns by the grantor agency and when qualifying commitments and all other grant requirements have been satisfied.

The Bank's recent federal capitalization grants beginning with the American Recovery and Reinvestment Act of 2009 (ARRA) grant received in 2009, required that a portion of the grant funds be provided as additional subsidization in the form of principal forgiveness, grants, or negative interest loans. The Bank provides the additional subsidization in the form of principal forgiveness, which has been recorded as an operating expense.

**(e) Fund Accounting**

In order to ensure observation of limitations and restrictions placed on the use of resources available to the Bank, the accounts of the Bank are maintained in accordance with the principles of "Fund Accounting". This is a procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, funds will be combined for the presentation of the Bank's financial position and results of operations.

There are currently six separate funds included in the accompanying financial statements:

Water Pollution Control Revolving Fund (WPCRF) – accounts for activity relating to administering the Federal Title VI SRF Loan Program (also known as the Clean Water SRF Program).

Rhode Island Water Pollution Control Revolving Fund (RIWPCRF) – accounts for activity relating to administering the State SRF Loan Program.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(e) Fund Accounting (Continued)**

Operating Fund – accounts for the administrative activities of the Bank, including servicing loan programs and the Drinking Water SRF Set-Aside Program.

Drinking Water State Revolving Fund (DWSRF) – accounts for activity relating to administering the Drinking Water SRF Loan Program.

Municipal Road and Bridge Revolving Fund (MRBRF) – accounts for activity relating to administering the Municipal Road and Bridge Revolving Loan Program.

Water Quality Protection Charge Program (WQPCP) – accounts for activity relating to administering the Water Quality Protection Charge Program.

**(f) Cash and Cash Equivalents**

The Bank's cash equivalents include cash deposits at financial institutions and institutional money market accounts. The Bank's policy is to treat all highly liquid investments with original maturities of three months or less as cash and cash equivalents.

**(g) Investments**

Investments are stated at fair value. Fair values are established by quoted market values. The Bank's investments as of June 30, 2015 and 2014 consisted of Treasury obligations (FNMA, FHLMC, and FHLB), municipal bonds, U.S. guaranteed securities in the form of Repurchase Agreements, and Guaranteed Investment Contracts (both restricted and unrestricted yields by the Indenture of Trust dated February 15, 1992 and subsequent amendments, between the trustee and the Bank). The Municipal Bond Investors Assurance Corporation and AMBAC has imposed restrictions on indentured funds as to the types of investments the Bank can purchase. These include obligations of the United States government or certain Agencies thereof, guaranteed investment contracts, repurchase agreements, certificates of deposit, money market funds, commercial paper, and notes or bonds of any State meeting specific rating requirements.

The Bank monitors its investment portfolio on a monthly basis, including guaranteed investment contract providers, their credit ratings, and maturity dates.

Guaranteed Investment Contract providers (GIC providers) are limited to financial institutions rated at least AA, Aa2 and AA from Standard & Poor's, Moody's and Fitch, respectively, or the equivalent for financial strength rating or claims paying ability. The GIC provider must meet the following ratings from S&P, Moody's and Fitch: domestic banks rated at least "AA/Aa2/AA"; U.S. branches of foreign banks rated at least "AA/Aa2/AA"; insurance companies (or corporations whose obligations are guaranteed by an insurance company (in the form of an insurance policy) or by an insurance holding company) rated "AAA/Aaa/AAA".

Should the GIC Provider's rating be suspended, withdrawn or downgraded below AA- by Fitch, Aa3 by Moody's or AA- by S&P during the term of the Agreement, the Provider must notify the Trustee and, within fifteen (15) days of receipt of notice from the Trustee: (i) provide to the Trustee, or other mutually agreed upon third party custodian, collateral which will be valued and held such that the Provider maintains the applicable minimum rating for the duration and purpose of the investment, or (ii) at the request of the Trustee, assign the Agreement to an eligible substitute provider, or (iii) at the request of the Trustee, repay the amount on deposit, plus accrued interest to the Trustee.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Investments (Continued)**

In accordance with Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet its minimum capital standards as required by its Federal regulator must be collateralized. The Bank did not have any deposits in fiscal year 2015 and 2014 which required collateralization based on the aforementioned criteria.

**(h) Investment Income**

Interest earned on investments is recognized as income in the fund in which the investments are held. Unrealized gains and losses from the changes in fair value are recognized as investment income on the statement of revenues, expenses, and changes in net position. For fiscal year ended June 30, 2015, the Bank had unrealized losses of \$82,536. For the fiscal year ended June 30, 2014, the Bank had unrealized gains of \$191,755.

**(i) Property and Equipment**

Property and equipment are stated at cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. Depreciation expense for fiscal years 2015 and 2014 totaled \$12,062 and \$9,027, respectively. The Bank's capitalization threshold is any individual item with a total cost greater than \$500.

Depreciation is provided by use of the straight-line method over the following estimated useful lives of the assets:

<u>Asset Category</u>	<u>Estimated Useful Life</u>
Computer equipment	3 years
Equipment, furniture, and fixtures	3 – 5 years
Leasehold improvements	7 – 20 years

**(j) Bond Issuance Costs**

Bond issuance costs are recorded as operating expenses when incurred. Prior to July 1, 2012, bond issuance costs were capitalized and amortized on a straight-line basis over the life of the bond or to the date at which the Bank had the right to redeem the bond, whichever is shorter. The implementation of GASB Statement No. 65 resulted in the write-off of bond issuance costs as of July 1, 2012.

**(k) Prepaid Bond Insurance Costs**

Prepaid bond insurance costs are reported as an asset and are recognized as an expense over the duration of the related debt using the straight-line method. The Bank did not have any prepaid bond insurance costs at June 30, 2015 and 2014.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Allowance for Loan Losses**

Management reviews loan receivable balances on a periodic basis for possible uncollectible amounts. In the event management determines a specific need for an allowance, provision for loss will then be provided. Should a borrower default on a loan, the remedy is found in the loan agreement which is backed by the full taxing power of the borrowing municipality in the form of a general obligation pledge or in the full revenue collecting ability of the Bank's revenue borrowers. Further, the Indenture of Trust as it relates to the Local Interest Subsidy Trust (LIST) serves as a debt service reserve fund. An allowance for loan losses has not been established at June 30, 2015 and 2014 since historical collection experience has shown amounts to be fully collectible when due.

**(m) Deferred Inflows and Outflows of Resources**

A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. Deferred outflows of resources of the Bank consist of deferred refunding costs.

**(n) Accrued Arbitrage Rebate**

The Bank has bonds outstanding which are subject to arbitrage limitations. The term "*arbitrage rebate*" refers to the required payment to the U.S. Treasury Department of excess earnings received on applicable tax-exempt bond proceeds that are invested at a higher yield than the yield of the tax-exempt bond issue. The Bank's ultimate rebate of arbitrage earnings on these issues is contingent on various factors, including future yields on invested proceeds. The amount the Bank will be required to remit to the federal government could differ materially from the estimated liability in the near term.

Based on interim calculations that were performed as of June 30, 2015 and 2014, the Bank had accrued arbitrage rebate liabilities totaling \$1,387,459 and \$1,535,996, respectively. During 2015 and 2014 the Bank paid to the U.S. Treasury Department \$606,354 and \$164,864 in arbitrage rebate liabilities, respectively. The rebate obligations are generally computed and adjusted, as applicable, on a periodic basis in accordance with regulations promulgated by the U.S. Treasury Department. Required rebates are generally due and payable in five-year intervals during the life of debt issues, with rebates due no later than 60 days after the retirement of the debt issues.

Arbitrage rebate expense is presented as a reduction in the amount of interest income from investments.

**(o) Loan Origination Fees**

The Bank requires payment of loan origination fees at the time of loan closing. Loan origination fees are recognized as revenue in the period received. Prior to July 1, 2012, the Bank deferred loan origination fees net of direct loan origination costs and the net fee was recognized as income using the effective interest method over the contractual life of the loan. For financial reporting purposes in the statement of net position, outstanding loans receivable were reduced by unamortized loan origination fees. The implementation of GASB Statement No. 65 resulted in the write-off of loan origination fees as of July 1, 2012.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(p) Project Costs Payable**

Project costs payable represents the liability of amounts loaned to borrowers that have not been requisitioned by the borrowers for their projects as of year-end, and totaled \$90,629,791 and \$166,974,448 at June 30, 2015 and 2014, respectively. Included in these amounts is \$6,713,012 and \$43,977,793 payable to Narragansett Bay Commission, the Bank's largest borrower.

**(q) Bond Premium**

Bond premiums, included in long-term debt, are amortized using the effective interest method over the respective life of the associated bond issues. Amortization of bond premiums, which are charged against interest expense, totaled \$3,945,581 and \$4,271,688 for fiscal years 2015 and 2014, respectively.

**(r) Amount Deferred on Refunding**

During periods of declining interest rates, the Bank has refunded certain bond obligations reducing aggregate debt service. The difference between the reacquisition price and the net carrying amount of the refunded bonds is recorded as an amount deferred on refunding. The deferred amount on refunding is amortized over the remaining life of the refunded bonds, or the life of the new bonds, whichever is shorter. The amortization amount is a component of interest on bonds, and the unamortized balances are recorded as deferred outflows or inflows.

**(s) Compensated Absences**

The Bank has a policy which allows employees to accumulate unused vacation and sick leave benefits up to a certain maximum number of days. Compensated absences are recognized as current salary costs when incurred and are recorded in accounts payable and accrued expenses in the statement of net position. The balance of accrued vacation and sick leave was \$140,482 and \$135,474 at June 30, 2015 and 2014, respectively.

**(t) Net Position**

Net investment in capital assets represents capital assets, net of accumulated depreciation. Net position of the Bank is classified as restricted when external constraints are imposed by debt agreements, grantors, contributors, or laws or regulations of governments or constraints imposed by law through constitutional provisions or enabling legislation. The Bank's net position is restricted by debt covenants and grantor restrictions. Unrestricted net position has no external restrictions and is available for the operations of the Bank. Unrestricted net position may be designated by actions of the Bank.

**(u) Operating Revenues and Expenses**

Substantially all revenues and expenses, including interest received on investments and loans and interest paid on bonds, are considered operating items since the Bank issues bonds to finance loans for specific projects. All other revenues and expenses not meeting this criteria are reported as nonoperating revenue and expenses. In accordance with GASB Statement No. 34, federal EPA capitalization grants, state grants, and water quality protection charges are shown below operating income (loss) on the statements of revenue, expenses and changes in net position.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(v) Grant Revenue**

The Bank recognizes grant revenues upon the acceptance of their request for drawdown by the grantor agency and when qualifying commitments and all other grant requirements have been satisfied.

**(w) Restricted Assets**

Restricted assets of the Bank consist of cash and cash equivalents, and investments designated primarily for borrower construction drawdowns, borrower interest rate subsidies, and arbitrage rebate liabilities related to the Water Pollution Control Revolving Fund, Rhode Island Water Pollution Control Revolving Fund, Drinking Water State Revolving Fund, Municipal Road and Bridge Revolving Fund, and the Water Quality Protection Charge Program. Certain loans receivable in the Water Pollution Control Revolving Fund and Drinking Water State Revolving Fund provide security for the related bonds. Loan payments received are restricted for payment of bond debt service.

**(x) Resource Use**

When both restricted and unrestricted resources are available for use, it is the Bank's policy to use restricted resources first, then unrestricted resources as they are needed.

**(y) Recently Issued Accounting Standards**

The Bank implemented the following GASB Statements for the fiscal year ended June 30, 2014:

- GASB Statement No. 67 - Financial Reporting for Pension Plans - an amendment of GASB Statement No. 2. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The Bank provides its employees with pension benefits through a deferred compensation plan.
- GASB Statement No. 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement.

The adoption of these Statements did not have an impact on the Bank's financial position or results of operations.

The Bank also implemented GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities for the fiscal year ended June 30, 2014. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It requires the reclassification of amounts previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources or to expenses or revenues. The implementation of GASB Statement No. 65 changed the beginning net position resulting primarily from the change in accounting for deferred bond issuance costs and loan origination fees. Bond issuance costs are now expensed as incurred. This Statement also requires loan origination fees to be recognized as revenue in the period received. In addition, this Statement requires the amounts deferred on refunding to be reported as a deferred outflow or a deferred inflow of resources on the statement of net position, rather than as an addition to or a reduction from the bond liability. The adoption of this Statement decreased the July 1, 2012 net position by \$271,248.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(y) Recently Issued Accounting Standards (Continued)**

The Bank implemented the following GASB Statements for the fiscal year ended June 30, 2015:

- GASB Statement No. 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The Bank provides its employees with pension benefits through a deferred compensation plan.
- GASB Statement No. 69 - Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.
- GASB Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.

The adoption of these Statements did not have an impact on the Bank's financial position or results of operations.

The Bank will adopt the following new accounting pronouncements in future years:

- GASB Statement No. 72 - Fair Value Measurement and Application, effective for the Bank's fiscal year ending June 30, 2016. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach. Valuation methodologies should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. GASB No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value which are as follows: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable, directly or indirectly. Level 3 inputs are unobservable inputs such as management's assumptions about certain factors affecting the value of the asset or liability.
- GASB Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and No. 68, effective for the Bank's fiscal year ending June 30, 2016. The purpose of this Statement is to clarify and enhance certain reporting requirements of GASB Statement Nos. 67 and 68.
- GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for the Bank's fiscal year ending June 30, 2017.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(y) Recently Issued Accounting Standards (Continued)**

- GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for the Bank's fiscal year ending June 30, 2018.
- GASB Statement No. 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the Bank's fiscal year ending June 30, 2016. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles ("GAAP"). The hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment of a transaction or other event is not specified within a source of authoritative GAAP.

The impact of these pronouncements on the Bank's financial position has not been determined.

**(z) 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(aa) Income Tax**

The Bank is a related organization of the State of Rhode Island and is therefore, generally exempt from federal income taxes under Section 115 of the Internal Revenue Code.

**(bb) Reclassifications**

Certain reclassifications have been made to the 2014 financial statements to conform to the classifications used in the 2015 financial statements.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**2. CASH EQUIVALENTS AND RESTRICTED INVESTMENTS**

**Custodial Credit Risk - Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Bank's deposits may not be returned. The Bank does not have a formal deposit policy for custodial credit risk and therefore, does not limit the amount of deposit custodial credit risk. The Bank mitigates custodial credit risk by ensuring that cash deposits that exceed federal depository insurance are collateralized and by investing in institutional money market accounts - government portfolio that are "AAA" rated.

At June 30, 2015, the carrying amount of the Bank's cash deposits was \$4,483,166. The bank balance was \$9,159,943 as of the same period, of which \$250,025 was covered by the Federal Depository Insurance Corporation (the "FDIC") and \$8,909,918 was uninsured and collateralized by securities held by the pledging institution's trust department in the Bank's name. The difference between the carrying amount and the bank balance is due to outstanding reconciling items (primarily outstanding checks) at year-end.

At June 30, 2014, the carrying amount of the Bank's cash deposits was \$10,444,806. The bank balance was \$18,437,066 as of the same period, of which \$250,025 was covered by the Federal Depository Insurance Corporation (the "FDIC") and \$18,187,041 was uninsured and collateralized by securities held by the pledging institution's trust department in the Bank's name. The difference between the carrying amount and the bank balance is due to outstanding reconciling items (primarily outstanding checks) at year-end.

Cash and cash equivalents consisted of the following at June 30:

<u>Description</u>	<u>2015</u>	<u>2014</u>
Cash on hand .....	\$ 100	\$ 100
Deposits with financial institutions .....	4,483,166	10,444,806
Institutional money market accounts – government portfolio .....	<u>169,927,570</u>	<u>239,396,054</u>
<b>Total cash and cash equivalents</b> .....	<b><u>\$174,410,836</u></b>	<b><u>\$249,840,960</u></b>

The institutional money market accounts – government portfolio had credit ratings of AAAm/Aaa-mf by Standard & Poor's and Moody's at June 30, 2015 and 2014.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**2. CASH EQUIVALENTS AND RESTRICTED INVESTMENTS (Continued)**

The Bank's investments consisted of the following at June 30, 2015:

<u>Description</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Rating Moody's/S&amp;P as of 6/30/2015</u>
<b>U.S. Agency Securities:</b>				
Federal National Mortgage Association.....	\$ 1,047,829	2015 - 2024	6.120% - 6.160%	AAA/AA+
Federal Home Loan Mortgage Corp .....	10,179,067	2016 - 2018	4.875% - 6.875%	AAA/AA+
Federal Home Loan Bank.....	<u>7,946,686</u>	2016 - 2023	4.750% - 5.625%	AAA/AA+
<b>Subtotal</b> .....	<u>19,173,582</u>			
<b>Municipal Bonds:</b>				
Texas - College Student Loan Refunding..	1,307,268	2017	5.00%	AAA/AAA
Washington State .....	833,711	2019	4.50%	AA2/N/A
Oregon State .....	10,366,583	2016 - 2023	4.155% - 5.435%	AA2/AA
New York State .....	<u>1,237,781</u>	2016	4.700%	AA1/AA+
<b>Subtotal</b> .....	<u>13,745,343</u>			
<b>Collateralized Repurchase Agreements:</b>				
Bayern LB.....	391,451	2016	3.75% - 5.600%	Aaa/AAA
Portigon (formerly Westdeutsche LB).....	<u>4,129,353</u>	2019	6.280%	Aaa/AAA
<b>Subtotal</b> .....	<u>4,520,804</u>			
<b>Guaranteed Investment Contracts:</b>				
Bayern LB.....	5,804,256	2020	3.75% - 5.330%	Aaa/AAA
FSA Capital Management .....	6,731,782	2024	4.710%	A2/AA
FSA Capital Management .....	10,510,986	2025	4.670%	A2/AA
FSA Capital Management .....	5,183,853	2027	4.793%	A2/AA
FSA Capital Management .....	740,161	2028	5.060%	A2/AA
Transamerica.....	6,793,753	2026	4.770%	A1/AA-
Citigroup Financial Products.....	9,455,339	2027	4.805%	Baa1/A.**
GE Capital Corp .....	<u>4,813,017</u>	2029	4.498%	A1/AA+
<b>Subtotal</b> .....	<u>50,033,147</u>			
<b>Total Investments</b> .....	<u>\$87,472,876</u>			

\*\*As of June 30, 2015, this GIC Provider's rating was downgraded below the minimum rating requirements as disclosed in Note 1. The Bank determined the downgrade did not warrant subsequent action.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**2. CASH EQUIVALENTS AND RESTRICTED INVESTMENTS (Continued)**

The Bank's investments consisted of the following at June 30, 2014:

<u>Description</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Rating Moody's/S&amp;P as of 6/30/2014</u>
<b>U.S. Agency Securities:</b>				
Federal National Mortgage Association.....	\$ 2,111,524	2014 - 2024	6.120% - 6.160%	AAA/AA+
Federal Home Loan Mortgage Corp .....	9,802,491	2015 - 2028	4.875% - 6.875%	AAA/AA+
Federal Home Loan Bank.....	<u>8,871,061</u>	2015 - 2023	4.750% - 5.625%	AAA/AA+
<b>Subtotal</b> .....	<u>20,785,076</u>			
<b>Municipal Bonds:</b>				
Texas - College Student Loan Refunding..	1,352,784	2017	5.00%	AAA/AAA
Washington State .....	857,083	2019	4.50%	AA2/N/A
Oregon State .....	11,590,902	2015 - 2023	3.795% - 5.435%	AA2/AA
New York State.....	<u>4,109,512</u>	2015 - 2016	4.274% - 4.700%	AA1/AA
<b>Subtotal</b> .....	<u>17,910,281</u>			
<b>Collateralized Repurchase Agreements:</b>				
Bayern LB.....	619,818	2016	3.75% - 5.600%	Aaa/AAA
Portigon (formerly Westdeutsche LB).....	<u>4,909,285</u>	2019	6.280%	Aaa/AAA
<b>Subtotal</b> .....	<u>5,529,103</u>			
<b>Guaranteed Investment Contracts:</b>				
Bayern LB.....	6,536,010	2020	3.75% - 5.330%	Aaa/AAA
FSA Capital Management .....	7,296,129	2024	4.710%	A2/AA
FSA Capital Management .....	11,310,561	2025	4.670%	A2/AA
FSA Capital Management .....	5,707,399	2027	4.793%	A2/AA
FSA Capital Management .....	782,996	2028	5.060%	A2/AA
Transamerica.....	7,346,275	2026	4.770%	A1/AA-
Citigroup Financial Products.....	10,148,608	2027	4.805%	Baa2/A-**
GE Capital Corp .....	<u>5,056,768</u>	2029	4.498%	A1/AA+
<b>Subtotal</b> .....	<u>54,184,746</u>			
<b>Total Investments</b> .....	<u>\$98,409,206</u>			

\*\*As of June 30, 2014, this GIC Provider's rating was downgraded below the minimum rating requirements as disclosed in Note 1. The Bank determined the downgrade did not warrant subsequent action.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**2. CASH EQUIVALENTS AND RESTRICTED INVESTMENTS (Continued)**

**Custodial Credit Risk - Investments** – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Bank will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Bank requires that all investment agreements be collateralized either upon execution of such agreement or upon the happening of certain events, and at all times thereafter, by securities or other obligations issued or guaranteed by the United States, by certain federal agencies having a market value of not less than 100% of the amount currently on deposit or in accordance with their respective agreement. The Bank has a policy which requires the monthly monitoring of custodial credit risk, including the review of institutional credit ratings.

**Credit Risk**– Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The risk is evidenced by a rating issued by a nationally recognized statistical rating organization, which regularly rate such obligations. The majority of the Bank's investments are in Guaranteed Investment Contracts (GICs) or in Treasury or agency securities. The Treasury and agency securities are all backed by the federal government. The GICs either have collateral requirements in place upon execution of the investment agreement, or have triggered collateral requirements under which, upon a rating downgrade below a specified level, the counterparty is typically required to do one of three actions: 1) post collateral to a level sufficient to maintain an AA rating, 2) assign the investment contract to a new counterparty that has at least a AA rating, or 3) provide credit enhancement to maintain a rating on the investment contract of at least AA.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Bank's investments. The Bank limits its exposure to interest rate risk by entering into guaranteed investments contracts and federally guaranteed fixed income securities for all of its long-term investments upon which the Bank relies to meet its obligations.

At June 30, 2015, maturities of the Bank's investment were as follows:

<u>Description</u>	<u>Investment Maturities (Fair Value by Years)</u>				
	<u>Total Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Agency Securities .....	\$ 19,173,582	\$ 444,691	\$ 7,073,422	\$ 7,759,527	\$ 3,895,942
Municipal Bonds .....	13,745,343	2,402,565	7,603,599	3,739,179	
Collateralized Repurchase Agreements .....	4,520,804	391,451	4,129,353		
Guaranteed Investment Contracts .....	<u>50,033,147</u>			<u>12,536,038</u>	<u>37,497,109</u>
<b>Total</b> .....	<u>\$87,472,876</u>	<u>\$ 3,238,707</u>	<u>\$18,806,374</u>	<u>\$24,034,744</u>	<u>\$41,393,051</u>

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**2. CASH EQUIVALENTS AND RESTRICTED INVESTMENTS (Continued)**

At June 30, 2014, maturities of the Bank's investment were as follows:

<u>Description</u>	<u>Investment Maturities (Fair Value by Years)</u>				
	<u>Total Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Agency Securities .....	\$ 20,785,076	\$ 1,956,401	\$ 5,617,972	\$ 9,570,956	\$ 3,639,747
Municipal Bonds .....	17,910,281	3,960,413	8,725,318	5,224,550	
Collateralized Repurchase Agreements .....	5,529,103		5,529,103		
Guaranteed Investment Contracts .....	54,184,746			13,832,139	40,352,607
<b>Total</b> .....	<b><u>\$98,409,206</u></b>	<b><u>\$5,916,814</u></b>	<b><u>\$19,872,393</u></b>	<b><u>\$28,627,645</u></b>	<b><u>\$43,992,354</u></b>

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the Bank's investment in a single issuer. The issuers where investments exceeded 5% of the Bank's total investments are as follows at June 30:

<u>Provider:</u>	<u>Percentage of Total Investments</u>	
	<u>2015</u>	<u>2014</u>
FSA Capital Management.....	26%	26%
Oregon State Municipal Bond.....	12%	12%
Citigroup Financial Products.....	11%	10%
Transamerica.....	8%	7%
Bayern LB .....	7%	7%
GE Capital Corp.....	6%	5%

**3. LOANS RECEIVABLE**

At June 30, 2015 and 2014, the Bank had loans receivable of \$1,164,240,641 and \$1,171,111,536 representing 218 and 202 outstanding loans, respectively, which are restricted for payment of bond debt service. At June 30, 2015 and 2014, the current portion of loans receivable totaled \$72,359,350 and \$62,936,768, respectively. In addition, at June 30, 2015 and 2014, the Bank had outstanding unused commitments (project costs payable) totaling approximately \$90,629,791 and \$166,974,448, respectively.

The borrowers are obligated to repay the full balance of loan agreements; however, funds are disbursed by the Bank in accordance with the loan agreements as costs are incurred for the projects for which the loans are intended. The Bank disburses funds to the borrowers and/or vendors, no more than once a month, after receipt of an official request for disbursement, which is accompanied by supporting documentation. The Bank is obligated to disburse funds only up to the value of the loan agreement, and is not responsible for any excess costs incurred by the borrower. The borrower, in turn, is obligated to make principal and interest payments in accordance with the repayment schedules per the loan documentation even if funds have not been fully disbursed by the Bank at the time of first payment. Loans are usually repaid over 20 years with either level principal or level total payments. The balances of the loan agreements may include financing for the interest expense to be incurred by the borrowers during the period of construction.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
 (Formerly Rhode Island Clean Water Finance Agency)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**3. LOANS RECEIVABLE (Continued)**

The Bank has established a Local Interest Subsidy Trust (LIST) Fund, which is restricted by the Indenture of Trust between the trustee and the Bank and may be used to make the required bond payments in the event of default by the borrowers.

The Bank had loans receivable to three borrowers representing 51% and 53% of the Bank's total loan receivable balance at June 30, 2015 and 2014, respectively.

**Principal Forgiveness Loans**

The Bank has received ARRA and non-ARRA capitalization grants which can be used to issue principal forgiveness loans. The Bank was awarded American Recovery and Reinvestment Act (ARRA) Capitalization Grants for use in its Clean Water and Drinking Water SRFs. ARRA Grants are for purposes consistent with the intent of Clean Water and Drinking Water SRF, including construction of wastewater treatment facilities, drinking water facilities and associated infrastructure, green infrastructure, nonpoint source projects, estuary projects and program administration. The ARRA Capitalization Grants do not require a state match component. The ARRA Capitalization Grants stipulated that the Bank must have committed loans to recipients with signed construction contracts by February 17, 2010; this requirement was met in 2010.

The Bank's total capitalization grants available for principal forgiveness loans at June 30, 2015 are summarized below:

<b><u>Clean Water SRF</u></b>			
<u>Capitalization Grant</u>	<u>Capitalization Grant Award</u>	<u>Principal Forgiveness Component</u>	<u>Principal Forgiveness Loans Issued June 30, 2015</u>
2009 (ARRA) .....	\$26,314,600	\$13,157,300	\$13,157,300
2010 .....	13,681,000	2,048,980	2,048,980
2011 .....	9,915,000	918,782	918,782
2012 .....	9,486,000	527,198	527,198
2013 .....	8,955,000	500,000	500,000
2014 .....	<u>9,410,000</u>	<u>512,070</u>	<u>0</u>
<b>Total</b> .....	<b><u>\$77,761,600</u></b>	<b><u>\$17,664,330</u></b>	<b><u>\$17,152,260</u></b>

The above schedule includes \$10,844,522 in principal forgiveness loans issued to Narragansett Bay Commission, the Bank's largest borrower.

<b><u>Drinking Water SRF</u></b>			
<u>Capitalization Grant</u>	<u>Capitalization Grant Award</u>	<u>Principal Forgiveness Component</u>	<u>Principal Forgiveness Loans Issued June 30, 2015</u>
2009 (ARRA) .....	\$19,500,000	\$ 9,750,000	\$ 9,750,000
2010 .....	13,573,000	4,071,900	4,071,900
2011 .....	9,418,000	2,825,400	2,825,400
2012 .....	8,975,000	1,795,000	1,795,000
2013 .....	8,421,000	1,684,200	1,684,200
2014 .....	<u>8,845,000</u>	<u>1,769,000</u>	<u>0</u>
<b>Total</b> .....	<b><u>\$68,732,000</u></b>	<b><u>\$21,895,500</u></b>	<b><u>\$20,126,500</u></b>

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**3. LOANS RECEIVABLE (Continued)**

**Principal Forgiveness Loans (Continued)**

Loans made to eligible borrowers under the Clean Water and Drinking Water SRFs may be forgiven if certain continuing criteria are met, including that the borrower continues to make debt service payments, continues to operate the project in compliance with laws and regulations, and does not dispose of or discontinue the project. The Bank has loans outstanding totaling \$37,121,312 and \$35,594,560 at June 30, 2015 and 2014, respectively, that upon fulfillment of these requirements by the borrower, could be forgiven at some future point. For purposes of the basic financial statements, the Bank recognizes principal forgiveness expense as the related loans are repaid. The total amount forgiven under these programs in 2015 and 2014 was \$1,337,385 and \$1,058,604, respectively. The amounts are included in loan principal forgiveness in the statement of revenues, expenses, and changes in net position.

**4. BONDS PAYABLE**

Since its inception, the Bank has issued revenue bonds to local governments to finance water pollution abatement projects and as of March 4, 2004, safe drinking water projects. The bonds are special obligations of the Bank payable solely from and secured by the particular funds, assets or revenues, generated by the Borrower Bonds. The bonds do not constitute an indebtedness of the State or any of its subdivisions and none of its revenues are pledged. The Bank has no taxing power.

The Bank had the following revenue bonds outstanding at June 30:

	<u>2015</u>	<u>2014</u>
<b>Water Pollution Control Revolving Fund Revenue Bonds:</b>		
1993 Series A Bonds, dated February 15, 1993, with serial bonds of \$23,450,000 at rates varying from 3.8% to 9.2% due annually from October 1, 1996 through October 1, 2010 and a term bond of \$10,185,000 at 5.4% due October 1, 2015.....	\$2,075,000	\$ 4,095,000
1994 Series A Bonds, dated June 1, 1994, with serial bonds of \$18,495,000 at rates varying from 5.0% to 7.7% due annually from October 1, 1995 through October 1, 2012 and a term bond of \$3,935,000 at 5.875% due October 1, 2015. On February 4, 1999, the Bank advance refunded \$5,725,000 of the outstanding bonds .....	590,000	1,290,000
1995 Series A Bonds, dated December 15, 1995, at rates varying from 4.15% to 7.00% due annually from October 1, 1997 through October 1, 2016. On May 6, 2010, the Bank advance refunded \$415,000 of the outstanding bonds .....	585,000	850,000
1999 Series A Bonds, dated January 1, 1999, with serial bonds of \$19,590,000 at rates varying from 3.7% to 5.25% due annually from October 1, 2002 through October 1, 2016 and term bonds of \$3,765,000 at 4.75% due October 1, 2018 and \$2,470,000 at 4.75% due October 1, 2020. On May 6, 2010, the Bank advance refunded \$4,990,000 of the outstanding bonds .....	6,525,000	7,370,000

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**4. BONDS PAYABLE (Continued)**

	<u>2015</u>	<u>2014</u>
<b>Water Pollution Control Revolving Fund Revenue Bonds (Continued):</b>		
1999 Series C Bonds, dated August 1, 1999, with serial bonds of \$24,010,000 at rates varying from 4.15% to 5.50% due annually from October 1, 2001 through October 1, 2019. On May 6, 2010, the Bank advance refunded \$4,985,000 of the outstanding bonds.....	4,165,000	4,950,000
2000 Series A Bonds, dated December 1, 2000 with serial bonds of \$26,550,000 at rates varying from 4.50% to 5.125% due annually from October 1, 2001 through October 1, 2020. On May 6, 2010, the Bank advance refunded \$7,430,000 of the outstanding bonds .....	4,530,000	5,225,000
2002 Series A Bonds, dated April 1, 2002 with serial bonds of \$29,305,000 at rates varying from 3.00% to 5.50% due annually from October 1, 2002 through October 1, 2022. On May 6, 2010, the Bank advance refunded \$7,505,000 of the outstanding bonds.....	6,945,000	7,680,000
2002 Series B Bonds, dated October 1, 2002, with serial bonds of \$76,035,000 at rates varying from 2.0% to 5.0% due annually from October 1, 2004 through October 1, 2022. On May 6, 2010, the Bank advance refunded \$25,260,000 of the outstanding bonds.....	11,295,000	13,940,000
2004 Series A Bonds, dated December 30, 2004, with serial bonds of \$69,625,000 at rates varying from 2.50% to 5.00% due annually from October 1, 2005 through October 1, 2025. On November 8, 2012, the Bank advance refunded \$46,010,000 of the outstanding bonds. The remaining bonds are due October 1, 2013 through October 1, 2014.....	0	3,500,000
2005 Series A Bonds, dated December 15, 2005, with serial bonds of \$49,080,000 at rates varying from 4.00% to 5.00% due annually from October 1, 2006 through October 1, 2026 .....	29,510,000	32,035,000
2006 Series A Bonds, dated December 21, 2006, with serial bonds of \$57,795,000 at rates varying from 3.40% to 5.00% due annually from October 1, 2007 through October 1, 2027 .....	39,285,000	41,845,000
2007 Series A Bonds, dated December 12, 2007 with serial bonds of \$39,740,000 at rates varying from 4.00% to 5.00% due annually from October 1, 2009 through October 1, 2028 .....	30,750,000	32,725,000
2009 Series A Bonds, dated October 6, 2009, with serial bonds of \$41,555,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2011 through October 1, 2030 .....	37,305,000	38,055,000
2010 Series A Refunding Bonds, dated May 6, 2010, with serial bonds of \$77,140,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2010 through October 1, 2023 .....	60,030,000	64,400,000
2010 Series B Bonds, dated June 24, 2010, with serial bonds of \$30,145,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2012 through October 1, 2030 .....	29,070,000	29,710,000

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**4. BONDS PAYABLE (Continued)**

	<u>2015</u>	<u>2014</u>
<b>Water Pollution Control Revolving Fund Revenue Bonds (Continued):</b>		
2011 Series A Bonds, dated March 29, 2011, with serial bonds of \$40,200,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2012 through October 1, 2032 .....	36,200,000	37,540,000
2012 Series A Bonds, dated June 28, 2012, with serial bonds of \$25,620,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2014 through October 1, 2033 .....	24,530,000	25,620,000
2012 Series B Refunding Bonds, dated November 8, 2012, with serial bonds of \$65,860,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2013 through October 1, 2025 .....	60,655,000	64,710,000
2013 Series A Bonds, dated June 6, 2013, with serial bonds of \$52,070,000 at rates varying from 1.50% to 5.00% due annually from October 1, 2015 through October 1, 2034 .....	52,070,000	52,070,000
2014 Series A Bonds, dated February 20, 2014, with serial bonds of \$55,925,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2015 through October 1, 2034 .....	55,925,000	55,925,000
<b>Safe Drinking Water Revenue Bonds:</b>		
2004 Series A Bonds, dated March 31, 2004, with serial bonds of \$40,170,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2005 through October 1, 2024. On June 26, 2013, the Bank advance refunded \$24,205,000 of the outstanding bonds. The remaining bonds are due October 1, 2013 through October 1, 2014 ...	0	1,810,000
2005 Series A Bonds, dated March 23, 2005, with serial bonds of \$42,960,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2006 through October 1, 2027. On June 26, 2013, the Bank advance refunded \$17,280,000 of the outstanding bonds. The remaining bonds are due October 1, 2013 through October 1, 2015 and October 1, 2025 through October 1, 2027 .....	7,295,000	9,835,000
2007 Series A Bonds, dated March 7, 2007, with serial bonds of \$5,135,000 at rates varying from 4.00% to 4.125% due annually from October 1, 2008 through October 1, 2019 .....	3,025,000	3,285,000
2008 Series A Bonds, dated June 5, 2008, with serial bonds of \$36,350,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2010 through October 1, 2029 .....	31,455,000	32,590,000
2009 Series A Bonds, dated November 19, 2009, with serial bonds of \$9,935,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2011 through October 1, 2030 .....	9,280,000	9,485,000

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**4. BONDS PAYABLE (Continued)**

	<u>2015</u>	<u>2014</u>
<b>Safe Drinking Water Revenue Bonds (Continued):</b>		
2012 Series A Bonds, dated June 14, 2012, with serial bonds of \$34,620,000 at rates varying from 0.55% to 5.00% due annually from October 1, 2014 through October 1, 2033.....	33,075,000	34,620,000
2013 Series A Bonds, dated May 14, 2013, with serial bonds of \$35,780,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2015 through October 1, 2034.....	35,780,000	35,780,000
2013 Series B Refunding Bonds, dated June 26, 2013, with serial bonds of \$38,790,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2015 through October 1, 2024 .....	38,790,000	38,790,000
2014 Series A Bonds, dated December 4, 2014, with serial bonds of \$13,090,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2016 through October 1, 2036 and term bonds of \$1,085,000 at 3.50% due October 1, 2025 and term bonds of \$3,350,000 at 5.00% due October 1, 2036.....	13,090,000	0
<b>Non-SRF Wastewater Treatment System Revenue Bonds:</b>		
1997 Series Bonds, dated August 1, 1997. The Series 1997 Bonds mature on September 1, 2022, with sinking fund payments due on September 1, 1999, and September 1, 2018 through September 1, 2022, inclusive. Interest of 5.8% is due annually on March 1, and September 1 .....	28,490,000	28,490,000
2008 Wastewater Revenue Bonds dated April 30, 2008, with serial bonds of \$4,000,000 at 4.85% due annually from March 1, 2009 through March 1, 2028.....	2,995,000	3,160,000
2011 Series A Bonds, (City of Newport), dated March 31, 2011 with serial bonds of \$10,345,000 at 4.30% due annually from September 1, 2011 through September 1, 2026.....	8,785,000	9,330,000
2012 Series A Bonds, (City of Warwick), dated June 26, 2012, with serial bonds of \$2,400,000 at 3.285% due annually from August 1, 2012 through August 1, 2022 .....	1,978,000	2,192,000
2013 Series A Revenue Bonds (Town of Coventry), dated September 3, 2013 with serial bonds of \$8,225,000 at 4.25% due annually from September 1, 2014 through September 1, 2028 .....	7,820,000	8,225,000

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**4. BONDS PAYABLE (Continued)**

	<u>2015</u>	<u>2014</u>
<b>Non-SRF Drinking Water Bonds:</b>		
2003 Series A Bonds, dated December 17, 2003, with term bonds of \$5,840,000 at 5.00% due annually from October 1, 2025 through October 1, 2028 and term bonds of \$13,500,000 at 5.00% due annually from October 1, 2029 through October 1, 2035 .....	19,340,000	19,340,000
2003 Series B bonds, dated December 17, 2003, with term bonds of \$7,655,000 at 6.00% due annually from October 1, 2025 through October 1, 2035 .....	7,655,000	7,655,000
2011 Series A Bonds, (City of Newport), dated September 30, 2011 with serial bonds of \$6,640,000 at 3.4% due annually from September 1, 2012 through September 1, 2027 .....	<u>5,660,000</u>	<u>6,000,000</u>
Subtotal.....	746,553,000	774,122,000
Add: bond premium (discount) net of amortization.....	<u>60,512,770</u>	<u>63,500,084</u>
<b>Total bonds payable.....</b>	<b><u>\$ 807,065,770</u></b>	<b><u>\$837,622,084</u></b>

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning <u>Balance</u>	Additions	Reductions	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
<b>Long-term debt:</b>					
General obligation debt .....	\$774,122,000	\$13,090,000	\$40,659,000	\$746,553,000	\$44,016,000
Plus: bond premium (discount), net of amortization.....	<u>63,500,084</u>	<u>958,267</u>	<u>3,945,581</u>	<u>60,512,770</u>	
<b>Total long-term debt.....</b>	<b><u>\$837,622,084</u></b>	<b><u>\$14,048,267</u></b>	<b><u>\$44,604,581</u></b>	<b><u>\$807,065,770</u></b>	<b><u>\$44,016,000</u></b>

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning <u>Balance</u>	Additions	Reductions	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
<b>Long-term debt:</b>					
General obligation debt .....	\$746,959,000	\$64,150,000	\$36,987,000	\$774,122,000	\$40,659,000
Plus: bond premium (discount), net of amortization.....	<u>61,448,512</u>	<u>6,323,260</u>	<u>4,271,688</u>	<u>63,500,084</u>	
<b>Total long-term debt.....</b>	<b><u>\$808,407,512</u></b>	<b><u>\$70,473,260</u></b>	<b><u>\$41,258,688</u></b>	<b><u>\$837,622,084</u></b>	<b><u>\$40,659,000</u></b>

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**4. BONDS PAYABLE (Continued)**

Annual principal and interest requirements are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 .....	\$ 44,016,000	\$ 33,238,279	\$ 77,254,279
2017 .....	44,778,000	31,536,269	76,314,269
2018 .....	46,085,000	29,733,224	75,818,224
2019 .....	49,668,000	27,589,898	77,257,898
2020 .....	62,474,000	26,746,050	89,220,050
2021 - 2025 .....	240,032,000	87,321,158	327,353,158
2026 - 2030 .....	159,680,000	40,472,602	200,152,602
2031 - 2035 .....	95,175,000	10,437,787	105,612,787
2036 .....	4,645,000	159,000	4,804,000
<b>Total</b> .....	<u>\$746,553,000</u>	<u>\$287,234,267</u>	<u>\$1,033,787,267</u>

**Advanced Refunding of Debt**

In prior years, the Bank deposited bond proceeds from refunding bonds with an escrow agent to provide resources for all future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased and the liability has been removed from the financial statements. The balances of bonds defeased "in substance" in prior years and still outstanding are as follows:

<u>Description</u>	<u>Redemption Date</u>	<u>Defeased Bonds Outstanding June 30, 2015</u>	<u>Defeased Bonds Outstanding June 30, 2014</u>
2012 Series B Clean Water .....	November 8, 2012	\$ 0	\$ 46,010,000
2013 Series B Drinking Water ...	June 26, 2013	<u>17,280,000</u>	<u>41,485,000</u>
<b>Total</b> .....		<u>\$ 17,280,000</u>	<u>\$ 87,495,000</u>

**Deferred Outflows of Resources**

When the Bank refunds or advance refunds its bonds, it calculates the difference between the reacquisition price and the net carrying amount of the old debt. The resulting accounting gain or loss is then amortized over the life of the refunding bonds. The net unamortized excess of reacquisition price over the net carrying value of the defeased bonds is recorded in deferred outflows of resources on the Statements of Net Position.

Excess of reacquisition price over net carrying value of defeased bonds was as follows at June 30:

	<u>2015</u>	<u>2014</u>
Beginning balance of deferred outflows of resources.....	\$ 6,812,889	\$ 7,771,775
Additions .....	0	0
Reductions .....	<u>(953,624)</u>	<u>(958,886)</u>
<b>Ending balance of deferred outflows of resources..</b>	<u>\$ 5,859,265</u>	<u>\$ 6,812,889</u>

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**4. BONDS PAYABLE (Continued)**

**Bond Anticipation Notes**

The Bank utilizes short-term borrowing to provide interim financing to borrowers. The Bank had no short-term debt activity for the years ended June 30, 2015 and 2014.

**5. CAPITALIZATION GRANTS**

Under Title VI of the Federal Clean Water Act of 1972, as amended by the Federal Water Quality Act of 1987 (together with any regulations promulgated thereunder the "Federal Act"), the General Assembly of the State enacted the Act, which established the Water Pollution Control Revolving Fund (the Revolving Fund) to be administered and maintained by the Bank. Under the Act, the Department of Environmental Management of the State (DEM) is directed to promulgate rules and regulations pertaining to applications by borrowers for financial assistance for water pollution abatement projects. No project is eligible for financing by the Bank until the DEM has issued its Certificate of Approval. The Certificate of Approval specifies, among other things, the estimated project costs that are eligible for financial assistance and other terms and conditions relating to the construction and operation of projects. The DEM and the Bank entered into a Memorandum of Understanding dated December 6, 1990, as amended, pursuant to which the DEM agreed to assume programmatic responsibilities for the Revolving Fund and the Bank agreed to assume the financial and operational responsibilities of the Revolving Fund including the determination of the type of financial assistance to be provided to applicants.

In 1996, Congress amended the Safe Drinking Water Act of 1974 (as amended, the "Federal Act") to improve and provide financial support for the nation's public water systems. As required by the Federal Act, the General Assembly of the State enacted under Chapter 12.8 of Title 46 of the Rhode Island General Laws, as amended, a law entitled "The Water Projects Revolving Loan Fund" (the DWSRF Act), which established the Drinking Water State Revolving Fund (the DWSRF) to be administered and maintained by the Bank. Under the Act, the Department of Health of the State (DOH) is directed to promulgate rules and regulations pertaining to applications by borrowers for financial assistance for safe drinking water projects. No project is eligible for financing by the Bank until the DOH has issued its Certificate of Approval. The Certificate of Approval specifies, among other things, the estimated project costs that are eligible for financial assistance and other terms and conditions relating to the construction and operation of projects. The DOH and the Bank entered into a Memorandum of Understanding dated July 13, 2000, as amended, pursuant to which the DOH agreed to assume programmatic responsibilities for the DWSRF and the Bank agreed to assume the financial and operational responsibilities of the DWSRF including the determination of the type of financial assistance to be provided to applicants.

**(a) Clean Water State Revolving Fund (CWSRF)**

The Bank receives capitalization grants from the Environmental Protection Agency for the Clean Water State Revolving Fund under Title VI of the Clean Water Act. These grants are used to fund the Bank's lending activities and to reimburse the State Department of Environmental Management for up to 4% of the capitalization grant for expenses incurred for services they provide the Bank related to these lending activities. In order to obtain the federal monies under the Title VI grant program, the Bank must also obtain a commitment for state matching funds of 20% of the federal award.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**5. CAPITALIZATION GRANTS (Continued)**

**(a) Clean Water State Revolving Fund (CWSRF) (Continued)**

The following is a table of the federal and state matching funds awarded to the Bank and the balances remaining for drawdown under Title VI of the Clean Water Act as of June 30, 2015:

<u>Grant Year</u>	<u>Award</u>	<u>Balance Remaining for Drawdown</u>
2012:		
Federal award.....	\$9,486,000	\$3,875,000
State match.....	1,897,200	0
2013:		
Federal award.....	8,955,000	623,498
State match.....	1,791,000	0
2014:		
Federal award.....	9,410,000	9,410,000
State match.....	1,882,000	1,882,000
2015:		
Federal award (applied for July 2015) .....	9,361,000	N/A
State match (applied for July 2015) .....	1,872,200	N/A

**(b) Drinking Water State Revolving Fund (DWSRF)**

The Bank also receives capitalization grants from the Environmental Protection Agency for the Drinking Water State Revolving Fund under Section 1452 of the Safe Drinking Water Act Amendments of 1996. The grants will be used to provide loans to water suppliers for system improvements and to provide funding for various improvement programs administered by the RI Department of Health to bring water suppliers in the State up to the minimum standards promulgated by the Safe Drinking Water Act. In order to receive the funding from EPA, the Bank must commit 20% of the Federal award in the form of State matching funds. The Bank agrees to provide, through methods available to it, the appropriate state matching funds to each grant.

The Drinking Water SRF allows the Department of Health to "set-aside" up to 31% of the annual capitalization grants in four set-aside accounts as follows: 1) 4% for program administration which is to be split between the Department of Health and the Bank, 2) up to 2% for technical assistance, 3) up to 10% for state program management, and 4) up to 15% for local assistance.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**5. CAPITALIZATION GRANTS (Continued)**

**(b) Drinking Water State Revolving Fund (DWSRF) (Continued)**

The following is a table of the federal and state matching funds awarded to the Bank and the balances remaining for drawdown under the Safe Drinking Water Act as of June 30, 2015:

<u>Grant Year</u>	<u>Award</u>	<u>Balance Remaining for Drawdown</u>
2010:		
Federal award.....	\$13,573,000	\$ 125,507
State match.....	2,714,600	0
2011:		
Federal award.....	9,418,000	151,633
State match.....	1,883,600	0
2012:		
Federal award.....	8,975,000	1,166,924
State match.....	1,795,000	0
2013:		
Federal award.....	8,421,000	6,276,169
State match.....	1,684,200	0
2014:		
Federal award.....	8,845,000	8,845,000
State match.....	1,769,000	1,769,000
2015:		
Federal award (applied for July 2015) .....	8,787,000	N/A
State match (applied for July 2015) .....	1,757,000	N/A

**6. DEFERRED COMPENSATION**

The Bank offers its employees “The Rhode Island Clean Water Protection Finance Agency Deferred Compensation Plan” (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all Bank employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Bank’s Board of Directors is responsible for establishing or amending the Plan’s provisions and establishing or amending contribution requirements. The defined contribution Plan is currently administered by Voya Retirement Insurance and Annuity Company.

The Bank implemented the Governmental Accounting Standards Board, Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, deferred compensation investments and the respective liability have been removed from the Bank’s financial statements for the years ended June 30, 2015 and 2014.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**6. DEFERRED COMPENSATION (Continued)**

After the completion of one year's employment, the Bank is currently obligated to remit to the administrator an amount equal to 10% of employee compensation on a monthly basis. The Bank's Board of Directors shall annually establish the contribution percentage. Employees immediately vest in the employer contributions, therefore, there are no employee forfeitures. The Bank's contribution totaled \$52,744 and \$47,606 for the years ended June 30, 2015 and 2014, respectively. The Bank has no outstanding liability related to the Plan at June 30, 2015 and 2014. Employees are allowed to make contributions to the Plan up to, but not exceeding, the lesser of 33 1/3% of their individual compensation or \$18,000 (\$24,000 if age 50 or older). There is no additional obligation incurred by the Bank as a result of the employee contributions. Employee contributions to the Plan for the years ended June 30, 2015 and 2014 were \$36,605 and \$17,200, respectively. The Bank has an obligation to prudently manage these monies.

**7. OPERATING LEASE**

On June 1, 1998, the Bank entered into a seven year lease, with renewal options, for the rental of its corporate offices. The Bank incurred rent expense of \$79,744 and \$73,954, during fiscal year 2015 and 2014, respectively. During fiscal year 2013, the Bank renewed its existing lease agreement for a period of 60 months commencing July 1, 2013 and expiring June 30, 2018.

The following schedule summarizes the Bank's required future minimum lease payments:

<u>Year Ending June 30:</u>	<u>Amount</u>
2016 .....	\$ 79,744
2017 .....	79,744
2018 .....	<u>79,744</u>
<b>Total</b> .....	<b><u>\$239,232</u></b>

**8. PROPERTY AND EQUIPMENT**

The summary of changes in property and equipment at June 30, 2015 are summarized below:

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2015</u>
<b>Cost:</b>				
Computers .....	\$ 58,138	\$ 5,075	\$ 5,286	\$ 57,927
Furniture and fixtures.....	32,657	2,008		34,665
Equipment.....	33,476			33,476
Leasehold Improvements .....	<u>79,839</u>			<u>79,839</u>
<b>Total cost</b> .....	<u>204,110</u>	<u>7,083</u>	<u>5,286</u>	<u>205,907</u>
<b>Accumulated depreciation:</b>				
Computers .....	50,458	4,673	5,286	49,845
Furniture and fixtures.....	24,355	2,392		26,747
Equipment.....	32,264	1,005		33,269
Leasehold Improvements .....	<u>16,847</u>	<u>3,992</u>		<u>20,839</u>
<b>Total accumulated depreciation</b> .....	<u>123,924</u>	<u>12,062</u>	<u>5,286</u>	<u>130,700</u>
<b>Net capital assets</b> .....	<u>\$ 80,186</u>	<u>\$(4,979)</u>	<u>\$ 0</u>	<u>\$ 75,207</u>

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**9. COMMITMENTS AND CONTINGENCIES**

***Capitalization Grants***

The Rhode Island Infrastructure Bank receives grants from the Environmental Protection Agency (EPA) and the State of Rhode Island to fund its loan program activities. These amounts are subject to audit and adjustment by the federal government. Any disallowed claims, including amounts already collected may constitute a liability of the Bank. The Environmental Protection Agency conducts annual fiscal and regulatory compliance reviews to determine that Bank activities are in compliance with EPA regulations. As of June 30, 2015, no expenditures of the Bank have been disallowed. Bank officials believe that any future disallowance of expenditures would not be material.

**10. DESIGNATION OF UNRESTRICTED NET POSITION**

The Bank's Board has designated its unrestricted net position as follows:

***Operating Fund - Interim/Short-term Loan Program***

On October 4, 2004, the Board voted to designate all net assets in excess of the Bank's annual operating budget to be used for loans to qualified borrowers. The amount of these Board designated funds totaled approximately \$34,932,637 at June 30, 2015.

**11. RISK MANAGEMENT**

The Bank is exposed to various risks of loss related to tort; theft of, damage to, or destruction of assets; errors or omissions and injuries to employees. The Bank has purchased commercial insurance to protect itself from potential liabilities from losses or claims. To date, the Bank has not incurred any claims or losses. There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the Bank's insurance coverage during the past three years.

**12. SIGNIFICANT CONCENTRATIONS**

***Current Economic Conditions***

Beginning in 2008, the U.S. economy experienced uncertainty and instability in the financial markets and a number of other sectors of the economy. The Congress, U.S. Treasury and the Federal Reserve have taken a number of actions in an attempt to provide liquidity to the credit markets, to save and create jobs and to stabilize the overall economy. At this time the impacts of these actions cannot be determined.

Existing collateralized investments and counterparty financial institutions are being closely monitored to ensure contractual obligations are being met and contingency plans are being developed, should action be required. The continued uncertainty in the financial markets limits the qualifying investment alternatives for existing cash, bond proceeds and grant funds. The interest rates on secure investments continue to be at or near historic lows and long-term investments required by the Bank's financing model in the Clean Water SRF and the Drinking Water SRF may subject those programs to additional investment interest rate risk. Lower investment interest rates also reduce the Bank's loan capacity, the dollars available to fund new loans, while maintaining the same rate of loan interest subsidy. The Bank also continues to monitor market conditions for the economic feasibility of issuing refunding bonds.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**12. SIGNIFICANT CONCENTRATIONS (Continued)**

***Current Economic Conditions (Continued)***

Like other areas of the country, Rhode Island communities are experiencing budget shortfalls. The impact of these economic conditions on the Bank's borrowers and their ability to continue to make timely loan repayments is difficult to determine; however, the loans are secured predominantly by revenues from essential water and sewer services. Some communities, particularly smaller communities, may generally be more vulnerable to the effects of downturns in the economy. The Bank continues to monitor the financial status of its borrowers as part of an overall loan portfolio monitoring process.

**13. SUBSEQUENT EVENTS**

Management has evaluated potential subsequent events through November 6, 2015, the date the financial statements were available to be issued.

***Bond Issuances***

Series 2015 A Water Pollution Control Revolving Fund Revenue Bonds – On July 30, 2015, the Bank issued \$56,275,000 in Series 2015 A Water Pollution Control Revolving Fund Revenue Bonds consisting of \$44,700,000 in Serial Bonds at interest rates ranging from 2.00% to 5.00% due annually from October 1, 2017 through October 1, 2035, and term bonds of \$8,695,000 at 4.00% due October 1, 2044 and \$2,880,000 at 5.00% due October 1, 2044.

Series 2015 B Water Pollution Control Refunding Revenue Bonds – On October 6, 2015, the Bank issued \$24,345,000 in Series 2015 B Water Pollution Control Refunding Revenue Bonds at rates ranging from 2.00% to 5.00% due annually from October 1, 2016 through October 1, 2026.

Series 2015 C Water Pollution Control Subordinated Refunding Revenue Bonds – On October 6, 2015, the Bank issued \$23,355,000 in Series 2015 C Water Pollution Control Subordinated Refunding Revenue Bonds at rates ranging from 2.75% to 5.00% due annually from October 1, 2017 through October 1, 2027.

***New Programs***

***Efficient Buildings Fund***

The Efficient Buildings Fund (EBF) is a public energy efficiency and renewable energy investment program that will provide municipalities, school districts, and quasi-state entities with access to low cost capital to make renewable energy and energy efficiency improvements to their facilities. The EBF was created to provide low cost financing to borrowers identified by the Office of Energy Resources to implement energy efficiency and renewable energy projects. The Bank is in the process of developing the program's policies and procedures and anticipates funding projects in fiscal year 2016.

***Commercial Property Assessed Clean Energy Program***

C-PACE is a financing program designed to help qualifying property owners invest in specified energy efficiency, renewable energy, and/or environmental health and safety improvements. Commercial property owners that participate in the program repay the cost of their improvement over a set time period, usually 10 to 20 years, through an assessment on their property tax bill. The Bank is in the process of developing the program's policies and procedures and anticipates funding projects in fiscal year 2016.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**13. SUBSEQUENT EVENTS (Continued)**

***New Programs (Continued)***

*Residential Property Assessed Clean Energy Program*

R-PACE is a financing program designed to help qualifying property owners invest in specified energy efficiency, renewable energy, and/or environmental health and safety improvements. Residential property owners that participate in the program repay the cost of their improvement over a set time period, usually 10 to 20 years, through an assessment on their property tax bill. The Bank is in the process of developing the program's policies and procedures and anticipates funding projects in fiscal year 2017.

*The Brownfields Revolving Loan Fund*

The Brownfields Revolving Fund will finance brownfield remediation projects for municipal and private entities. The program is being developed in partnership with the RI Department of Environmental Management (DEM) and the Commerce Corporation. The Bank is in the process of developing the program's policies and procedures and anticipates funding projects in fiscal year 2017.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES**  
**YEAR ENDED JUNE 30, 2015**

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Executive Director's attendance at 2014 EPA/SRF Workshop – Chicago, IL – September 23, 2014 – September 25, 2014:

Airfare .....	\$ 638
Lodging and other .....	<u>590</u>
Total .....	<u>1,228</u>

Executive Director's attendance at C.I.F.A. SRF Workshop – Portland, OR – November 10, 2014 – November 14, 2014:

Airfare .....	424
Lodging and other .....	<u>805</u>
Total .....	<u>1,229</u>

Executive Director's attendance at EPA/WIFIA Conference – Washington, DC – December 8, 2014:

Airfare .....	<u>558</u>
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Executive Director and Deputy Director/CFO's attendance at C.I.F.A. Federal Policy Conference – Washington, DC – May 17, 2015 – May 20, 2015:

Airfare .....	382
Lodging and other .....	<u>2,042</u>
Total .....	<u>2,424</u>

Various expenses .....

	<u>2,133</u>
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**Total expenses.....** \$ 7,572

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SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.

**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**

To the Board of Directors  
Rhode Island Infrastructure Bank  
Providence, Rhode Island

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 Infrastructure Bank, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Rhode Island Infrastructure Bank's basic financial statements, and have issued our report thereon dated November 6, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Rhode Island Infrastructure Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rhode Island Infrastructure Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rhode Island Infrastructure Bank'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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Rhode Island Infrastructure Bank'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 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*.

## **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 results 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.

November 6, 2015

**RHODE ISLAND INFRASTRUCTURE BANK**  
 (Formerly Rhode Island Clean Water Finance Agency)

**STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating revenues:</b>		
Investment income .....	\$ 3,430,248	\$ 4,215,886
Interest income - loans .....	25,507,195	23,738,021
Grant income - operating .....	1,780,527	3,169,330
Loan servicing fees .....	4,789,613	4,511,793
Loan origination fees .....	563,867	1,016,563
<b>Total operating revenues</b> .....	<b>36,071,450</b>	<b>36,651,593</b>
<b>Operating expenses:</b>		
Interest expense .....	31,318,445	30,732,606
Consulting fees - D.E.M and D.O.H. ....	2,590,814	3,545,965
Employee expense .....	782,116	744,882
Insurance expense .....	27,490	13,871
Legal fees .....	337,681	149,016
Loan principal forgiveness .....	1,337,385	1,058,604
Bond issuance costs .....	297,614	580,952
Office expense .....	120,278	111,320
Accounting and auditing .....	62,567	52,918
Depreciation expense .....	12,062	9,027
Trustee/bank fees .....	190,879	181,891
Promotional expenses .....	9,320	7,483
Financial advisor fees .....	168,000	43,024
Dues and subscriptions .....	9,291	9,441
Seminars .....	3,515	1,923
Business and travel expense .....	7,572	10,233
Miscellaneous expense .....	5,940	6,791
<b>Total operating expenses</b> .....	<b>37,280,969</b>	<b>37,259,947</b>
Operating loss .....	(1,209,519)	(608,354)
<b>Nonoperating revenues:</b>		
Grant income - nonoperating .....	21,094,563	33,709,730
Water quality protection charges .....	419,108	0
<b>Total nonoperating revenues</b> .....	<b>21,513,671</b>	<b>33,709,730</b>
Change in net position .....	20,304,152	33,101,376
<b>Net position, beginning of the year</b> .....	<b>521,361,192</b>	<b>488,259,816</b>
<b>Net position, end of the year</b> .....	<b>\$ 541,665,344</b>	<b>\$ 521,361,192</b>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Cash receipts for loan repayments .....	\$ 69,531,009	\$ 63,872,179
Cash receipts for operating grants .....	1,780,527	3,169,330
Cash receipts for loan origination fees .....	563,867	1,016,563
Cash receipts for loan servicing fees .....	4,692,189	4,384,908
Cash payments for loan disbursement activities .....	(140,342,155)	(126,651,280)
Cash payments to suppliers .....	(3,476,547)	(4,413,710)
Cash payments to employees .....	(782,116)	(744,882)
<b>Net cash used for operating activities</b> .....	<u>(68,033,226)</u>	<u>(59,366,892)</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of property and equipment .....	(7,084)	(63,709)
<b>Cash flows from noncapital financing activities:</b>		
Proceeds from bond issuance .....	14,048,267	70,473,260
Repayment of bond principal .....	(40,659,000)	(36,987,000)
Nonoperating grants received .....	14,719,132	33,709,730
Cash receipts for water quality protection charges .....	213,702	0
Interest paid on revenue bonds .....	(34,779,232)	(32,330,302)
Bond issuance costs .....	(297,614)	(580,952)
<b>Net cash provided by (used for) noncapital financing activities</b> .....	<u>(46,754,745)</u>	<u>34,284,736</u>
<b>Cash flows from investing activities:</b>		
Investment income .....	4,092,387	4,384,864
Interest income – loan program .....	25,025,104	23,070,693
Interest rebate paid to US Government .....	(606,354)	(164,864)
Proceeds from sale of investments .....	10,853,794	10,505,694
<b>Net cash provided by investing activities</b> .....	<u>39,364,931</u>	<u>37,796,387</u>
<b>Net increase (decrease) in cash and cash equivalents</b> .....	(75,430,124)	12,650,522
<b>Cash and cash equivalents, beginning of the year</b> .....	<u>249,840,960</u>	<u>237,190,438</u>
<b>Cash and cash equivalents, end of the year</b> .....	<u>\$ 174,410,836</u>	<u>\$ 249,840,960</u>
<b>Displayed as:</b>		
Cash equivalents - unrestricted .....	\$ 26,835,916	\$ 38,025,075
Cash equivalents - restricted .....	147,574,920	211,815,885
<b>Total</b> .....	<u>\$ 174,410,836</u>	<u>\$ 249,840,960</u>

(CONTINUED)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>		
Operating loss .....	\$ (1,209,519)	\$ (608,354)
Adjustments:		
Investment income .....	(3,430,248)	(4,215,886)
Interest income - loans .....	(25,507,195)	(23,738,021)
Interest expense .....	31,318,445	30,732,606
Bond issuance costs .....	297,614	580,952
Depreciation .....	12,062	9,027
Loan principal forgiveness .....	1,337,385	1,058,604
Increase in loans receivable, net .....	(70,811,146)	(62,779,101)
Decrease in prepaid expenses .....	24,922	55,784
Increase (decrease) in accounts payable and accrued expenses .....	31,878	(335,618)
Increase in accounts receivable – service fees .....	(97,424)	(126,885)
<b>Net cash used for operating activities</b> .....	<u>\$ (68,033,226)</u>	<u>\$ (59,366,892)</u>

**Supplemental Cash Flow Information:**

**Noncash transactions:**

Decrease in loans receivable issued related to project costs payable.....	\$(76,344,657)	\$(13,278,402)
Increase (decrease) in fair value of investments .....	\$ (82,536)	\$ 191,755

(CONCLUDED)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS.

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Organization**

The Rhode Island Infrastructure Bank (Bank), formerly the Rhode Island Clean Water Finance Agency, was established by the State of Rhode Island Legislature, under Section 46-12.2 of the Rhode Island General Laws (1986) as from time to time amended and supplemented, as a body politic and corporate and public instrumentality of the State having distinct legal existence separate from the State and does not constitute a department of the State Government. Pursuant to an Operating Agreement between the United States Environmental Protection Agency (EPA), the Rhode Island Department of Environmental Management, the Rhode Island Department of Health, and the Bank, the Bank administers the State's Clean Water and Drinking Water State Revolving Fund (SRF) programs.

As a result of enactment of Rhode Island Public Law Chapter 15-141, signed into law by the Governor on June 30, 2015, the name of the Rhode Island Clean Water Finance Agency was changed to the Rhode Island Infrastructure Bank. Pursuant to Chapter 15-141, this name change became effective September 1, 2015.

The Bank established a Community Septic System Loan Program as part of the Federal Clean Water State Revolving Fund. The Bank also established a Sewer Tie-In Loan Program. In 2013, the Municipal Road and Bridge Revolving Fund (MRBRF) was established by the General Assembly to be administered by the Bank in conjunction with the Rhode Island Department of Transportation. In March 2015, pursuant to Rhode Island Public Laws Chapters 46-12.2, 46-15.1, and 46-15.3, the Bank began administering the Water Quality Protection Charge Program.

The Bank has no power to raise or collect taxes of any kind or to establish any generally applicable fees and charges, other than administrative fees charged directly to those borrowers that receive the benefit of the Bank's financing programs. The Bank, in its discretion, may charge cost of issuance fees to borrowers.

The Bank commenced operations on July 29, 1990 and began lending activities during the first quarter of fiscal year 1992. The Bank is not financially accountable for any other organization. The Bank is a related organization of the State. The Bank is governed by a Board of Directors consisting of five members, four of whom are members of the public appointed by the Governor, with the advice and consent of the State Senate. The General Treasurer or such officer's designee, who shall be a subordinate within the General Treasurer's department, shall serve on the Board of Directors as an ex-officio member. The State is not financially accountable for the Bank even though it appoints a voting majority of the Bank's governing board.

In accordance with the standards for component units as promulgated in GASB Statement No. 61 - The Financial Reporting Entity, the State of Rhode Island has determined that the Bank does not meet the revised definition of a component unit. As a result, the Bank's results of operations and financial position are no longer incorporated in the State of Rhode Island's Comprehensive Annual Financial Report.

**(b) Description of Business**

***Clean Water and Drinking Water SRF Programs***

The SRF programs, which were authorized by federal legislation – the Water Quality Act of 1987 for the Clean Water SRF and the Safe Drinking Water Act of 1996 for the Drinking Water SRF – provide low-cost financing to cities, towns, and other eligible borrowers primarily for the construction and improvement of drinking water and wastewater infrastructure. The Bank's SRF program's primary activities include providing low-cost financing for eligible projects funded by the issuance of debt, providing low-cost interim financing for its borrowers, the investment of program funds, and the management and coordination of the programs.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Description of Business (Continued)**

***Clean Water and Drinking Water SRF Programs (Continued)***

SRF program capitalization grants are issued from the EPA to the Bank, for which the State is required to provide 20% in matching funds. The Bank's program is leveraged by issuing bonds to provide funds for loans. Federal and state grants and other monies available to the Bank are pledged to secure bonds by either financing reserve funds or pledged loans. Earnings on these pledged assets are used to pay a portion of the debt service on the related bonds, thereby reducing the borrowers' loan repayment obligation. The Bank provides loans to borrowers at 67% and 75% of the borrower's current market rate for the Clean Water SRF and Drinking Water SRF, respectively.

The SRF programs are called the State Revolving Fund programs because as borrowers pay down the principal balances of their loans and as the Bank pays principal on its SRF bonds, proportional amounts are released from the reserves and/or loans pledged to secure the related SRF bonds. These funds come back to the Bank and "revolve" or are used to establish new reserve funds or loans to borrowers that are pledged as a source of payment and security, for new SRF bonds or for other eligible purposes.

Funds pertaining to the SRF programs are limited to specific uses by laws and regulations as well as Grant and Operating Agreements entered into between EPA and the Bank. As a result of these limitations on uses, these funds are classified as restricted on the statements of net position.

Included under the Clean Water SRF program, the Bank has established a Community Septic System Loan Program (CSSLP) under the Federal Act through which communities may borrow funds to address non-point source wastewater pollution abatement issues. The CSSLP gives communities the ability to provide their residents whose septic systems are failing, have failed or are substandard with low-cost funds for repair or replacement. Revolved capital provides funding for this direct loan program.

***Rhode Island Water Pollution Control Revolving Fund (RIWPCRF)***

This fund receives state capital contributions before the funds are transferred to the Clean Water and Drinking Water SRFs. The Bank has the authority to use the fund to make loans, issue bonds and receive interest earnings or other capital from public or private sources. The fund has been used to finance projects not meeting the requirements of the federal programs. The following programs are included in the RIWPCRF.

***Rhode Island Zero Interest Loan Fund (RIZILF)***

This program was established under the authority of Chapter 55 of the 2000 Public Laws of Rhode Island. The Bank received \$60 million from the State of Rhode Island of which \$3 million was used for the Drinking Water state match and \$57 million was loaned to Narragansett Bay Commission as an investment to provide the corpus of the funding of the zero interest loan program. Narragansett Bay Commission's repayments will be used to provide the additional subsidization provided to borrowers who have received a portion of their loan at 0% interest within the Clean Water SRF. Under this program, borrowers whose rating is investment grade or better may receive 50% of their project costs at 0% interest and 50% of their project costs at the Bank's regular subsidy at 33% below the borrower's market rate. These two rates are blended thereby significantly reducing the borrower's interest payments to the Bank. Those borrowers whose rating is non-investment grade, including those borrowers which were non-investment grade within the twelve months prior to filing a loan application with the Bank, are eligible to receive 100% of their project funds, up to \$25 million, at 0% interest.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
*(Formerly Rhode Island Clean Water Finance Agency)*

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Description of Business (Continued)**

***Rhode Island Water Pollution Control Revolving Fund (RIWPCRF) (Continued)***

**Facility Plan Loan Program (FPLP)**

This program allows the Bank to make low-interest loans to municipalities so facility plan documents, amendments, or updates can be completed. These facility plans are a prerequisite for funding from the Clean Water SRF program. The loans have an interest rate of 1% and cannot exceed \$150,000. Revolved capital provides funding for this direct loan program.

**Sewer Tie-In Loan Fund (STILF)**

This program allows communities to borrow funds to address non-point source wastewater pollution abatement issues. The STILF gives communities the ability to provide their residents low-cost financing for sewer connections. Revolved capital from the RIWPCRF provides funding for this direct loan program.

***Municipal Road and Bridge Revolving Fund (MRBRF)***

This fund was established to provide municipalities with low-cost financial assistance for road and bridge projects. State statute requires the Bank to administer the financial components of this fund and requires the Rhode Island Department of Transportation (DOT) to receive, review, and rank municipal road and bridge projects submitted for funding consideration on an annual basis. Initial funding for this program was provided through State of Rhode Island grants totaling \$10,313,869 through June 30, 2014. Additional funding of \$11,375,431 was provided during fiscal year 2015, of which \$6,375,431 is reported as an intergovernmental receivable on the Statement of Net Position. No loans had been issued through June 30, 2014. Fifteen loans totaling \$18,618,515 were awarded, of which \$6,880,274 was disbursed in fiscal year 2015.

***Water Quality Protection Charge Program (WQPCP)***

In accordance with Article 5 of the State Appropriation Act, the Rhode Island Water Resources Board Corporate (Board Corporate) permanently ceased operations in June 2015. During March 2015, the Board Corporate's remaining receivables of approximately \$279,000 were transferred to the Rhode Island Infrastructure Bank. The remaining assets of the Board Corporate, consisting of cash and investments of approximately \$1,050,000, was transferred to the State of Rhode Island General Fund. This fund accounts for water quality protection charges received from various Rhode Island water suppliers. This program is being developed to provide low cost financing to water suppliers for water shed protection land acquisition, water pipe replacement, and other related projects.

**(c) Basis of Accounting**

The Bank is engaged only in business-type activities. The Bank's operations are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs of providing goods or services is financed through user charges. The financial statements of the Bank are prepared using the economic resources measurement focus and the accrual basis of accounting as specified by the Governmental Accounting Standards Board's (GASB) requirements for a special purpose entity engaged solely in business-type activities.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Basis of Accounting (Continued)**

During fiscal year 2014, the Bank implemented GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It requires the reclassification of amounts previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources or to expenses or revenues. The implementation of GASB Statement No. 65 changed the Bank's beginning net position as of July 1, 2012, resulting from the change in accounting for deferred bond issuance costs and loan origination fees. Bond issuance costs are now expensed as incurred and loan origination fees are recognized as revenue in the period received. In addition, this Statement requires the amounts deferred on bond refundings to be reported as a deferred outflow or a deferred inflow of resources on the statement of net position, rather than as an addition to or a reduction from the bond liability.

**(d) Revenue Recognition**

Operating revenues, including interest income, and expenses are generated through the issuance of loans to governments and other eligible borrowers within the State. All other revenues and expenses are reported as nonoperating revenues and expenses.

Funding from federal capitalization grants and state matching grants are reported as nonoperating revenue. Federal capitalization grant revenue is recognized in accordance with funding availability schedules contained within the individual grant agreements. Revenue recognition associated with these grants is based on the standard principles of eligibility, including timing requirements. The Bank recognizes grant revenue upon acceptance of their request for drawdowns by the grantor agency and when qualifying commitments and all other grant requirements have been satisfied.

The Bank's recent federal capitalization grants beginning with the American Recovery and Reinvestment Act of 2009 (ARRA) grant received in 2009, required that a portion of the grant funds be provided as additional subsidization in the form of principal forgiveness, grants, or negative interest loans. The Bank provides the additional subsidization in the form of principal forgiveness, which has been recorded as an operating expense.

**(e) Fund Accounting**

In order to ensure observation of limitations and restrictions placed on the use of resources available to the Bank, the accounts of the Bank are maintained in accordance with the principles of "Fund Accounting". This is a procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, funds will be combined for the presentation of the Bank's financial position and results of operations.

There are currently six separate funds included in the accompanying financial statements:

Water Pollution Control Revolving Fund (WPCRF) – accounts for activity relating to administering the Federal Title VI SRF Loan Program (also known as the Clean Water SRF Program).

Rhode Island Water Pollution Control Revolving Fund (RIWPCRF) – accounts for activity relating to administering the State SRF Loan Program.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(e) Fund Accounting (Continued)**

Operating Fund – accounts for the administrative activities of the Bank, including servicing loan programs and the Drinking Water SRF Set-Aside Program.

Drinking Water State Revolving Fund (DWSRF) – accounts for activity relating to administering the Drinking Water SRF Loan Program.

Municipal Road and Bridge Revolving Fund (MRBRF) – accounts for activity relating to administering the Municipal Road and Bridge Revolving Loan Program.

Water Quality Protection Charge Program (WQPCP) – accounts for activity relating to administering the Water Quality Protection Charge Program.

**(f) Cash and Cash Equivalents**

The Bank's cash equivalents include cash deposits at financial institutions and institutional money market accounts. The Bank's policy is to treat all highly liquid investments with original maturities of three months or less as cash and cash equivalents.

**(g) Investments**

Investments are stated at fair value. Fair values are established by quoted market values. The Bank's investments as of June 30, 2015 and 2014 consisted of Treasury obligations (FNMA, FHLMC, and FHLB), municipal bonds, U.S. guaranteed securities in the form of Repurchase Agreements, and Guaranteed Investment Contracts (both restricted and unrestricted yields by the Indenture of Trust dated February 15, 1992 and subsequent amendments, between the trustee and the Bank). The Municipal Bond Investors Assurance Corporation and AMBAC has imposed restrictions on indentured funds as to the types of investments the Bank can purchase. These include obligations of the United States government or certain Agencies thereof, guaranteed investment contracts, repurchase agreements, certificates of deposit, money market funds, commercial paper, and notes or bonds of any State meeting specific rating requirements.

The Bank monitors its investment portfolio on a monthly basis, including guaranteed investment contract providers, their credit ratings, and maturity dates.

Guaranteed Investment Contract providers (GIC providers) are limited to financial institutions rated at least AA, Aa2 and AA from Standard & Poor's, Moody's and Fitch, respectively, or the equivalent for financial strength rating or claims paying ability. The GIC provider must meet the following ratings from S&P, Moody's and Fitch: domestic banks rated at least "AA/Aa2/AA"; U.S. branches of foreign banks rated at least "AA/Aa2/AA"; insurance companies (or corporations whose obligations are guaranteed by an insurance company (in the form of an insurance policy) or by an insurance holding company) rated "AAA/Aaa/AAA".

Should the GIC Provider's rating be suspended, withdrawn or downgraded below AA- by Fitch, Aa3 by Moody's or AA- by S&P during the term of the Agreement, the Provider must notify the Trustee and, within fifteen (15) days of receipt of notice from the Trustee: (i) provide to the Trustee, or other mutually agreed upon third party custodian, collateral which will be valued and held such that the Provider maintains the applicable minimum rating for the duration and purpose of the investment, or (ii) at the request of the Trustee, assign the Agreement to an eligible substitute provider, or (iii) at the request of the Trustee, repay the amount on deposit, plus accrued interest to the Trustee.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Investments (Continued)**

In accordance with Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet its minimum capital standards as required by its Federal regulator must be collateralized. The Bank did not have any deposits in fiscal year 2015 and 2014 which required collateralization based on the aforementioned criteria.

**(h) Investment Income**

Interest earned on investments is recognized as income in the fund in which the investments are held. Unrealized gains and losses from the changes in fair value are recognized as investment income on the statement of revenues, expenses, and changes in net position. For fiscal year ended June 30, 2015, the Bank had unrealized losses of \$82,536. For the fiscal year ended June 30, 2014, the Bank had unrealized gains of \$191,755.

**(i) Property and Equipment**

Property and equipment are stated at cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. Depreciation expense for fiscal years 2015 and 2014 totaled \$12,062 and \$9,027, respectively. The Bank's capitalization threshold is any individual item with a total cost greater than \$500.

Depreciation is provided by use of the straight-line method over the following estimated useful lives of the assets:

<u>Asset Category</u>	<u>Estimated Useful Life</u>
Computer equipment	3 years
Equipment, furniture, and fixtures	3 – 5 years
Leasehold improvements	7 – 20 years

**(j) Bond Issuance Costs**

Bond issuance costs are recorded as operating expenses when incurred. Prior to July 1, 2012, bond issuance costs were capitalized and amortized on a straight-line basis over the life of the bond or to the date at which the Bank had the right to redeem the bond, whichever is shorter. The implementation of GASB Statement No. 65 resulted in the write-off of bond issuance costs as of July 1, 2012.

**(k) Prepaid Bond Insurance Costs**

Prepaid bond insurance costs are reported as an asset and are recognized as an expense over the duration of the related debt using the straight-line method. The Bank did not have any prepaid bond insurance costs at June 30, 2015 and 2014.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Allowance for Loan Losses**

Management reviews loan receivable balances on a periodic basis for possible uncollectible amounts. In the event management determines a specific need for an allowance, provision for loss will then be provided. Should a borrower default on a loan, the remedy is found in the loan agreement which is backed by the full taxing power of the borrowing municipality in the form of a general obligation pledge or in the full revenue collecting ability of the Bank's revenue borrowers. Further, the Indenture of Trust as it relates to the Local Interest Subsidy Trust (LIST) serves as a debt service reserve fund. An allowance for loan losses has not been established at June 30, 2015 and 2014 since historical collection experience has shown amounts to be fully collectible when due.

**(m) Deferred Inflows and Outflows of Resources**

A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. Deferred outflows of resources of the Bank consist of deferred refunding costs.

**(n) Accrued Arbitrage Rebate**

The Bank has bonds outstanding which are subject to arbitrage limitations. The term "*arbitrage rebate*" refers to the required payment to the U.S. Treasury Department of excess earnings received on applicable tax-exempt bond proceeds that are invested at a higher yield than the yield of the tax-exempt bond issue. The Bank's ultimate rebate of arbitrage earnings on these issues is contingent on various factors, including future yields on invested proceeds. The amount the Bank will be required to remit to the federal government could differ materially from the estimated liability in the near term.

Based on interim calculations that were performed as of June 30, 2015 and 2014, the Bank had accrued arbitrage rebate liabilities totaling \$1,387,459 and \$1,535,996, respectively. During 2015 and 2014 the Bank paid to the U.S. Treasury Department \$606,354 and \$164,864 in arbitrage rebate liabilities, respectively. The rebate obligations are generally computed and adjusted, as applicable, on a periodic basis in accordance with regulations promulgated by the U.S. Treasury Department. Required rebates are generally due and payable in five-year intervals during the life of debt issues, with rebates due no later than 60 days after the retirement of the debt issues.

Arbitrage rebate expense is presented as a reduction in the amount of interest income from investments.

**(o) Loan Origination Fees**

The Bank requires payment of loan origination fees at the time of loan closing. Loan origination fees are recognized as revenue in the period received. Prior to July 1, 2012, the Bank deferred loan origination fees net of direct loan origination costs and the net fee was recognized as income using the effective interest method over the contractual life of the loan. For financial reporting purposes in the statement of net position, outstanding loans receivable were reduced by unamortized loan origination fees. The implementation of GASB Statement No. 65 resulted in the write-off of loan origination fees as of July 1, 2012.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(p) Project Costs Payable**

Project costs payable represents the liability of amounts loaned to borrowers that have not been requisitioned by the borrowers for their projects as of year-end, and totaled \$90,629,791 and \$166,974,448 at June 30, 2015 and 2014, respectively. Included in these amounts is \$6,713,012 and \$43,977,793 payable to Narragansett Bay Commission, the Bank's largest borrower.

**(q) Bond Premium**

Bond premiums, included in long-term debt, are amortized using the effective interest method over the respective life of the associated bond issues. Amortization of bond premiums, which are charged against interest expense, totaled \$3,945,581 and \$4,271,688 for fiscal years 2015 and 2014, respectively.

**(r) Amount Deferred on Refunding**

During periods of declining interest rates, the Bank has refunded certain bond obligations reducing aggregate debt service. The difference between the reacquisition price and the net carrying amount of the refunded bonds is recorded as an amount deferred on refunding. The deferred amount on refunding is amortized over the remaining life of the refunded bonds, or the life of the new bonds, whichever is shorter. The amortization amount is a component of interest on bonds, and the unamortized balances are recorded as deferred outflows or inflows.

**(s) Compensated Absences**

The Bank has a policy which allows employees to accumulate unused vacation and sick leave benefits up to a certain maximum number of days. Compensated absences are recognized as current salary costs when incurred and are recorded in accounts payable and accrued expenses in the statement of net position. The balance of accrued vacation and sick leave was \$140,482 and \$135,474 at June 30, 2015 and 2014, respectively.

**(t) Net Position**

Net investment in capital assets represents capital assets, net of accumulated depreciation. Net position of the Bank is classified as restricted when external constraints are imposed by debt agreements, grantors, contributors, or laws or regulations of governments or constraints imposed by law through constitutional provisions or enabling legislation. The Bank's net position is restricted by debt covenants and grantor restrictions. Unrestricted net position has no external restrictions and is available for the operations of the Bank. Unrestricted net position may be designated by actions of the Bank.

**(u) Operating Revenues and Expenses**

Substantially all revenues and expenses, including interest received on investments and loans and interest paid on bonds, are considered operating items since the Bank issues bonds to finance loans for specific projects. All other revenues and expenses not meeting this criteria are reported as nonoperating revenue and expenses. In accordance with GASB Statement No. 34, federal EPA capitalization grants, state grants, and water quality protection charges are shown below operating income (loss) on the statements of revenue, expenses and changes in net position.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(v) Grant Revenue**

The Bank recognizes grant revenues upon the acceptance of their request for drawdown by the grantor agency and when qualifying commitments and all other grant requirements have been satisfied.

**(w) Restricted Assets**

Restricted assets of the Bank consist of cash and cash equivalents, and investments designated primarily for borrower construction drawdowns, borrower interest rate subsidies, and arbitrage rebate liabilities related to the Water Pollution Control Revolving Fund, Rhode Island Water Pollution Control Revolving Fund, Drinking Water State Revolving Fund, Municipal Road and Bridge Revolving Fund, and the Water Quality Protection Charge Program. Certain loans receivable in the Water Pollution Control Revolving Fund and Drinking Water State Revolving Fund provide security for the related bonds. Loan payments received are restricted for payment of bond debt service.

**(x) Resource Use**

When both restricted and unrestricted resources are available for use, it is the Bank's policy to use restricted resources first, then unrestricted resources as they are needed.

**(y) Recently Issued Accounting Standards**

The Bank implemented the following GASB Statements for the fiscal year ended June 30, 2014:

- GASB Statement No. 67 - Financial Reporting for Pension Plans - an amendment of GASB Statement No. 2. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The Bank provides its employees with pension benefits through a deferred compensation plan.
- GASB Statement No. 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement.

The adoption of these Statements did not have an impact on the Bank's financial position or results of operations.

The Bank also implemented GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities for the fiscal year ended June 30, 2014. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It requires the reclassification of amounts previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources or to expenses or revenues. The implementation of GASB Statement No. 65 changed the beginning net position resulting primarily from the change in accounting for deferred bond issuance costs and loan origination fees. Bond issuance costs are now expensed as incurred. This Statement also requires loan origination fees to be recognized as revenue in the period received. In addition, this Statement requires the amounts deferred on refunding to be reported as a deferred outflow or a deferred inflow of resources on the statement of net position, rather than as an addition to or a reduction from the bond liability. The adoption of this Statement decreased the July 1, 2012 net position by \$271,248.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(y) Recently Issued Accounting Standards (Continued)**

The Bank implemented the following GASB Statements for the fiscal year ended June 30, 2015:

- GASB Statement No. 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The Bank provides its employees with pension benefits through a deferred compensation plan.
- GASB Statement No. 69 - Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.
- GASB Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.

The adoption of these Statements did not have an impact on the Bank's financial position or results of operations.

The Bank will adopt the following new accounting pronouncements in future years:

- GASB Statement No. 72 - Fair Value Measurement and Application, effective for the Bank's fiscal year ending June 30, 2016. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach. Valuation methodologies should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. GASB No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value which are as follows: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable, directly or indirectly. Level 3 inputs are unobservable inputs such as management's assumptions about certain factors affecting the value of the asset or liability.
- GASB Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and No. 68, effective for the Bank's fiscal year ending June 30, 2016. The purpose of this Statement is to clarify and enhance certain reporting requirements of GASB Statement Nos. 67 and 68.
- GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for the Bank's fiscal year ending June 30, 2017.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(y) Recently Issued Accounting Standards (Continued)**

- GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for the Bank's fiscal year ending June 30, 2018.
- GASB Statement No. 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the Bank's fiscal year ending June 30, 2016. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles ("GAAP"). The hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment of a transaction or other event is not specified within a source of authoritative GAAP.

The impact of these pronouncements on the Bank's financial position has not been determined.

**(z) 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(aa) Income Tax**

The Bank is a related organization of the State of Rhode Island and is therefore, generally exempt from federal income taxes under Section 115 of the Internal Revenue Code.

**(bb) Reclassifications**

Certain reclassifications have been made to the 2014 financial statements to conform to the classifications used in the 2015 financial statements.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**2. CASH EQUIVALENTS AND RESTRICTED INVESTMENTS**

**Custodial Credit Risk - Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Bank's deposits may not be returned. The Bank does not have a formal deposit policy for custodial credit risk and therefore, does not limit the amount of deposit custodial credit risk. The Bank mitigates custodial credit risk by ensuring that cash deposits that exceed federal depository insurance are collateralized and by investing in institutional money market accounts - government portfolio that are "AAA" rated.

At June 30, 2015, the carrying amount of the Bank's cash deposits was \$4,483,166. The bank balance was \$9,159,943 as of the same period, of which \$250,025 was covered by the Federal Depository Insurance Corporation (the "FDIC") and \$8,909,918 was uninsured and collateralized by securities held by the pledging institution's trust department in the Bank's name. The difference between the carrying amount and the bank balance is due to outstanding reconciling items (primarily outstanding checks) at year-end.

At June 30, 2014, the carrying amount of the Bank's cash deposits was \$10,444,806. The bank balance was \$18,437,066 as of the same period, of which \$250,025 was covered by the Federal Depository Insurance Corporation (the "FDIC") and \$18,187,041 was uninsured and collateralized by securities held by the pledging institution's trust department in the Bank's name. The difference between the carrying amount and the bank balance is due to outstanding reconciling items (primarily outstanding checks) at year-end.

Cash and cash equivalents consisted of the following at June 30:

<u>Description</u>	<u>2015</u>	<u>2014</u>
Cash on hand .....	\$ 100	\$ 100
Deposits with financial institutions .....	4,483,166	10,444,806
Institutional money market accounts – government portfolio .....	<u>169,927,570</u>	<u>239,396,054</u>
<b>Total cash and cash equivalents</b> .....	<b><u>\$174,410,836</u></b>	<b><u>\$249,840,960</u></b>

The institutional money market accounts – government portfolio had credit ratings of AAAm/Aaa-mf by Standard & Poor's and Moody's at June 30, 2015 and 2014.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**2. CASH EQUIVALENTS AND RESTRICTED INVESTMENTS (Continued)**

The Bank's investments consisted of the following at June 30, 2015:

<u>Description</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Rating Moody's/S&amp;P as of 6/30/2015</u>
<b>U.S. Agency Securities:</b>				
Federal National Mortgage Association .....	\$ 1,047,829	2015 - 2024	6.120% - 6.160%	AAA/AA+
Federal Home Loan Mortgage Corp .....	10,179,067	2016 - 2018	4.875% - 6.875%	AAA/AA+
Federal Home Loan Bank.....	<u>7,946,686</u>	2016 - 2023	4.750% - 5.625%	AAA/AA+
<b>Subtotal</b> .....	<u>19,173,582</u>			
<b>Municipal Bonds:</b>				
Texas - College Student Loan Refunding..	1,307,268	2017	5.00%	AAA/AAA
Washington State .....	833,711	2019	4.50%	AA2/N/A
Oregon State .....	10,366,583	2016 - 2023	4.155% - 5.435%	AA2/AA
New York State .....	<u>1,237,781</u>	2016	4.700%	AA1/AA+
<b>Subtotal</b> .....	<u>13,745,343</u>			
<b>Collateralized Repurchase Agreements:</b>				
Bayern LB .....	391,451	2016	3.75% - 5.600%	Aaa/AAA
Portigon (formerly Westdeutsche LB).....	<u>4,129,353</u>	2019	6.280%	Aaa/AAA
<b>Subtotal</b> .....	<u>4,520,804</u>			
<b>Guaranteed Investment Contracts:</b>				
Bayern LB.....	5,804,256	2020	3.75% - 5.330%	Aaa/AAA
FSA Capital Management .....	6,731,782	2024	4.710%	A2/AA
FSA Capital Management .....	10,510,986	2025	4.670%	A2/AA
FSA Capital Management .....	5,183,853	2027	4.793%	A2/AA
FSA Capital Management .....	740,161	2028	5.060%	A2/AA
Transamerica.....	6,793,753	2026	4.770%	A1/AA-
Citigroup Financial Products.....	9,455,339	2027	4.805%	Baa1/A-**
GE Capital Corp .....	<u>4,813,017</u>	2029	4.498%	A1/AA+
<b>Subtotal</b> .....	<u>50,033,147</u>			
<b>Total Investments</b> .....	<u>\$87,472,876</u>			

\*\*As of June 30, 2015, this GIC Provider's rating was downgraded below the minimum rating requirements as disclosed in Note 1. The Bank determined the downgrade did not warrant subsequent action.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**2. CASH EQUIVALENTS AND RESTRICTED INVESTMENTS (Continued)**

The Bank's investments consisted of the following at June 30, 2014:

<u>Description</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Rating Moody's/S&amp;P as of 6/30/2014</u>
<b>U.S. Agency Securities:</b>				
Federal National Mortgage Association.....	\$ 2,111,524	2014 - 2024	6.120% - 6.160%	AAA/AA+
Federal Home Loan Mortgage Corp .....	9,802,491	2015 - 2028	4.875% - 6.875%	AAA/AA+
Federal Home Loan Bank.....	<u>8,871,061</u>	2015 - 2023	4.750% - 5.625%	AAA/AA+
<b>Subtotal</b> .....	<u>20,785,076</u>			
<b>Municipal Bonds:</b>				
Texas - College Student Loan Refunding..	1,352,784	2017	5.00%	AAA/AAA
Washington State .....	857,083	2019	4.50%	AA2/N/A
Oregon State .....	11,590,902	2015 - 2023	3.795% - 5.435%	AA2/AA
New York State.....	<u>4,109,512</u>	2015 - 2016	4.274% - 4.700%	AA1/AA
<b>Subtotal</b> .....	<u>17,910,281</u>			
<b>Collateralized Repurchase Agreements:</b>				
Bayern LB.....	619,818	2016	3.75% - 5.600%	Aaa/AAA
Portigon (formerly Westdeutsche LB).....	<u>4,909,285</u>	2019	6.280%	Aaa/AAA
<b>Subtotal</b> .....	<u>5,529,103</u>			
<b>Guaranteed Investment Contracts:</b>				
Bayern LB.....	6,536,010	2020	3.75% - 5.330%	Aaa/AAA
FSA Capital Management .....	7,296,129	2024	4.710%	A2/AA
FSA Capital Management .....	11,310,561	2025	4.670%	A2/AA
FSA Capital Management .....	5,707,399	2027	4.793%	A2/AA
FSA Capital Management .....	782,996	2028	5.060%	A2/AA
Transamerica.....	7,346,275	2026	4.770%	A1/AA-
Citigroup Financial Products.....	10,148,608	2027	4.805%	Baa2/A-**
GE Capital Corp .....	<u>5,056,768</u>	2029	4.498%	A1/AA+
<b>Subtotal</b> .....	<u>54,184,746</u>			
<b>Total Investments</b> .....	<u>\$98,409,206</u>			

\*\*As of June 30, 2014, this GIC Provider's rating was downgraded below the minimum rating requirements as disclosed in Note 1. The Bank determined the downgrade did not warrant subsequent action.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**2. CASH EQUIVALENTS AND RESTRICTED INVESTMENTS (Continued)**

**Custodial Credit Risk - Investments** – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Bank will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Bank requires that all investment agreements be collateralized either upon execution of such agreement or upon the happening of certain events, and at all times thereafter, by securities or other obligations issued or guaranteed by the United States, by certain federal agencies having a market value of not less than 100% of the amount currently on deposit or in accordance with their respective agreement. The Bank has a policy which requires the monthly monitoring of custodial credit risk, including the review of institutional credit ratings.

**Credit Risk**– Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The risk is evidenced by a rating issued by a nationally recognized statistical rating organization, which regularly rate such obligations. The majority of the Bank's investments are in Guaranteed Investment Contracts (GICs) or in Treasury or agency securities. The Treasury and agency securities are all backed by the federal government. The GICs either have collateral requirements in place upon execution of the investment agreement, or have triggered collateral requirements under which, upon a rating downgrade below a specified level, the counterparty is typically required to do one of three actions: 1) post collateral to a level sufficient to maintain an AA rating, 2) assign the investment contract to a new counterparty that has at least a AA rating, or 3) provide credit enhancement to maintain a rating on the investment contract of at least AA.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Bank's investments. The Bank limits its exposure to interest rate risk by entering into guaranteed investments contracts and federally guaranteed fixed income securities for all of its long-term investments upon which the Bank relies to meet its obligations.

At June 30, 2015, maturities of the Bank's investment were as follows:

<u>Description</u>	<u>Investment Maturities (Fair Value by Years)</u>				
	<u>Total Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Agency Securities .....	\$ 19,173,582	\$ 444,691	\$ 7,073,422	\$ 7,759,527	\$ 3,895,942
Municipal Bonds .....	13,745,343	2,402,565	7,603,599	3,739,179	
Collateralized Repurchase Agreements .....	4,520,804	391,451	4,129,353		
Guaranteed Investment Contracts .....	50,033,147			12,536,038	37,497,109
<b>Total</b> .....	<b><u>\$87,472,876</u></b>	<b><u>\$ 3,238,707</u></b>	<b><u>\$18,806,374</u></b>	<b><u>\$24,034,744</u></b>	<b><u>\$41,393,051</u></b>

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**2. CASH EQUIVALENTS AND RESTRICTED INVESTMENTS (Continued)**

At June 30, 2014, maturities of the Bank's investment were as follows:

<u>Description</u>	<u>Investment Maturities (Fair Value by Years)</u>				
	<u>Total Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U.S. Agency Securities .....	\$ 20,785,076	\$ 1,956,401	\$ 5,617,972	\$ 9,570,956	\$ 3,639,747
Municipal Bonds .....	17,910,281	3,960,413	8,725,318	5,224,550	
Collateralized Repurchase Agreements .....	5,529,103		5,529,103		
Guaranteed Investment Contracts .....	54,184,746			13,832,139	40,352,607
<b>Total</b> .....	<u>\$98,409,206</u>	<u>\$5,916,814</u>	<u>\$19,872,393</u>	<u>\$28,627,645</u>	<u>\$43,992,354</u>

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the Bank's investment in a single issuer. The issuers where investments exceeded 5% of the Bank's total investments are as follows at June 30:

<u>Provider:</u>	<u>Percentage of Total Investments</u>	
	<u>2015</u>	<u>2014</u>
FSA Capital Management.....	26%	26%
Oregon State Municipal Bond.....	12%	12%
Citigroup Financial Products.....	11%	10%
Transamerica.....	8%	7%
Bayern LB .....	7%	7%
GE Capital Corp.....	6%	5%

**3. LOANS RECEIVABLE**

At June 30, 2015 and 2014, the Bank had loans receivable of \$1,164,240,641 and \$1,171,111,536 representing 218 and 202 outstanding loans, respectively, which are restricted for payment of bond debt service. At June 30, 2015 and 2014, the current portion of loans receivable totaled \$72,359,350 and \$62,936,768, respectively. In addition, at June 30, 2015 and 2014, the Bank had outstanding unused commitments (project costs payable) totaling approximately \$90,629,791 and \$166,974,448, respectively.

The borrowers are obligated to repay the full balance of loan agreements; however, funds are disbursed by the Bank in accordance with the loan agreements as costs are incurred for the projects for which the loans are intended. The Bank disburses funds to the borrowers and/or vendors, no more than once a month, after receipt of an official request for disbursement, which is accompanied by supporting documentation. The Bank is obligated to disburse funds only up to the value of the loan agreement, and is not responsible for any excess costs incurred by the borrower. The borrower, in turn, is obligated to make principal and interest payments in accordance with the repayment schedules per the loan documentation even if funds have not been fully disbursed by the Bank at the time of first payment. Loans are usually repaid over 20 years with either level principal or level total payments. The balances of the loan agreements may include financing for the interest expense to be incurred by the borrowers during the period of construction.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
 (Formerly Rhode Island Clean Water Finance Agency)

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**3. LOANS RECEIVABLE (Continued)**

The Bank has established a Local Interest Subsidy Trust (LIST) Fund, which is restricted by the Indenture of Trust between the trustee and the Bank and may be used to make the required bond payments in the event of default by the borrowers.

The Bank had loans receivable to three borrowers representing 51% and 53% of the Bank's total loan receivable balance at June 30, 2015 and 2014, respectively.

**Principal Forgiveness Loans**

The Bank has received ARRA and non-ARRA capitalization grants which can be used to issue principal forgiveness loans. The Bank was awarded American Recovery and Reinvestment Act (ARRA) Capitalization Grants for use in its Clean Water and Drinking Water SRFs. ARRA Grants are for purposes consistent with the intent of Clean Water and Drinking Water SRF, including construction of wastewater treatment facilities, drinking water facilities and associated infrastructure, green infrastructure, nonpoint source projects, estuary projects and program administration. The ARRA Capitalization Grants do not require a state match component. The ARRA Capitalization Grants stipulated that the Bank must have committed loans to recipients with signed construction contracts by February 17, 2010; this requirement was met in 2010.

The Bank's total capitalization grants available for principal forgiveness loans at June 30, 2015 are summarized below:

<b><u>Clean Water SRF</u></b>			
<u>Capitalization Grant</u>	<u>Capitalization Grant Award</u>	<u>Principal Forgiveness Component</u>	<u>Principal Forgiveness Loans Issued June 30, 2015</u>
2009 (ARRA) .....	\$26,314,600	\$13,157,300	\$13,157,300
2010 .....	13,681,000	2,048,980	2,048,980
2011 .....	9,915,000	918,782	918,782
2012 .....	9,486,000	527,198	527,198
2013 .....	8,955,000	500,000	500,000
2014 .....	<u>9,410,000</u>	<u>512,070</u>	<u>0</u>
<b>Total</b> .....	<b><u>\$77,761,600</u></b>	<b><u>\$17,664,330</u></b>	<b><u>\$17,152,260</u></b>

The above schedule includes \$10,844,522 in principal forgiveness loans issued to Narragansett Bay Commission, the Bank's largest borrower.

<b><u>Drinking Water SRF</u></b>			
<u>Capitalization Grant</u>	<u>Capitalization Grant Award</u>	<u>Principal Forgiveness Component</u>	<u>Principal Forgiveness Loans Issued June 30, 2015</u>
2009 (ARRA) .....	\$19,500,000	\$ 9,750,000	\$ 9,750,000
2010 .....	13,573,000	4,071,900	4,071,900
2011 .....	9,418,000	2,825,400	2,825,400
2012 .....	8,975,000	1,795,000	1,795,000
2013 .....	8,421,000	1,684,200	1,684,200
2014 .....	<u>8,845,000</u>	<u>1,769,000</u>	<u>0</u>
<b>Total</b> .....	<b><u>\$68,732,000</u></b>	<b><u>\$21,895,500</u></b>	<b><u>\$20,126,500</u></b>

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**3. LOANS RECEIVABLE (Continued)**

**Principal Forgiveness Loans (Continued)**

Loans made to eligible borrowers under the Clean Water and Drinking Water SRFs may be forgiven if certain continuing criteria are met, including that the borrower continues to make debt service payments, continues to operate the project in compliance with laws and regulations, and does not dispose of or discontinue the project. The Bank has loans outstanding totaling \$37,121,312 and \$35,594,560 at June 30, 2015 and 2014, respectively, that upon fulfillment of these requirements by the borrower, could be forgiven at some future point. For purposes of the basic financial statements, the Bank recognizes principal forgiveness expense as the related loans are repaid. The total amount forgiven under these programs in 2015 and 2014 was \$1,337,385 and \$1,058,604, respectively. The amounts are included in loan principal forgiveness in the statement of revenues, expenses, and changes in net position.

**4. BONDS PAYABLE**

Since its inception, the Bank has issued revenue bonds to local governments to finance water pollution abatement projects and as of March 4, 2004, safe drinking water projects. The bonds are special obligations of the Bank payable solely from and secured by the particular funds, assets or revenues, generated by the Borrower Bonds. The bonds do not constitute an indebtedness of the State or any of its subdivisions and none of its revenues are pledged. The Bank has no taxing power.

The Bank had the following revenue bonds outstanding at June 30:

	<u>2015</u>	<u>2014</u>
<b>Water Pollution Control Revolving Fund Revenue Bonds:</b>		
1993 Series A Bonds, dated February 15, 1993, with serial bonds of \$23,450,000 at rates varying from 3.8% to 9.2% due annually from October 1, 1996 through October 1, 2010 and a term bond of \$10,185,000 at 5.4% due October 1, 2015.....	\$2,075,000	\$ 4,095,000
1994 Series A Bonds, dated June 1, 1994, with serial bonds of \$18,495,000 at rates varying from 5.0% to 7.7% due annually from October 1, 1995 through October 1, 2012 and a term bond of \$3,935,000 at 5.875% due October 1, 2015. On February 4, 1999, the Bank advance refunded \$5,725,000 of the outstanding bonds .....	590,000	1,290,000
1995 Series A Bonds, dated December 15, 1995, at rates varying from 4.15% to 7.00% due annually from October 1, 1997 through October 1, 2016. On May 6, 2010, the Bank advance refunded \$415,000 of the outstanding bonds .....	585,000	850,000
1999 Series A Bonds, dated January 1, 1999, with serial bonds of \$19,590,000 at rates varying from 3.7% to 5.25% due annually from October 1, 2002 through October 1, 2016 and term bonds of \$3,765,000 at 4.75% due October 1, 2018 and \$2,470,000 at 4.75% due October 1, 2020. On May 6, 2010, the Bank advance refunded \$4,990,000 of the outstanding bonds .....	6,525,000	7,370,000

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**4. BONDS PAYABLE (Continued)**

	<u>2015</u>	<u>2014</u>
<b>Water Pollution Control Revolving Fund Revenue Bonds (Continued):</b>		
1999 Series C Bonds, dated August 1, 1999, with serial bonds of \$24,010,000 at rates varying from 4.15% to 5.50% due annually from October 1, 2001 through October 1, 2019. On May 6, 2010, the Bank advance refunded \$4,985,000 of the outstanding bonds.....	4,165,000	4,950,000
2000 Series A Bonds, dated December 1, 2000 with serial bonds of \$26,550,000 at rates varying from 4.50% to 5.125% due annually from October 1, 2001 through October 1, 2020. On May 6, 2010, the Bank advance refunded \$7,430,000 of the outstanding bonds .....	4,530,000	5,225,000
2002 Series A Bonds, dated April 1, 2002 with serial bonds of \$29,305,000 at rates varying from 3.00% to 5.50% due annually from October 1, 2002 through October 1, 2022. On May 6, 2010, the Bank advance refunded \$7,505,000 of the outstanding bonds.....	6,945,000	7,680,000
2002 Series B Bonds, dated October 1, 2002, with serial bonds of \$76,035,000 at rates varying from 2.0% to 5.0% due annually from October 1, 2004 through October 1, 2022. On May 6, 2010, the Bank advance refunded \$25,260,000 of the outstanding bonds.....	11,295,000	13,940,000
2004 Series A Bonds, dated December 30, 2004, with serial bonds of \$69,625,000 at rates varying from 2.50% to 5.00% due annually from October 1, 2005 through October 1, 2025. On November 8, 2012, the Bank advance refunded \$46,010,000 of the outstanding bonds. The remaining bonds are due October 1, 2013 through October 1, 2014.....	0	3,500,000
2005 Series A Bonds, dated December 15, 2005, with serial bonds of \$49,080,000 at rates varying from 4.00% to 5.00% due annually from October 1, 2006 through October 1, 2026 .....	29,510,000	32,035,000
2006 Series A Bonds, dated December 21, 2006, with serial bonds of \$57,795,000 at rates varying from 3.40% to 5.00% due annually from October 1, 2007 through October 1, 2027 .....	39,285,000	41,845,000
2007 Series A Bonds, dated December 12, 2007 with serial bonds of \$39,740,000 at rates varying from 4.00% to 5.00% due annually from October 1, 2009 through October 1, 2028 .....	30,750,000	32,725,000
2009 Series A Bonds, dated October 6, 2009, with serial bonds of \$41,555,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2011 through October 1, 2030 .....	37,305,000	38,055,000
2010 Series A Refunding Bonds, dated May 6, 2010, with serial bonds of \$77,140,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2010 through October 1, 2023 .....	60,030,000	64,400,000
2010 Series B Bonds, dated June 24, 2010, with serial bonds of \$30,145,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2012 through October 1, 2030 .....	29,070,000	29,710,000

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**4. BONDS PAYABLE (Continued)**

	<u>2015</u>	<u>2014</u>
<b>Water Pollution Control Revolving Fund Revenue Bonds (Continued):</b>		
2011 Series A Bonds, dated March 29, 2011, with serial bonds of \$40,200,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2012 through October 1, 2032 .....	36,200,000	37,540,000
2012 Series A Bonds, dated June 28, 2012, with serial bonds of \$25,620,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2014 through October 1, 2033 .....	24,530,000	25,620,000
2012 Series B Refunding Bonds, dated November 8, 2012, with serial bonds of \$65,860,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2013 through October 1, 2025 .....	60,655,000	64,710,000
2013 Series A Bonds, dated June 6, 2013, with serial bonds of \$52,070,000 at rates varying from 1.50% to 5.00% due annually from October 1, 2015 through October 1, 2034 .....	52,070,000	52,070,000
2014 Series A Bonds, dated February 20, 2014, with serial bonds of \$55,925,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2015 through October 1, 2034 .....	55,925,000	55,925,000
<b>Safe Drinking Water Revenue Bonds:</b>		
2004 Series A Bonds, dated March 31, 2004, with serial bonds of \$40,170,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2005 through October 1, 2024. On June 26, 2013, the Bank advance refunded \$24,205,000 of the outstanding bonds. The remaining bonds are due October 1, 2013 through October 1, 2014 ...	0	1,810,000
2005 Series A Bonds, dated March 23, 2005, with serial bonds of \$42,960,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2006 through October 1, 2027. On June 26, 2013, the Bank advance refunded \$17,280,000 of the outstanding bonds. The remaining bonds are due October 1, 2013 through October 1, 2015 and October 1, 2025 through October 1, 2027 .....	7,295,000	9,835,000
2007 Series A Bonds, dated March 7, 2007, with serial bonds of \$5,135,000 at rates varying from 4.00% to 4.125% due annually from October 1, 2008 through October 1, 2019 .....	3,025,000	3,285,000
2008 Series A Bonds, dated June 5, 2008, with serial bonds of \$36,350,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2010 through October 1, 2029 .....	31,455,000	32,590,000
2009 Series A Bonds, dated November 19, 2009, with serial bonds of \$9,935,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2011 through October 1, 2030 .....	9,280,000	9,485,000

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**4. BONDS PAYABLE (Continued)**

	<u>2015</u>	<u>2014</u>
<b>Safe Drinking Water Revenue Bonds (Continued):</b>		
2012 Series A Bonds, dated June 14, 2012, with serial bonds of \$34,620,000 at rates varying from 0.55% to 5.00% due annually from October 1, 2014 through October 1, 2033.....	33,075,000	34,620,000
2013 Series A Bonds, dated May 14, 2013, with serial bonds of \$35,780,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2015 through October 1, 2034.....	35,780,000	35,780,000
2013 Series B Refunding Bonds, dated June 26, 2013, with serial bonds of \$38,790,000 at rates varying from 3.00% to 5.00% due annually from October 1, 2015 through October 1, 2024 .....	38,790,000	38,790,000
2014 Series A Bonds, dated December 4, 2014, with serial bonds of \$13,090,000 at rates varying from 2.00% to 5.00% due annually from October 1, 2016 through October 1, 2036 and term bonds of \$1,085,000 at 3.50% due October 1, 2025 and term bonds of \$3,350,000 at 5.00% due October 1, 2036.....	13,090,000	0
<b>Non-SRF Wastewater Treatment System Revenue Bonds:</b>		
1997 Series Bonds, dated August 1, 1997. The Series 1997 Bonds mature on September 1, 2022, with sinking fund payments due on September 1, 1999, and September 1, 2018 through September 1, 2022, inclusive. Interest of 5.8% is due annually on March 1, and September 1 .....	28,490,000	28,490,000
2008 Wastewater Revenue Bonds dated April 30, 2008, with serial bonds of \$4,000,000 at 4.85% due annually from March 1, 2009 through March 1, 2028.....	2,995,000	3,160,000
2011 Series A Bonds, (City of Newport), dated March 31, 2011 with serial bonds of \$10,345,000 at 4.30% due annually from September 1, 2011 through September 1, 2026.....	8,785,000	9,330,000
2012 Series A Bonds, (City of Warwick), dated June 26, 2012, with serial bonds of \$2,400,000 at 3.285% due annually from August 1, 2012 through August 1, 2022 .....	1,978,000	2,192,000
2013 Series A Revenue Bonds (Town of Coventry), dated September 3, 2013 with serial bonds of \$8,225,000 at 4.25% due annually from September 1, 2014 through September 1, 2028 .....	7,820,000	8,225,000

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**4. BONDS PAYABLE (Continued)**

	<u>2015</u>	<u>2014</u>
<b>Non-SRF Drinking Water Bonds:</b>		
2003 Series A Bonds, dated December 17, 2003, with term bonds of \$5,840,000 at 5.00% due annually from October 1, 2025 through October 1, 2028 and term bonds of \$13,500,000 at 5.00% due annually from October 1, 2029 through October 1, 2035 .....	19,340,000	19,340,000
2003 Series B bonds, dated December 17, 2003, with term bonds of \$7,655,000 at 6.00% due annually from October 1, 2025 through October 1, 2035 .....	7,655,000	7,655,000
2011 Series A Bonds, (City of Newport), dated September 30, 2011 with serial bonds of \$6,640,000 at 3.4% due annually from September 1, 2012 through September 1, 2027 .....	<u>5,660,000</u>	<u>6,000,000</u>
Subtotal.....	746,553,000	774,122,000
Add: bond premium (discount) net of amortization.....	<u>60,512,770</u>	<u>63,500,084</u>
<b>Total bonds payable.....</b>	<b><u>\$ 807,065,770</u></b>	<b><u>\$837,622,084</u></b>

Long-term liability activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Long-term debt:</b>					
General obligation debt .....	\$774,122,000	\$13,090,000	\$40,659,000	\$746,553,000	\$44,016,000
Plus: bond premium (discount), net of amortization.....	<u>63,500,084</u>	<u>958,267</u>	<u>3,945,581</u>	<u>60,512,770</u>	
<b>Total long-term debt.....</b>	<b><u>\$837,622,084</u></b>	<b><u>\$14,048,267</u></b>	<b><u>\$44,604,581</u></b>	<b><u>\$807,065,770</u></b>	<b><u>\$44,016,000</u></b>

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Long-term debt:</b>					
General obligation debt .....	\$746,959,000	\$64,150,000	\$36,987,000	\$774,122,000	\$40,659,000
Plus: bond premium (discount), net of amortization.....	<u>61,448,512</u>	<u>6,323,260</u>	<u>4,271,688</u>	<u>63,500,084</u>	
<b>Total long-term debt.....</b>	<b><u>\$808,407,512</u></b>	<b><u>\$70,473,260</u></b>	<b><u>\$41,258,688</u></b>	<b><u>\$837,622,084</u></b>	<b><u>\$40,659,000</u></b>

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**4. BONDS PAYABLE (Continued)**

Annual principal and interest requirements are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 .....	\$ 44,016,000	\$ 33,238,279	\$ 77,254,279
2017 .....	44,778,000	31,536,269	76,314,269
2018 .....	46,085,000	29,733,224	75,818,224
2019 .....	49,668,000	27,589,898	77,257,898
2020 .....	62,474,000	26,746,050	89,220,050
2021 - 2025 .....	240,032,000	87,321,158	327,353,158
2026 - 2030 .....	159,680,000	40,472,602	200,152,602
2031 - 2035 .....	95,175,000	10,437,787	105,612,787
2036 .....	4,645,000	159,000	4,804,000
<b>Total</b> .....	<u>\$746,553,000</u>	<u>\$287,234,267</u>	<u>\$1,033,787,267</u>

**Advanced Refunding of Debt**

In prior years, the Bank deposited bond proceeds from refunding bonds with an escrow agent to provide resources for all future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased and the liability has been removed from the financial statements. The balances of bonds defeased "in substance" in prior years and still outstanding are as follows:

<u>Description</u>	<u>Redemption Date</u>	<u>Defeased Bonds Outstanding June 30, 2015</u>	<u>Defeased Bonds Outstanding June 30, 2014</u>
2012 Series B Clean Water .....	November 8, 2012	\$ 0	\$ 46,010,000
2013 Series B Drinking Water ...	June 26, 2013	<u>17,280,000</u>	<u>41,485,000</u>
<b>Total</b> .....		<u>\$ 17,280,000</u>	<u>\$ 87,495,000</u>

**Deferred Outflows of Resources**

When the Bank refunds or advance refunds its bonds, it calculates the difference between the reacquisition price and the net carrying amount of the old debt. The resulting accounting gain or loss is then amortized over the life of the refunding bonds. The net unamortized excess of reacquisition price over the net carrying value of the defeased bonds is recorded in deferred outflows of resources on the Statements of Net Position.

Excess of reacquisition price over net carrying value of defeased bonds was as follows at June 30:

	<u>2015</u>	<u>2014</u>
Beginning balance of deferred outflows of resources.....	\$ 6,812,889	\$ 7,771,775
Additions .....	0	0
Reductions .....	<u>(953,624)</u>	<u>(958,886)</u>
<b>Ending balance of deferred outflows of resources..</b>	<u>\$ 5,859,265</u>	<u>\$ 6,812,889</u>

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**4. BONDS PAYABLE (Continued)**

**Bond Anticipation Notes**

The Bank utilizes short-term borrowing to provide interim financing to borrowers. The Bank had no short-term debt activity for the years ended June 30, 2015 and 2014.

**5. CAPITALIZATION GRANTS**

Under Title VI of the Federal Clean Water Act of 1972, as amended by the Federal Water Quality Act of 1987 (together with any regulations promulgated thereunder the "Federal Act"), the General Assembly of the State enacted the Act, which established the Water Pollution Control Revolving Fund (the Revolving Fund) to be administered and maintained by the Bank. Under the Act, the Department of Environmental Management of the State (DEM) is directed to promulgate rules and regulations pertaining to applications by borrowers for financial assistance for water pollution abatement projects. No project is eligible for financing by the Bank until the DEM has issued its Certificate of Approval. The Certificate of Approval specifies, among other things, the estimated project costs that are eligible for financial assistance and other terms and conditions relating to the construction and operation of projects. The DEM and the Bank entered into a Memorandum of Understanding dated December 6, 1990, as amended, pursuant to which the DEM agreed to assume programmatic responsibilities for the Revolving Fund and the Bank agreed to assume the financial and operational responsibilities of the Revolving Fund including the determination of the type of financial assistance to be provided to applicants.

In 1996, Congress amended the Safe Drinking Water Act of 1974 (as amended, the "Federal Act") to improve and provide financial support for the nation's public water systems. As required by the Federal Act, the General Assembly of the State enacted under Chapter 12.8 of Title 46 of the Rhode Island General Laws, as amended, a law entitled "The Water Projects Revolving Loan Fund" (the DWSRF Act), which established the Drinking Water State Revolving Fund (the DWSRF) to be administered and maintained by the Bank. Under the Act, the Department of Health of the State (DOH) is directed to promulgate rules and regulations pertaining to applications by borrowers for financial assistance for safe drinking water projects. No project is eligible for financing by the Bank until the DOH has issued its Certificate of Approval. The Certificate of Approval specifies, among other things, the estimated project costs that are eligible for financial assistance and other terms and conditions relating to the construction and operation of projects. The DOH and the Bank entered into a Memorandum of Understanding dated July 13, 2000, as amended, pursuant to which the DOH agreed to assume programmatic responsibilities for the DWSRF and the Bank agreed to assume the financial and operational responsibilities of the DWSRF including the determination of the type of financial assistance to be provided to applicants.

**(a) Clean Water State Revolving Fund (CWSRF)**

The Bank receives capitalization grants from the Environmental Protection Agency for the Clean Water State Revolving Fund under Title VI of the Clean Water Act. These grants are used to fund the Bank's lending activities and to reimburse the State Department of Environmental Management for up to 4% of the capitalization grant for expenses incurred for services they provide the Bank related to these lending activities. In order to obtain the federal monies under the Title VI grant program, the Bank must also obtain a commitment for state matching funds of 20% of the federal award.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**5. CAPITALIZATION GRANTS (Continued)**

**(a) Clean Water State Revolving Fund (CWSRF) (Continued)**

The following is a table of the federal and state matching funds awarded to the Bank and the balances remaining for drawdown under Title VI of the Clean Water Act as of June 30, 2015:

<u>Grant Year</u>	<u>Award</u>	<u>Balance Remaining for Drawdown</u>
2012:		
Federal award.....	\$9,486,000	\$3,875,000
State match.....	1,897,200	0
2013:		
Federal award.....	8,955,000	623,498
State match.....	1,791,000	0
2014:		
Federal award.....	9,410,000	9,410,000
State match.....	1,882,000	1,882,000
2015:		
Federal award (applied for July 2015) .....	9,361,000	N/A
State match (applied for July 2015) .....	1,872,200	N/A

**(b) Drinking Water State Revolving Fund (DWSRF)**

The Bank also receives capitalization grants from the Environmental Protection Agency for the Drinking Water State Revolving Fund under Section 1452 of the Safe Drinking Water Act Amendments of 1996. The grants will be used to provide loans to water suppliers for system improvements and to provide funding for various improvement programs administered by the RI Department of Health to bring water suppliers in the State up to the minimum standards promulgated by the Safe Drinking Water Act. In order to receive the funding from EPA, the Bank must commit 20% of the Federal award in the form of State matching funds. The Bank agrees to provide, through methods available to it, the appropriate state matching funds to each grant.

The Drinking Water SRF allows the Department of Health to "set-aside" up to 31% of the annual capitalization grants in four set-aside accounts as follows: 1) 4% for program administration which is to be split between the Department of Health and the Bank, 2) up to 2% for technical assistance, 3) up to 10% for state program management, and 4) up to 15% for local assistance.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**5. CAPITALIZATION GRANTS (Continued)**

**(b) Drinking Water State Revolving Fund (DWSRF) (Continued)**

The following is a table of the federal and state matching funds awarded to the Bank and the balances remaining for drawdown under the Safe Drinking Water Act as of June 30, 2015:

<u>Grant Year</u>	<u>Award</u>	<u>Balance Remaining for Drawdown</u>
2010:		
Federal award.....	\$13,573,000	\$ 125,507
State match.....	2,714,600	0
2011:		
Federal award.....	9,418,000	151,633
State match.....	1,883,600	0
2012:		
Federal award.....	8,975,000	1,166,924
State match.....	1,795,000	0
2013:		
Federal award.....	8,421,000	6,276,169
State match.....	1,684,200	0
2014:		
Federal award.....	8,845,000	8,845,000
State match.....	1,769,000	1,769,000
2015:		
Federal award (applied for July 2015) .....	8,787,000	N/A
State match (applied for July 2015) .....	1,757,000	N/A

**6. DEFERRED COMPENSATION**

The Bank offers its employees “The Rhode Island Clean Water Protection Finance Agency Deferred Compensation Plan” (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all Bank employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Bank’s Board of Directors is responsible for establishing or amending the Plan’s provisions and establishing or amending contribution requirements. The defined contribution Plan is currently administered by Voya Retirement Insurance and Annuity Company.

The Bank implemented the Governmental Accounting Standards Board, Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, deferred compensation investments and the respective liability have been removed from the Bank’s financial statements for the years ended June 30, 2015 and 2014.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**6. DEFERRED COMPENSATION (Continued)**

After the completion of one year's employment, the Bank is currently obligated to remit to the administrator an amount equal to 10% of employee compensation on a monthly basis. The Bank's Board of Directors shall annually establish the contribution percentage. Employees immediately vest in the employer contributions, therefore, there are no employee forfeitures. The Bank's contribution totaled \$52,744 and \$47,606 for the years ended June 30, 2015 and 2014, respectively. The Bank has no outstanding liability related to the Plan at June 30, 2015 and 2014. Employees are allowed to make contributions to the Plan up to, but not exceeding, the lesser of 33 1/3% of their individual compensation or \$18,000 (\$24,000 if age 50 or older). There is no additional obligation incurred by the Bank as a result of the employee contributions. Employee contributions to the Plan for the years ended June 30, 2015 and 2014 were \$36,605 and \$17,200, respectively. The Bank has an obligation to prudently manage these monies.

**7. OPERATING LEASE**

On June 1, 1998, the Bank entered into a seven year lease, with renewal options, for the rental of its corporate offices. The Bank incurred rent expense of \$79,744 and \$73,954, during fiscal year 2015 and 2014, respectively. During fiscal year 2013, the Bank renewed its existing lease agreement for a period of 60 months commencing July 1, 2013 and expiring June 30, 2018.

The following schedule summarizes the Bank's required future minimum lease payments:

<u>Year Ending June 30:</u>	<u>Amount</u>
2016 .....	\$ 79,744
2017 .....	79,744
2018 .....	<u>79,744</u>
<b>Total</b> .....	<b><u>\$239,232</u></b>

**8. PROPERTY AND EQUIPMENT**

The summary of changes in property and equipment at June 30, 2015 are summarized below:

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2015</u>
<b>Cost:</b>				
Computers .....	\$ 58,138	\$ 5,075	\$ 5,286	\$ 57,927
Furniture and fixtures.....	32,657	2,008		34,665
Equipment.....	33,476			33,476
Leasehold Improvements .....	<u>79,839</u>			<u>79,839</u>
<b>Total cost</b> .....	<u>204,110</u>	<u>7,083</u>	<u>5,286</u>	<u>205,907</u>
<b>Accumulated depreciation:</b>				
Computers .....	50,458	4,673	5,286	49,845
Furniture and fixtures.....	24,355	2,392		26,747
Equipment.....	32,264	1,005		33,269
Leasehold Improvements .....	<u>16,847</u>	<u>3,992</u>		<u>20,839</u>
<b>Total accumulated depreciation</b> .....	<u>123,924</u>	<u>12,062</u>	<u>5,286</u>	<u>130,700</u>
<b>Net capital assets</b> .....	<u>\$ 80,186</u>	<u>\$(4,979)</u>	<u>\$ 0</u>	<u>\$ 75,207</u>

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**9. COMMITMENTS AND CONTINGENCIES**

***Capitalization Grants***

The Rhode Island Infrastructure Bank receives grants from the Environmental Protection Agency (EPA) and the State of Rhode Island to fund its loan program activities. These amounts are subject to audit and adjustment by the federal government. Any disallowed claims, including amounts already collected may constitute a liability of the Bank. The Environmental Protection Agency conducts annual fiscal and regulatory compliance reviews to determine that Bank activities are in compliance with EPA regulations. As of June 30, 2015, no expenditures of the Bank have been disallowed. Bank officials believe that any future disallowance of expenditures would not be material.

**10. DESIGNATION OF UNRESTRICTED NET POSITION**

The Bank's Board has designated its unrestricted net position as follows:

***Operating Fund - Interim/Short-term Loan Program***

On October 4, 2004, the Board voted to designate all net assets in excess of the Bank's annual operating budget to be used for loans to qualified borrowers. The amount of these Board designated funds totaled approximately \$34,932,637 at June 30, 2015.

**11. RISK MANAGEMENT**

The Bank is exposed to various risks of loss related to tort; theft of, damage to, or destruction of assets; errors or omissions and injuries to employees. The Bank has purchased commercial insurance to protect itself from potential liabilities from losses or claims. To date, the Bank has not incurred any claims or losses. There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the Bank's insurance coverage during the past three years.

**12. SIGNIFICANT CONCENTRATIONS**

***Current Economic Conditions***

Beginning in 2008, the U.S. economy experienced uncertainty and instability in the financial markets and a number of other sectors of the economy. The Congress, U.S. Treasury and the Federal Reserve have taken a number of actions in an attempt to provide liquidity to the credit markets, to save and create jobs and to stabilize the overall economy. At this time the impacts of these actions cannot be determined.

Existing collateralized investments and counterparty financial institutions are being closely monitored to ensure contractual obligations are being met and contingency plans are being developed, should action be required. The continued uncertainty in the financial markets limits the qualifying investment alternatives for existing cash, bond proceeds and grant funds. The interest rates on secure investments continue to be at or near historic lows and long-term investments required by the Bank's financing model in the Clean Water SRF and the Drinking Water SRF may subject those programs to additional investment interest rate risk. Lower investment interest rates also reduce the Bank's loan capacity, the dollars available to fund new loans, while maintaining the same rate of loan interest subsidy. The Bank also continues to monitor market conditions for the economic feasibility of issuing refunding bonds.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**12. SIGNIFICANT CONCENTRATIONS (Continued)**

***Current Economic Conditions (Continued)***

Like other areas of the country, Rhode Island communities are experiencing budget shortfalls. The impact of these economic conditions on the Bank's borrowers and their ability to continue to make timely loan repayments is difficult to determine; however, the loans are secured predominantly by revenues from essential water and sewer services. Some communities, particularly smaller communities, may generally be more vulnerable to the effects of downturns in the economy. The Bank continues to monitor the financial status of its borrowers as part of an overall loan portfolio monitoring process.

**13. SUBSEQUENT EVENTS**

Management has evaluated potential subsequent events through November 6, 2015, the date the financial statements were available to be issued.

***Bond Issuances***

Series 2015 A Water Pollution Control Revolving Fund Revenue Bonds – On July 30, 2015, the Bank issued \$56,275,000 in Series 2015 A Water Pollution Control Revolving Fund Revenue Bonds consisting of \$44,700,000 in Serial Bonds at interest rates ranging from 2.00% to 5.00% due annually from October 1, 2017 through October 1, 2035, and term bonds of \$8,695,000 at 4.00% due October 1, 2044 and \$2,880,000 at 5.00% due October 1, 2044.

Series 2015 B Water Pollution Control Refunding Revenue Bonds – On October 6, 2015, the Bank issued \$24,345,000 in Series 2015 B Water Pollution Control Refunding Revenue Bonds at rates ranging from 2.00% to 5.00% due annually from October 1, 2016 through October 1, 2026.

Series 2015 C Water Pollution Control Subordinated Refunding Revenue Bonds – On October 6, 2015, the Bank issued \$23,355,000 in Series 2015 C Water Pollution Control Subordinated Refunding Revenue Bonds at rates ranging from 2.75% to 5.00% due annually from October 1, 2017 through October 1, 2027.

***New Programs***

***Efficient Buildings Fund***

The Efficient Buildings Fund (EBF) is a public energy efficiency and renewable energy investment program that will provide municipalities, school districts, and quasi-state entities with access to low cost capital to make renewable energy and energy efficiency improvements to their facilities. The EBF was created to provide low cost financing to borrowers identified by the Office of Energy Resources to implement energy efficiency and renewable energy projects. The Bank is in the process of developing the program's policies and procedures and anticipates funding projects in fiscal year 2016.

***Commercial Property Assessed Clean Energy Program***

C-PACE is a financing program designed to help qualifying property owners invest in specified energy efficiency, renewable energy, and/or environmental health and safety improvements. Commercial property owners that participate in the program repay the cost of their improvement over a set time period, usually 10 to 20 years, through an assessment on their property tax bill. The Bank is in the process of developing the program's policies and procedures and anticipates funding projects in fiscal year 2016.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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**13. SUBSEQUENT EVENTS (Continued)**

***New Programs (Continued)***

*Residential Property Assessed Clean Energy Program*

R-PACE is a financing program designed to help qualifying property owners invest in specified energy efficiency, renewable energy, and/or environmental health and safety improvements. Residential property owners that participate in the program repay the cost of their improvement over a set time period, usually 10 to 20 years, through an assessment on their property tax bill. The Bank is in the process of developing the program's policies and procedures and anticipates funding projects in fiscal year 2017.

*The Brownfields Revolving Loan Fund*

The Brownfields Revolving Fund will finance brownfield remediation projects for municipal and private entities. The program is being developed in partnership with the RI Department of Environmental Management (DEM) and the Commerce Corporation. The Bank is in the process of developing the program's policies and procedures and anticipates funding projects in fiscal year 2017.

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# **RHODE ISLAND INFRASTRUCTURE BANK**

## **SUPPLEMENTARY INFORMATION**

*This section contains the following:*

*Combining Fund Financial Statements for:*

*Water Pollution Control Revolving Fund (WPCRF) – This fund is used to account for amounts received and expended from the Federally Capitalized SRF, Title VI of the Clean Water Act, along with amounts received and expended from the 20% required state matching of federal funding.*

*Rhode Island Water Pollution Control Revolving Fund (RIWPCRF) – This fund accounts for amounts received from state contributions and expended to finance projects not meeting the requirements of federal programs. This fund also accounts for the activity of the Facility Plan Loan Program, the Rhode Island Zero Interest Loan Fund, and the Sewer Tie-in Loan Fund.*

*Operating Fund – This fund is used to account for amounts received and expended for the general and administrative costs not applicable to the other funds.*

*Drinking Water State Revolving Fund (DWSRF) – This fund accounts for amounts received and expended from the Federally Capitalized SRF, the Safe Drinking Water Act of 1996, along with amounts received and expended from the required state matching of federal funding.*

*Municipal Road and Bridge Revolving Fund (MRBRF) – This fund accounts for amounts received and expended to provide low-cost financial assistance for road and bridge projects.*

*Water Quality Protection Charge Program (WQPCP) – This fund accounts for water quality protection charges received from various Rhode Island water suppliers. This program is being developed to provide low cost financing to water suppliers for water shed protection land acquisition, water pipe replacement, and other related projects.*

*Schedule of Travel and Entertainment Expenses*

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**RHODE ISLAND INFRASTRUCTURE BANK**  
(Formerly Rhode Island Clean Water Finance Agency)

**COMBINING SCHEDULE OF NET POSITION**  
JUNE 30, 2015

	<u>WPCRF</u>	<u>RIWPCRF</u>	<u>OPERATING</u>	<u>DWSRF</u>	<u>MRBRF</u>	<u>WQPCP</u>	Total (Memorandum Only)
<b>ASSETS:</b>							
<b>Current assets:</b>							
Cash equivalents and investments:							
Unrestricted:							
Cash equivalents			\$ 26,835,916				\$ 26,835,916
Total unrestricted cash equivalents	\$ 0	\$ 0	\$ 26,835,916	\$ 0	\$ 0	\$ 0	\$ 26,835,916
Restricted:							
Cash equivalents	88,868,781	3,822,984		42,897,280	11,985,875		147,574,920
Investments	65,664,333			21,808,543			87,472,876
Total restricted cash equivalents	154,533,114	3,822,984	0	64,705,823	11,985,875	0	235,047,796
and investments							
Restricted loans receivable	50,203,271	3,310,000	2,513,000	15,803,079	530,000		72,359,350
Accrued interest receivable:							
Loans	4,393,612	174,416	1,398,494	2,457,171	35,797		8,459,490
Investments	716,953		1,647,125	204,585			921,538
Accounts receivable - service fees						272,268	1,647,125
Accounts receivable - water quality protection charges					6,375,431		272,268
Intergovernmental receivable			104,648				6,375,431
Prepaid expenses and other receivables						146,840	104,648
Due from other funds						419,108	146,840
<b>Total current assets</b>	<b>209,846,950</b>	<b>7,307,400</b>	<b>32,499,183</b>	<b>83,170,658</b>	<b>18,927,103</b>	<b>419,108</b>	<b>352,170,402</b>
<b>Noncurrent assets:</b>							
Restricted loans receivable	666,020,672	16,777,580	102,545,005	288,452,518	18,085,516		1,091,881,291
Capital assets, net of accumulated depreciation of \$130,700			75,207				75,207
<b>Total noncurrent assets</b>	<b>666,020,672</b>	<b>16,777,580</b>	<b>102,620,212</b>	<b>288,452,518</b>	<b>18,085,516</b>	<b>0</b>	<b>1,091,956,498</b>
<b>TOTAL ASSETS</b>	<b>875,867,622</b>	<b>24,084,980</b>	<b>135,119,395</b>	<b>371,623,176</b>	<b>37,012,619</b>	<b>419,108</b>	<b>1,444,126,900</b>
<b>Deferred Outflows of Resources</b>	<b>4,348,246</b>	<b>0</b>	<b>0</b>	<b>1,511,019</b>	<b>0</b>	<b>0</b>	<b>5,859,265</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION. (CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
 (Formerly Rhode Island Clean Water Finance Agency)

**COMBINING SCHEDULE OF NET POSITION**  
 JUNE 30, 2015

	<u>WPCRF</u>	<u>RIWPCRF</u>	<u>OPERATING</u>	<u>DWSRF</u>	<u>MRBRF</u>	<u>WQPCP</u>	Total (Memorandum Only)
<b>LIABILITIES:</b>							
<b>Current liabilities:</b>							
Project costs payable	37,560,946	461,458	6,108,832	34,763,313	11,735,242		90,629,791
Bonds payable	34,335,000		1,726,000	7,955,000			44,016,000
Accrued interest payable	5,585,737		1,286,185	1,896,333			8,768,255
Accounts payable and accrued expenses			322,706				322,706
Due to other funds			146,840				146,840
<b>Total current liabilities</b>	<b>77,481,683</b>	<b>461,458</b>	<b>9,590,563</b>	<b>44,614,646</b>	<b>11,735,242</b>	<b>0</b>	<b>143,883,592</b>
<b>Noncurrent liabilities:</b>							
Bonds payable, net of current portion	500,101,311		81,276,331	181,672,128			763,049,770
Accrued arbitrage rebate	1,365,201			22,258			1,387,459
<b>Total noncurrent liabilities</b>	<b>501,466,512</b>	<b>0</b>	<b>81,276,331</b>	<b>181,694,386</b>	<b>0</b>	<b>0</b>	<b>764,437,229</b>
<b>TOTAL LIABILITIES</b>	<b>578,948,195</b>	<b>461,458</b>	<b>90,866,894</b>	<b>226,309,032</b>	<b>11,735,242</b>	<b>0</b>	<b>908,320,821</b>
<b>NET POSITION:</b>							
Net investment in capital assets			75,207				75,207
Restricted for program purposes	301,267,673	23,623,522		146,825,163	25,277,377	419,108	497,412,843
Unrestricted			44,177,294				44,177,294
<b>TOTAL NET POSITION</b>	<b>\$ 301,267,673</b>	<b>\$ 23,623,522</b>	<b>\$ 44,252,501</b>	<b>\$ 146,825,163</b>	<b>\$ 25,277,377</b>	<b>\$ 419,108</b>	<b>\$ 541,665,344</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.

(CONCLUDED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
 (Formerly Rhode Island Clean Water Finance Agency)

**COMBINING SCHEDULE OF NET POSITION**  
**JUNE 30, 2014**

	<u>WPCRF</u>	<u>RIWPCRF</u>	<u>OPERATING</u>	<u>DWSRF</u>	<u>MRBRF</u>	Total (Memorandum Only)
<b>ASSETS:</b>						
<b>Current assets:</b>						
Cash equivalents and investments:						
Unrestricted:						
Cash equivalents			\$ 38,025,075			\$ 38,025,075
Total unrestricted cash equivalents	\$ 0	\$ 0	\$ 38,025,075	\$ 0	\$ 0	\$ 38,025,075
Restricted:						
Cash equivalents	151,311,816	4,568,754		45,621,021	10,314,294	211,815,885
Investments	74,347,373			24,061,833		98,409,206
Total restricted cash equivalents and investments	225,659,189	4,568,754	0	69,682,854	10,314,294	310,225,091
Restricted loans receivable	44,465,459	3,205,000	1,894,000	13,372,309		62,936,768
Accrued interest receivable:						
Loans	4,000,793	202,951	1,375,608	2,398,047		7,977,399
Investments	826,849			216,475		1,043,324
Accounts receivable - service fees			1,549,701			1,549,701
Prepaid expenses and other receivables			127,784	1,786		129,570
<b>Total current assets</b>	<b>274,952,290</b>	<b>7,976,705</b>	<b>42,972,168</b>	<b>85,671,471</b>	<b>10,314,294</b>	<b>421,886,928</b>
<b>Noncurrent assets:</b>						
Restricted loans receivable	716,124,799	20,104,599	96,058,005	275,887,365		1,108,174,768
Capital assets, net of accumulated depreciation of \$123,924			80,186			80,186
<b>Total noncurrent assets</b>	<b>716,124,799</b>	<b>20,104,599</b>	<b>96,138,191</b>	<b>275,887,365</b>	<b>0</b>	<b>1,108,254,954</b>
<b>TOTAL ASSETS</b>	<b>991,077,089</b>	<b>28,081,304</b>	<b>139,110,359</b>	<b>361,558,836</b>	<b>10,314,294</b>	<b>1,530,141,882</b>
<b>Deferred Outflows of Resources</b>	<b>5,121,255</b>	<b>0</b>	<b>15,777</b>	<b>1,675,857</b>	<b>0</b>	<b>6,812,889</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.

(CONTINUED)

**RHODE ISLAND INFRASTRUCTURE BANK**  
 (Formerly Rhode Island Clean Water Finance Agency)

**COMBINING SCHEDULE OF NET POSITION**  
**JUNE 30, 2014**

	<u>WPCRF</u>	<u>RIWPCRF</u>	<u>OPERATING</u>	<u>DWSRF</u>	<u>MRBRF</u>	Total (Memorandum Only)
<b>LIABILITIES:</b>						
<b>Current liabilities:</b>						
Project costs payable	124,037,192	476,911	9,102,330	33,358,015		166,974,448
Bonds payable	31,495,000		1,669,000	7,495,000		40,659,000
Accrued interest payable	6,088,953		1,309,311	1,838,821		9,237,085
Accounts payable and accrued expenses			223,966			223,966
<b>Total current liabilities</b>	<b>161,621,145</b>	<b>476,911</b>	<b>12,304,607</b>	<b>42,691,836</b>	<b>0</b>	<b>217,094,499</b>
<b>Noncurrent liabilities:</b>						
Bonds payable, net of current portion	537,310,735		83,017,430	176,634,919		796,963,084
Accrued arbitrage rebate	1,485,746			50,250		1,535,996
<b>Total noncurrent liabilities</b>	<b>538,796,481</b>	<b>0</b>	<b>83,017,430</b>	<b>176,685,169</b>	<b>0</b>	<b>798,499,080</b>
<b>TOTAL LIABILITIES</b>	<b>700,417,626</b>	<b>476,911</b>	<b>95,322,037</b>	<b>219,377,005</b>	<b>0</b>	<b>1,015,593,579</b>
<b>NET POSITION:</b>						
Net investment in capital assets			80,186			80,186
Restricted	295,780,718	27,604,393		143,857,688	10,314,294	477,557,093
Unrestricted			43,723,913			43,723,913
<b>TOTAL NET POSITION</b>	<b>\$ 295,780,718</b>	<b>\$ 27,604,393</b>	<b>\$ 43,804,099</b>	<b>\$ 143,857,688</b>	<b>\$ 10,314,294</b>	<b>\$ 521,361,192</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.

(CONCLUDED)

**SCHEDULE 2**

**RHODE ISLAND INFRASTRUCTURE BANK**  
(Formerly Rhode Island Clean Water Finance Agency)

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
YEAR ENDED JUNE 30, 2015

	WPCRE	RIMWPCRE	OPERATING	DWSRF	MRBRF	WQPCP	Total (Memorandum Only)
<b>Operating revenues:</b>							
Investment income	\$ 2,576,743	\$ 314	\$ 2,998	\$ 849,551	\$ 642		\$ 3,430,248
Interest income - loans	13,112,642	537,622	4,516,918	7,253,004	87,009		25,507,195
Grant income - operating			1,780,527				1,780,527
Loan servicing fees			4,789,613				4,789,613
Loan origination fees			90,000	283,682	190,185		563,867
<b>Total operating revenues</b>	<b>15,689,385</b>	<b>537,936</b>	<b>11,180,056</b>	<b>8,386,237</b>	<b>277,836</b>	<b>\$ 0</b>	<b>36,071,450</b>
<b>Operating expenses:</b>							
Interest expense	20,572,111		4,211,479	6,534,855			31,318,445
Consulting fees - D.E.M and D.O.H.	788,077		1,802,737				2,590,814
Employee expense			782,116				782,116
Insurance expense			27,490				27,490
Legal fees			337,681				337,681
Loan principal forgiveness	495,584			841,801			1,337,385
Bond issuance costs				297,614			297,614
Office expense			120,278				120,278
Accounting and auditing			62,567				62,567
Depreciation expense			12,062				12,062
Trustee/bank fees			190,879				190,879
Promotional expenses			9,320				9,320
Financial advisor fees			168,000				168,000
Dues and subscriptions			9,291				9,291
Seminars			3,515				3,515
Business and travel expense			7,572				7,572
Miscellaneous expense			5,940				5,940
<b>Total operating expenses</b>	<b>21,855,772</b>	<b>0</b>	<b>7,750,927</b>	<b>7,674,270</b>	<b>0</b>	<b>0</b>	<b>37,280,969</b>
Operating income (loss)	(6,166,387)	537,936	3,429,129	711,967	277,836	0	(1,209,519)
<b>Nonoperating revenues:</b>							
Grant income - non-operating	7,155,948	1,684,200		878,984	11,375,431		21,094,563
Water quality protection charges						419,108	419,108
<b>Total nonoperating revenues</b>	<b>7,155,948</b>	<b>1,684,200</b>	<b>0</b>	<b>878,984</b>	<b>11,375,431</b>	<b>419,108</b>	<b>21,513,671</b>
Change in net position	989,561	2,222,136	3,429,129	1,590,951	11,653,267	419,108	20,304,152
Transfer from (to) other funds	4,497,394	(6,203,007)	(2,980,727)	1,376,524	3,309,816	0	0
<b>Net position, beginning of year</b>	<b>295,780,718</b>	<b>27,604,393</b>	<b>43,804,099</b>	<b>143,857,688</b>	<b>10,314,294</b>		<b>521,361,192</b>
<b>Net position, end of year</b>	<b>\$ 301,267,673</b>	<b>\$ 23,623,522</b>	<b>\$ 44,252,501</b>	<b>\$ 146,825,163</b>	<b>\$ 25,277,377</b>	<b>\$ 419,108</b>	<b>\$ 541,665,344</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.

**RHODE ISLAND INFRASTRUCTURE BANK**  
 (Formerly Rhode Island Clean Water Finance Agency)

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2014**

	<u>WPCRE</u>	<u>R/WPCRE</u>	<u>OPERATING</u>	<u>DWSRE</u>	<u>MRBRE</u>	Total (Memorandum Only)
<b>Operating revenues:</b>						
Investment income	\$ 3,245,756	\$ 396	\$ 3,017	\$ 966,292	\$ 425	\$ 4,215,866
Interest income - loans	11,723,474	623,905	4,400,363	6,990,279		23,738,021
Grant income - operating	473,471		2,695,859			3,169,330
Service fees			4,511,793			4,511,793
Loan origination fees	900,000		100,563	16,000		1,016,563
<b>Total operating revenues</b>	<b>16,342,701</b>	<b>624,301</b>	<b>11,711,595</b>	<b>7,972,571</b>	<b>425</b>	<b>36,651,593</b>
<b>Operating expenses:</b>						
Interest expense	19,921,885		4,219,184	6,591,537		30,732,606
Consulting fees - D.I.E.M and D.O.H.	757,939		2,788,026			3,545,965
Employee expense			744,882			744,882
Insurance expense			13,871			13,871
Legal fees			149,016			149,016
Loan principal forgiveness	383,119			675,485		1,058,604
Bond issuance costs	580,952					580,952
Office expense			111,320			111,320
Accounting and auditing			52,918			52,918
Depreciation expense			9,027			9,027
Trustee/bank fees			181,891			181,891
Promotional expenses			7,483			7,483
Financial advisor fees			43,024			43,024
Dues and subscriptions			9,441			9,441
Seminars			1,923			1,923
Business and travel expense			10,233			10,233
Miscellaneous expense			6,791			6,791
<b>Total operating expenses</b>	<b>21,643,895</b>	<b>0</b>	<b>8,349,030</b>	<b>7,267,022</b>	<b>0</b>	<b>37,259,947</b>
Operating income (loss)	(5,301,194)	624,301	3,362,565	705,549	425	(608,354)
<b>Other revenue:</b>						
Grant income - non-operating	6,064,210	1,791,000	0	15,540,651	10,313,869	33,709,730
Change in net position	763,016	2,415,301	3,362,565	16,246,200	10,314,294	33,101,376
Transfer from (to) other funds	5,895,212	(6,620,574)	811,336	(85,974)	0	0
<b>Net position, beginning of year, as restated</b>	<b>289,122,490</b>	<b>31,809,666</b>	<b>39,630,198</b>	<b>127,697,462</b>	<b>0</b>	<b>488,259,816</b>
<b>Net position, end of year</b>	<b>\$ 295,780,718</b>	<b>\$ 27,604,393</b>	<b>\$ 43,804,099</b>	<b>\$ 143,857,688</b>	<b>\$ 10,314,294</b>	<b>\$ 521,361,192</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES**  
**YEAR ENDED JUNE 30, 2015**

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Executive Director's attendance at 2014 EPA/SRF Workshop – Chicago, IL – September 23, 2014 – September 25, 2014:

Airfare .....	\$ 638
Lodging and other .....	<u>590</u>
Total .....	<u>1,228</u>

Executive Director's attendance at C.I.F.A. SRF Workshop – Portland, OR – November 10, 2014 – November 14, 2014:

Airfare .....	424
Lodging and other .....	<u>805</u>
Total .....	<u>1,229</u>

Executive Director's attendance at EPA/WIFIA Conference – Washington, DC – December 8, 2014:

Airfare .....	<u>558</u>
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Executive Director and Deputy Director/CFO's attendance at C.I.F.A. Federal Policy Conference – Washington, DC – May 17, 2015 – May 20, 2015:

Airfare .....	382
Lodging and other .....	<u>2,042</u>
Total .....	<u>2,424</u>

Various expenses .....

	<u>2,133</u>
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**Total expenses.....** \$ 7,572

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SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.

# ***RHODE ISLAND INFRASTRUCTURE BANK***

## **STATISTICAL SECTION**

This part of the Rhode Island Infrastructure Bank's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information reveals about the government's overall financial health.

The Statistical Schedules differ from other financial statement presentations because they generally disclose more than one fiscal year and present non-accounting data such as social and economic data and financial trends of the Bank.

<b><u>Contents</u></b>	<b><u>Page</u></b>
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the Bank's financial performance and fiscal health have changed over time.</i>	57– 58
Revenue Capacity	
<i>These schedules contain information to help the reader assess the factors affecting the Bank's ability to provide interim loans and general obligations.</i>	59–60
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the Bank's current levels of outstanding debt and the Bank's ability to issue additional debt in the future.</i>	61–63
Operating Information	
<i>These schedules contain information to help the reader understand how the information in the Bank's financial report relates to the services the Bank provides and the activities it performs.</i>	64–65
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Bank's financial activities take place.</i>	66–68

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

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**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

***Net Position by Component***

Last Ten Fiscal Years

(dollar amounts in thousands)

<u>Fiscal Year</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2015	\$ 75	\$ 497,413	\$ 44,177	\$ 541,665
2014	80	477,557	43,724	521,361
2013	25	448,630	39,605	488,260
2012	30	425,024	34,696	459,750
2011	29	399,830	30,350	430,209
2010	37	358,370	25,892	384,299
2009	37	336,939	23,275	360,251
2008	46	329,259	22,114	351,419
2007	35	318,427	18,114	336,576
2006	43	303,586	14,560	318,189

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

***Changes in Net Position***

Last Ten Fiscal Years

(dollar amounts in thousands)

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income (Loss)</u>	<u>Nonoperating Income</u>	<u>Change in Net Position</u>
2015	\$ 36,072	\$ 37,281	(1,209)	\$ 21,513	\$ 20,304
2014	36,652	37,260	(608)	33,709	33,101
2013	34,148	36,140	(1,992)	30,501	28,509
2012	37,608	35,251	2,357	27,564	29,921
2011	30,735	33,688	(2,953)	48,863	45,910
2010	33,727	32,034	1,693	22,356	24,049
2009	32,506	31,860	646	8,186	8,832
2008	33,741	29,802	3,939	10,904	14,843
2007	31,523	28,150	3,373	15,015	18,388
2006	29,439	26,943	2,496	23,931	26,427

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**Operating Revenue Components**

Last Ten Fiscal Years

(dollar amounts in thousands)

<u>Fiscal Year</u>	<u>Investment Income</u>	<u>Interest Income - Loans</u>	<u>Grant Income - Operating</u>	<u>Service Fees</u>	<u>Loan and Other Origination Fees</u>	<u>Total Operating Revenues</u>
2015	\$ 3,430	\$ 25,507	\$ 1,781	\$ 4,790	\$ 564	\$ 36,072
2014	4,216	23,738	3,169	4,512	1,017	36,652
2013	2,783	21,885	3,574	4,159	1,748	34,149
2012	8,970	20,243	3,094	3,792	1,509	37,608
2011	5,819	18,033	2,496	3,535	852	30,735
2010	10,391	16,881	2,248	3,386	821	33,727
2009	9,630	16,364	2,428	3,332	752	32,506
2008	12,377	15,371	2,176	3,144	673	33,741
2007	10,973	14,875	2,123	2,934	618	31,523
2006	9,825	13,945	2,478	2,628	563	29,439

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**Ten Largest Payors/Borrowers**  
 Current Year and Nine Years Ago

<u>LOAN PAYOR / BORROWER</u>	<u>FY 2015 RANK</u>	<u>% OF REVENUE</u>	<u>FY 2006 RANK</u>	<u>% OF REVENUE</u>
Narragansett Bay Commission	1	30.61	1	41.09
City of Newport	2	11.15	9	1.83
Providence Water Supply Board	3	8.85	10	1.80
City of Warwick	4	7.48	2	19.07
City of East Providence	5	7.33	20	0.39
City of Pawtucket	6	6.61	3	11.72
City of Woonsocket	7	4.04	7	2.19
RI Airport Corporation	8	3.12	*N/R	**0.00
Town of Bristol	9	2.51	6	2.31
Town of West Warwick	10	2.15	4	4.85

\*No Rank available

\*\*Borrower / Payor after June 30, 2005

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**Operating Expense Components**

Last Ten Fiscal Years

(dollar amounts in thousands)

<u>Fiscal Year</u>	<u>Interest Expense</u>	<u>Loan Principal Forgiveness</u>	<u>Consulting Fees</u>	<u>Administrative Expenses</u>	<u>Professional Expenses</u>	<u>Total Operating Expenses</u>
2015	\$ 31,318	\$ 1,337	\$ 2,591	\$ 1,275	\$ 760	\$ 37,281
2014	30,732	1,059	3,546	1,496	427	37,260
2013	28,153	894	3,574	3,128	391	36,140
2012	29,183	804	3,094	1,269	422	34,772
2011	29,448	163	2,496	1,224	357	33,688
2010	28,153	-	2,248	1,147	486	32,034
2009	27,651	-	2,428	1,214	567	31,860
2008	26,379	-	2,176	1,015	232	29,802
2007	24,889	-	2,123	964	174	28,150
2006	23,377	-	2,479	919	168	26,943

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

***Bond Issuances***

Last Ten Fiscal Years

(dollar amounts in thousands)

<u>Fiscal Year</u>	<u>Number of Bond Issuances</u>	<u>Total Bond Amount</u>
2015	1	\$ 13,090
2014	2	64,150
2013	4	192,500
2012	4	69,280
2011	2	50,545
2010	4	158,775
2009	0	0
2008	3	80,090
2007	2	62,930
2006	1	49,080

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

***Debt Schedule***

Last Ten Fiscal Years

(dollar amounts in thousands)

<u>Fiscal Year</u>	<u>General Obligation Debt</u>	<u>Bond Premium/ (Discount) Net of Amortization</u>	<u>Amount Deferred on Refunding</u>	<u>Bonds Payable, Net</u>
2015	\$ 746,553	\$ 60,513	\$ -	\$ 807,066
2014	774,122	63,500	-	837,622
2013	746,959	61,448	- *	808,407
2012	706,985	36,763	(4,008)	739,740
2011	671,225	29,979	(4,585)	696,619
2010	652,710	28,213	(5,162)	675,761
2009	602,605	17,282	(669)	619,218
2008	631,340	18,320	(778)	648,882
2007	576,950	16,645	(887)	592,708
2006	535,850	14,345	(996)	549,199

\* Fiscal year 2013 was restated for the implementation of GASB 65, in fiscal year 2014.

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**Loan Agreements**

Last Ten Fiscal Years  
(dollar amounts in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Clean Water State Revolving Fund</b>										
Number of Loan Agreements	2	7	10	10	10	21	1	17	13	13
Total Loan Agreement Amounts	\$ 600	\$ 90,900	\$ 81,970	\$ 56,695	\$ 62,640	\$ 139,306	\$ 300	\$ 53,821	\$ 65,863	\$ 58,279
<b>Drinking Water State Revolving Fund</b>										
Number of Loan Agreements	3	2	6	7	0	14	2	4	4	2
Total Loan Agreement Amounts	28,368	1,600	69,772	66,540	0	43,058	635	46,800	12,600	1,589
<b>RICWFA - Conduit Financing</b>										
Number of Loan Agreements	0	1	0	2	1	0	0	1	0	0
Total Loan Agreement Amounts	0	8,225	0	9,040	10,345	0	0	4,000	0	0
<b>RICWFA - Operating / Admin Financing</b>										
Number of Loan Agreements	2	2	0	0	2	0	0	0	0	0
Total Loan Agreement Amounts	9,000	8,000	0	0	5,998	0	0	0	0	0
<b>RIWPCRF - State Revolving Fund</b>										
Number of Loan Agreements	0	0	0	2	1	1	0	0	0	0
Total Loan Agreement Amounts	0	0	0	300	150	150	0	0	0	0
<b>MRBRF - State Revolving Fund</b>										
Number of Loan Agreements	15	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Loan Agreement Amounts	18,619	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>TOTAL</b>										
Number of Loan Agreements	22	12	16	21	14	36	3	22	17	15
Total Loan Agreement Amounts	\$ 56,587	\$ 108,725	\$ 151,742	\$ 132,575	\$ 79,133	\$ 182,514	\$ 935	\$ 104,621	\$ 78,463	\$ 59,868

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

***Schedule of Full-Time Employees  
By Program and Agency  
Last Ten Fiscal Years***

<b><u>Fiscal Year</u></b>	<b><u>RICWFA Administrative</u></b>	<b><u>Clean Water Program</u></b>	<b><u>Drinking Water Program</u></b>	<b><u>Municipal Road and Bridge Program</u></b>	<b><u>Total Agency</u></b>
2015	5	1	1	1	8
2014	4	1	1	1	7
2013	4	1	1		6
2012	5	1	1		7
2011	5	1	1		7
2010	4	1	1		6
2009	4	1	1		6
2008	4	1	1		6
2007	4	1	1		6
2006	4	1	1		6

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**State of Rhode Island Demographics**  
 Last Ten Years

<b>Calendar Year</b>	<b>Population</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income (dollars)</b>	<b>Total Students, Public Schools</b>	<b>Unemployment Rate</b>
2014	1,055,173	\$ 51,532,166	\$ 48,838	unavailable	7.7%
2013	1,051,511	49,433,814	47,012	141,124	9.5%
2012	1,050,304	48,184,495	45,877	141,564	10.3%
2011	1,051,302	46,881,303	44,621	142,575	11.2%
2010	1,052,567	45,267,567	42,999	143,674	11.7%
2009	1,053,209	43,470,708	41,257	143,591	10.9%
2008	1,053,502	44,143,873	41,842	146,228	7.7%
2007	1,055,009	43,125,881	40,788	149,925	5.2%
2006	1,060,196	41,257,610	38,809	151,690	5.1%
2005	1,064,989	38,992,878	36,513	154,863	5.1%

**Indicator**

*Population*

*Personal Income*

*Per Capita Personal Income*

*Total Students, Public Schools*

*Unemployment Rate*

**Source and Notes**

*Census. Estimates as of July 1, with exception of 2010, which is the Census count.*

*Bureau of Economic Analysis. Not adjusted for inflation.*

*Bureau of Economic Analysis. Not adjusted for inflation.*

*National Center for Education statistics. For academic year ending in the year indicated.*

*RI Department of Labor and Training*

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

***Schedule of Total Net Debt, Rhode Island Resident Population,  
and Debt per Capita***

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Total Debt, Net (in thousands)</b>	<b>Population* (in thousands)</b>	<b>Per Capita Debt, Net (dollars)</b>
2015	\$ 807,066	1,055	\$ 764.87
2014	837,622	1,052	796.59
2013	808,407	1,050	769.69
2012	739,740	1,051	703.64
2011	696,619	1,053	661.83
2010	675,761	1,053	641.62
2009	619,218	1,054	587.77
2008	648,882	1,055	615.05
2007	592,708	1,060	559.06
2006	549,199	1,065	515.69

\* Based on a calendar year ending December 31st.

**RHODE ISLAND INFRASTRUCTURE BANK**  
**(Formerly Rhode Island Clean Water Finance Agency)**

**Employment Sectors - Rhode Island Establishment Employment**

Current Year and Nine Years Ago  
(amounts in thousands)

	2014			2005		
	*Employees	Rank	Percentage	*Employees	Rank	Percentage
Educational and Health Services	105	1	22%	95	1	19%
Trade, Transportation & Utilities	75	2	16%	80	2	16%
Government	60	3	13%	65	3	13%
Professional and Business Services	61	4	13%	55	4	11%
Leisure and Hospitality	55	5	12%	50	6	10%
Manufacturing	41	6	9%	55	5	11%
Financial Activities (including Real Estate)	33	7	7%	34	7	7%
Other Services	23	8	5%	23	8	5%
Construction	17	9	3%	22	9	4%
Information	9	10	2%	11	10	2%
Total	477		100%	491		100%

\*Annual Average

Source: Rhode Island Department of Labor and Training. Based on a calendar year ending December 31st.

***RHODE ISLAND INFRASTRUCTURE  
BANK***

**REPORT IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**





**Gerard R. Cayer**  
CPA, MST

**Mark V. Caccia**  
CPA, MST

**Donna T. Caccia**  
CPA, MST, CFP™

**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**

To the Board of Directors  
Rhode Island Infrastructure Bank  
Providence, Rhode Island

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 Infrastructure Bank, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Rhode Island Infrastructure Bank's basic financial statements, and have issued our report thereon dated November 6, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Rhode Island Infrastructure Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rhode Island Infrastructure Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rhode Island Infrastructure Bank'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.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rhode Island Infrastructure Bank'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 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*.

## 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 results 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.

November 6, 2015

*Cayer Caccia, LLP*