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**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2018 AND 2017**

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
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JUNE 30, 2018 AND 2017**

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## Independent Auditors' Report

To the Board of Commissioners  
Rhode Island Convention Center Authority  
Providence, Rhode Island

### Report on the Financial Statements

We have audited the accompanying financial statements of the Rhode Island Convention Center Authority, a component unit of the State of Rhode Island, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Rhode Island Convention Center Authority's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express 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 of material misstatement.

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Convention Center Authority as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 7 to the financial statements, the Authority is dependent upon annual appropriations of lease revenue by the General Assembly of the State of Rhode Island to fund debt service on its outstanding bonds. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rhode Island Convention Center Authority's basic financial statements. The accompanying supplementary information on pages 29 through 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2018 on our consideration of the Rhode Island Convention Center Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rhode Island Convention Center Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rhode Island Convention Center Authority's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
September 27, 2018

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 AND 2017**

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As management of the Rhode Island Convention Center Authority (Authority), a Component Unit of the State of Rhode Island (State), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2018 (FY18) and June 30, 2017 (FY17). The Authority's financial statements, accompanying notes and supplementary information should be read in conjunction with the following discussion.

**Introduction**

The Authority was created in 1987 by the Rhode Island General Assembly as a public corporation, instrumentality, and agency of the State, having a distinct legal existence from the State and not constituting a department of State government. The Authority was created for the purpose of constructing, managing, and operating a facility to house conventions, trade shows, exhibitions, displays, meetings, banquets, and other events, as well as facilities related thereto such as parking lots and garages, connection walkways, hotels, and office buildings, including any retail facilities that are incidental to and located within any of the foregoing, and to acquire land. The Authority has managed its facilities through third-party management contracts since inception. The powers of the Authority are vested in a Board of Commissioners (Board) having eleven members. The Governor of the State has the power to appoint eight members. The Mayor of the City of Providence has the power to appoint two members and the City Council of the City of Providence has the power to appoint one member. The Chairperson, Vice Chairperson, Secretary, and Treasurer are elected by the members of the Board.

On December 2, 1993, the Rhode Island Convention Center (the Convention Center or RICC) and related garage facilities officially opened. The Authority is authorized to lease the Convention Center and the related facilities to the State and to issue its bonds and notes for any of its corporate purposes. The Authority manages the Convention Center and the related facilities pursuant to the terms of a sublease agreement, dated November 1, 1991, as amended, by and between the State, as sublessor, and the Authority, as sublessee (the Sublease). The venue attracts a wide range of local, regional, national, and even international events and generates significant economic impact for the City of Providence (City) and the State.

In 2005, the Authority's enabling legislation was amended to clarify that the Authority could also own, operate, and finance a "civic center." In December 2005, the Authority issued federally taxable bonds to finance the acquisition of the Dunkin' Donuts Center (DDC) from the City. The DDC is home to the Providence College men's basketball team (the Friars) and the American Hockey League Providence Bruins, the Boston Bruins' highest-level minor league team. The DDC is also the venue for touring family shows, concerts, and other special events. Seating at the DDC is 12,500 for basketball, 11,000 for ice hockey, and 14,500 for center stage events. The Authority completed significant renovations to the DDC in June 2010.

The Authority leases the DDC to the State in an arrangement similar to that for the Convention Center. Rental payments from the DDC lease are applied to payments of bonds initially issued for the acquisition and renovation of the DDC. The DDC is a significant participant in and leader of the overall downtown Providence redevelopment. The renovated DDC represents a tangible and visible demonstration of government commitment to revitalizing the capital city and is a vital economic engine, with many positive and quantifiable multiplier effects on the local and regional economies.

The Providence / Warwick Convention & Visitors Bureau markets Rhode Island to local, regional, national, and international audiences. The Convention Center's marketing partners, including area hotels and restaurants, highlight the renovations / expansions of the DDC to attract larger conventions and meetings.

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In July 2008, the Authority assumed the management of the Veterans Memorial Auditorium, rebranded as The Vets, from the Veterans Memorial Auditorium Foundation, with the approval of the State's Department of Administration (DOA). The Vets is one of the oldest arts venues in Rhode Island and is on the National Register of Historic Places. Operation of The Vets is shared by the DOA and Professional Facilities Management Inc. of Providence (PFM). Spectacor Management Group (SMG) provides as-needed ancillary support to The Vets. PFM manages the marketing, bookings, and box office. The DOA is responsible for utilities, snow removal, and other ancillary operations.

In March 2018, the Authority issued the Garrahy Parking Garage Lease Revenue Bonds, 2018 Series A (federally taxable) (2018 Series A Bonds) to provide funds (i) to finance the acquisition, construction, equipping, and improvement of the parking facility adjacent to the Garrahy Courthouse in Providence, Rhode Island, (ii) to pay the costs of issuance of the 2018 Series A Bonds, and (iii) to pay capitalized interest on the 2018 Series A Bonds. The construction project is well underway and the anticipated completion date is December 2019.

**Overview of the Financial Statements**

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

The Authority engages only in business-related functions, financed in whole or part by assessments to external stakeholders for goods and services. Consequently, the Authority's financial statements include the statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to the financial statements. These financial statements are intended to provide the reader with a broad overview of the Authority's financial status, similar to private-sector entities.

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

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

The Authority is dependent upon annual State appropriations of lease revenue by the General Assembly of the State to fund debt service on its outstanding bonds and capital improvements from the State's Rhode Island Capital Plan Fund (RICAP). The Authority's annual appropriations, exclusive of working capital advances, consist of the following:

	<u>FY18</u>	<u>FY17</u>
Debt service	\$ 19,363,912	\$ 22,464,524
Capital improvements from RICAP	2,317,937	1,671,724
	<u>\$ 21,681,849</u>	<u>\$ 24,136,248</u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**2018 Financial Highlights**

Total liabilities exceeded total assets and deferred outflows of resources by \$55,183,475 (net deficit position) at June 30, 2018. Net position totaling (\$5,179,285) is unrestricted. Net position totaling \$1,116,826 is restricted to be utilized principally for renewal and replacement of capital assets and operating expenditures as reflected in the Authority's bond documentation. The Authority's net deficit position invested in capital assets, net of related debt, totaling (\$51,121,016), is attributable to the DDC acquisition and renovation, related long-term outstanding debt, and associated depreciation of the Authority's capital assets.

Operating loss for FY18 totaled \$11,286,302, a decrease of \$656,548 when compared to FY17.

Net deficit position increased by \$437,283 during FY18.

Overall events hosted by the Authority's operating facilities were as follows:

	FY18	FY17
Convention Center	270	246
DDC	125	136
The Vets	84	80
	<u>479</u>	<u>462</u>

**2017 Financial Highlights**

Total liabilities exceeded total assets and deferred outflows of resources by \$54,746,192 (net deficit position) at June 30, 2017. Net position totaling (\$1,468,312) is unrestricted. Net position totaling \$826,000 is restricted to be utilized principally for renewal and replacement of capital assets and operating expenditures as reflected in the Authority's bond documentation. The Authority's net deficit position invested in capital assets, net of related debt, totaling (\$54,103,880), is attributable to the DDC acquisition and renovation, related long-term outstanding debt, and associated depreciation of the Authority's capital assets.

Operating loss for FY17 totaled \$11,942,849, an increase of \$1,188,016 when compared to FY16.

Net deficit position decreased by \$2,126,205 during FY17.

Overall events hosted by the Authority's operating facilities were as follows:

	FY17	FY16
Convention Center	246	272
DDC	136	128
The Vets	80	81
	<u>462</u>	<u>481</u>



**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Condensed Comparative Information**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Increase (decrease)</u>	
				<u>2018 v 2017</u>	<u>2017 v 2016</u>
<b>Net Position</b>					
Current assets	\$ 48,028	\$ 6,784	\$ 10,644	\$ 41,244	\$ (3,860)
Capital assets, net	134,095	137,302	145,935	(3,207)	(8,633)
Other noncurrent assets	291	630	701	(339)	(71)
Total assets	<u>182,414</u>	<u>144,716</u>	<u>157,280</u>	<u>37,698</u>	<u>(12,564)</u>
Deferred outflows of resources	<u>7,757</u>	<u>4,366</u>	<u>4,831</u>	<u>3,391</u>	<u>(465)</u>
Current liabilities	20,942	18,465	21,335	2,477	(2,870)
Noncurrent liabilities	<u>224,413</u>	<u>185,363</u>	<u>197,648</u>	<u>39,050</u>	<u>(12,285)</u>
Total liabilities	<u>245,355</u>	<u>203,828</u>	<u>218,983</u>	<u>41,527</u>	<u>(15,155)</u>
Net Deficit Position	\$ <u>(55,184)</u>	\$ <u>(54,746)</u>	\$ <u>(56,872)</u>	\$ <u>(438)</u>	\$ <u>2,126</u>
<b>Changes in Net Position</b>					
Operating revenues	\$ 30,503	\$ 28,949	\$ 28,081	\$ 1,554	\$ 868
Operating expenses	<u>41,790</u>	<u>40,892</u>	<u>38,836</u>	<u>898</u>	<u>2,056</u>
Operating loss	(11,287)	(11,943)	(10,755)	656	(1,188)
Nonoperating revenue (expenses), net	<u>10,849</u>	<u>14,069</u>	<u>14,141</u>	<u>(3,220)</u>	<u>(72)</u>
Change in Net Deficit Position	\$ <u>(438)</u>	\$ <u>2,126</u>	\$ <u>3,386</u>	\$ <u>(2,564)</u>	\$ <u>(1,260)</u>
<b>Components of Net Deficit Position</b>					
Net investment in capital assets	\$ (51,121)	\$ (54,104)	\$ (57,861)	\$ 2,983	\$ 3,757
Restricted	1,117	826	2,241	291	(1,415)
Unrestricted	<u>(5,180)</u>	<u>(1,468)</u>	<u>(1,252)</u>	<u>(3,712)</u>	<u>(216)</u>
Total Net Deficit Position	\$ <u>(55,184)</u>	\$ <u>(54,746)</u>	\$ <u>(56,872)</u>	\$ <u>(438)</u>	\$ <u>2,126</u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 AND 2017**

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**2018 Financial Analysis**

Total assets of the Authority increased by \$37,699,411 as of June 30, 2018 compared to June 30, 2017. Current assets increased in 2018 by \$41,244,654 in comparison to 2017, which is principally due to proceeds from the 2018 Series A Bonds on deposit at June 30, 2018. Net capital assets decreased by \$3,206,596, which is primarily attributable to depreciation offset by capital improvements pertaining to the project involving the parking facility adjacent to the Garrahy Courthouse, the RICC, and the DDC. Noncurrent assets, other than capital assets, decreased by \$338,647, which is principally due to full amortization of the prepaid financial guaranty insurance policy that was terminated with the advance refunding of the associated Revenue Refunding Bonds, 2009 Series A (2009 Series A Bonds).

Deferred outflows of resources increased by \$3,390,382 as of June 30, 2018 due to the FY18 deferred charge that resulted from the advance refunding of the 2009 Series A Bonds via the issuance of the Revenue Refunding Bonds, 2017 Series A (federally taxable) (2017 Series A Bonds), offset by the retirement of the deferred charge on refunding associated with the 2009 Series A Bonds and amortization of other net deferred charges on refundings.

The 2017 Series A Bonds were issued to provide funds (i) to refund on an advanced basis the 2009 Series A Bonds and (ii) to pay the costs of issuance of the 2017 Series A Bonds. The refunding resulted in a net present value savings of approximately \$5,700,000.

During 2018, the Authority's long-term debt increased by \$38,769,900 due to the FY18 issuances of the 2017 Series A Bonds and the 2018 Series A Bonds, retirement of the discount associated with the 2009 Series A Bonds, offset by the advance refunding of the 2009 Series A Bonds, scheduled principal payments of \$9,765,000 on outstanding bonds payable, and the net amortization of other bond premiums and discounts.

Total liabilities of the Authority at June 30, 2018, exclusive of bonds payable, increased by \$2,757,176 due to increases in accrued construction costs associated with the project involving the parking facility adjacent to the Garrahy Courthouse, accrued interest, and other advances.

**2018 Operating Activity**

Operating revenues of the Authority increased by \$1,554,259 compared to 2017, which is attributable to increases at the Convention Center offset by decreases at the DDC.

Total operating expenses increased by \$897,711 due to increases in utilities, event production and food and beverage, and bad debt expenses offset by decreases in repair and maintenance expenses.

As a result of the above, the operating loss to the Authority was \$11,286,302 in 2018 compared to \$11,942,850 in 2017.

**2017 Financial Analysis**

Total assets of the Authority decreased by \$12,565,109 as of June 30, 2017 compared to June 30, 2016. Current assets decreased in 2017 by \$3,860,888 in comparison to 2016. Net capital assets decreased by \$8,633,235, which is primarily attributable to depreciation offset by capital improvements to the RICC and DDC. Noncurrent assets, other than capital assets, decreased by \$70,984.

Deferred outflows of resources decreased by \$464,312 as of June 30, 2017 due to amortization of net deferred losses on refundings.

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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During 2017, the Authority reduced its debt through scheduled principal payments of \$11,440,000 on outstanding bonds payable offset by amortization of related bond premiums and discounts.

Total liabilities of the Authority at June 30, 2017, exclusive of bonds payable, decreased by \$2,300,959 due to changes in the timing of events and related payments.

**2017 Operating Activity**

Operating revenues of the Authority increased by \$869,510 compared to 2016, which is attributable to increases at the DDC and Vets offset by a decrease in revenues at the Convention Center.

Total operating expenses increased by \$2,057,528 due principally to increased payroll at the DDC and Vets, increased utilities at the Convention Center, and increased event expenses at the DDC.

As a result of the above, the operating loss to the Authority was \$11,942,850 in 2017 compared to \$10,754,833 in 2016.

**Requests for Information**

This financial report is designed as a general overview of the Authority's financial picture for external and internal stakeholders. Questions concerning any of the information provided in this report or public requests for information should be addressed to the Rhode Island Convention Center Authority, One LaSalle Square, Providence, RI 02903.

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
STATEMENTS OF NET POSITION  
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 3,529,329	\$ 4,015,953
Cash and cash equivalents, restricted	42,685,804	826,000
Accounts receivable, less allowance for doubtful accounts of \$265,162 and \$102,115 in 2018 and 2017, respectively	1,377,184	1,397,096
Due from State		56,300
Prepaid expenses and other assets	436,029	488,343
Total current assets	<u>48,028,346</u>	<u>6,783,692</u>
Noncurrent assets:		
Capital assets not being depreciated	52,318,835	47,647,661
Capital assets being depreciated, net	81,776,495	89,654,265
Prepaid expenses and other assets	291,344	629,991
Total noncurrent assets	<u>134,386,674</u>	<u>137,931,917</u>
Total assets	<u>182,415,020</u>	<u>144,715,609</u>
Deferred Outflows of Resources:		
Deferred charge on refunding	<u>7,756,643</u>	<u>4,366,261</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	6,396,416	4,166,363
Unearned advances	3,760,714	3,188,911
Current portion of bonds payable	10,785,000	11,110,000
Total current liabilities	<u>20,942,130</u>	<u>18,465,274</u>
Noncurrent liabilities:		
Unearned advances, less current portion	596,154	700,721
Retainage payable	59,887	
Bonds payable, less current portion	223,756,967	184,662,067
Total noncurrent liabilities	<u>224,413,008</u>	<u>185,362,788</u>
Total liabilities	<u>245,355,138</u>	<u>203,828,062</u>
Net (Deficit) Position:		
Net investment in capital assets	(51,121,016)	(54,103,880)
Restricted by bond indentures	1,116,826	826,000
Unrestricted	<u>(5,179,285)</u>	<u>(1,468,312)</u>
Total Net Deficit Position	<u>\$ (55,183,475)</u>	<u>\$ (54,746,192)</u>

The accompanying notes are an integral part of the financial statements

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Charges for services	\$ 30,167,550	\$ 28,703,564
Other	336,110	245,837
Total operating revenues	<u>30,503,660</u>	<u>28,949,401</u>
Operating Expenses:		
Personnel services	17,195,437	17,049,115
Contractual services	4,171,356	4,026,009
Utilities	2,611,650	2,199,979
Repairs and maintenance	733,165	913,630
Other supplies and expenses	6,612,025	6,223,407
Depreciation	10,466,329	10,480,111
Total operating expenses	<u>41,789,962</u>	<u>40,892,251</u>
Operating Loss	<u>(11,286,302)</u>	<u>(11,942,850)</u>
Nonoperating Revenues (Expense):		
State appropriations (inclusive of net RICAP appropriations of \$2,317,937 and \$1,671,724 in 2018 and 2017, respectively)	21,681,849	24,136,248
Interest and investment revenue	61,209	7,380
Interest expense and related financing costs	<u>(10,894,039)</u>	<u>(10,074,573)</u>
Net nonoperating revenues	<u>10,849,019</u>	<u>14,069,055</u>
Change in Net Deficit Position	(437,283)	2,126,205
Net Deficit Position at Beginning of Year	<u>(54,746,192)</u>	<u>(56,872,397)</u>
Net Deficit Position at End of Year	<u>\$ (55,183,475)</u>	<u>\$ (54,746,192)</u>

The accompanying notes are an integral part of the financial statements

**RHODE ISLAND CONVENTION CENTER AUTHORITY**  
**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Received from customers	\$ 30,990,808	\$ 28,083,398
Payments to suppliers for goods and services	(14,035,387)	(14,108,260)
Payments to employees	<u>(16,973,937)</u>	<u>(17,391,345)</u>
Net cash provided by (used in) operating activities	<u>(18,516)</u>	<u>(3,416,207)</u>
Cash Provided by Noncapital Financing Activities:		
Transfer from State	<u>21,738,149</u>	<u>24,352,177</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from:		
Bonds issuance	113,720,000	
Payment for:		
Capital assets	(5,253,236)	(2,139,596)
Refunded bond escrow agent	(68,294,980)	
Bonds payable, principal	(9,765,000)	(11,440,000)
Interest paid on bonds payable, net of related financing costs	<u>(10,814,446)</u>	<u>(11,095,062)</u>
Net cash provided by (used in) capital and related financing activities	<u>19,592,338</u>	<u>(24,674,658)</u>
Cash Flows from Investing Activities:		
Interest on investments	<u>61,209</u>	<u>6,895</u>
Net Change in Cash and Cash Equivalents	41,373,180	(3,731,793)
Cash and Cash Equivalents at Beginning of Year	<u>4,841,953</u>	<u>8,573,746</u>
Cash and Cash Equivalents at End of Year	<u>\$ 46,215,133</u>	<u>\$ 4,841,953</u>

The accompanying notes are an integral part of the financial statements

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Reconciliation of Operating Loss to Net Cash		
Provided by (Used in) Operating Activities:		
Operating loss	\$ (11,286,302)	\$ (11,942,850)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Loss on disposition of capital asset	11,906	
Depreciation	10,466,329	10,480,111
Provision for losses on accounts receivable	245,402	(1,472)
(Increase) decrease in operating assets:		
Accounts receivable	(225,490)	(84,583)
Prepaid expenses and other assets	390,961	70,691
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(88,558)	(1,158,156)
Unearned advances	467,236	(779,948)
Net Cash Provided by (Used in) Operating Activities	<u>\$ (18,516)</u>	<u>\$ (3,416,207)</u>

The accompanying notes are an integral part of the financial statements

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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**1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Business**

The Rhode Island Convention Center Authority (Authority) is a public corporation and instrumentality created by the General Assembly of the State of Rhode Island and Providence Plantations (State) in 1987. The Authority was created to facilitate the construction and development of a convention center, parking garages and related facilities in a city or town within the State. It is a component unit of the State for financial reporting purposes and, as such, the financial statements of the Authority will be included in the State's comprehensive annual financial report.

In 2005, the Rhode Island House and Senate approved the issuance of bonds to finance the acquisition of the Dunkin' Donuts Center-Providence (DDC). The legislation authorized the Authority to issue \$92,500,000 in revenue bonds to finance the acquisition from the City of Providence (City) of the real property and improvements constituting the DDC; the renovation, equipping, improvement, and redevelopment of the facility; and the costs of issuing and insuring the bonds.

In July 2008, the Authority entered into a lease with the State's Department of Administration (DOA) and commenced operations of the Veterans Memorial Auditorium (The Vets). Operation of The Vets is shared by the DOA and two facilities-management groups: Professional Facilities Management Inc. of Providence (PFM), and SMG. PFM manages the marketing, bookings and box office; SMG assists with the physical plant, mechanical operations and security with volunteer support provided by Johnson & Wales University students. The DOA is responsible for utilities, snow removal and other ancillary operational support.

In March 2018, the Authority issued the Garrahy Parking Garage Lease Revenue Bonds, 2018 Series A (federally taxable) (2018 Series A Bonds) to finance the acquisition, construction, equipping, and improvement of the parking facility adjacent to the Garrahy Courthouse in Providence, Rhode Island, the costs of issuing, and the costs of capitalizing the interest on the bonds.

**Financial Statement Presentation, Measurement Focus and Basis of Accounting**

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

The Authority uses the economic resources measurement focus and accrual basis of accounting.

The Authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Operating expenses include the cost of services provided, administrative expenses and depreciation expense. All other revenues and expenses are reported as nonoperating revenues and expenses.

**Revenue Recognition**

Revenues are recognized on the accrual basis of accounting. Charges for services consist primarily of the following event-related revenue:

- RICC      Rental income, concessions and catering income and parking income.
- DDC      Rental income, ticket sales, luxury suite income and concession income.
- The Vets      Rental income, ticket sales and concession sales.



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**Cash and Cash Equivalents**

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

**Cash and Cash Equivalents, Restricted**

Unexpended proceeds from the sale of revenue bonds and cash reserves whose use is specified or limited by bond resolutions, enabling legislation, laws or third parties are reported as restricted cash and cash equivalents in the accompanying statements of net position and are classified as either current or noncurrent based on the maturity date of the underlying securities.

**Investments**

Money market investments having a remaining maturity of one year or less at the time of purchase are reported on the statements of net position at their amortized cost. All other investments are reported at fair value.

The Authority’s enabling statute authorizes the Authority to invest in obligations of, or guaranteed by, the United States, or in certificates of deposit or time deposits secured by direct obligations of, or guaranteed by, the United States. The statute also authorizes the Authority to invest proceeds from the sale of any bonds in such obligations, securities and other investments as provided in the resolutions under which such bonds were authorized, principally commercial repurchase agreements.

**Capital Assets and Depreciation**

Capital assets are stated at cost. Cost includes direct and indirect project costs, as well as capitalized interest through the date of completion of each component of the Authority’s property. The Authority defines capital assets as assets with an initial individual cost of more than \$5,000 or repairs in excess of 10% of the asset’s original cost and an initial estimated useful life in excess of one year.

Land and easements consist of land and an intangible asset. Land is recorded at cost and it is not depreciated. The intangible asset consists of a perpetual easement agreement and is recorded at fair value and it is not amortized. In accordance with GASB Statement No. 51, intangible assets with indefinite useful lives are not subject to amortization. Equipment consists of facility furniture, fixtures and equipment. Ordinary maintenance, repairs and replacements are charged directly to operations as incurred.

The Authority provides for depreciation using the straight-line method over the following estimated useful lives of the assets with one-half year of depreciation taken in the fiscal year the asset is placed in service and that of disposal.

<u>Assets</u>	<u>Years</u>
Land	-
Easements	-
Construction in progress	-
Building and facilities	25-30
Equipment	5-15

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The Authority evaluates its capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted future cash flows from the use and disposition of the asset is less than its carrying amount. Generally, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Authority did not record any impairment losses during the years ended June 30, 2018 and 2017.

**Deferred Outflows**

The Authority reports a deferred charge on bond refunding in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**Unearned Advances**

Unearned advances arise when resources are received by the Authority before it has a legal claim to them. In subsequent periods, when the Authority has legal claim to the resources, revenue is recognized.

**Bonds Payable**

Included in revenue bonds payable are balances for bond discounts and premiums. These balances are amortized using the interest method, meaning amortization is based on interest payments over the terms of the series.

**Net Position**

The Authority's net position has been segregated into the following three components:

**Net Investment in Capital Assets**

Represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to those assets, if any.

**Restricted**

Those that have been limited to uses specified either externally by creditors, contributors, laws or regulations of other governments or internally by enabling legislation or law; reduced by liabilities and deferred inflows of resources related to the restricted assets.

**Unrestricted**

A residual category for the balance of net position.

**Use of Estimates**

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

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**Reclassifications**

Certain items relating to the prior year have been reclassified to conform to the current year's financial statement presentation. The reclassifications have no effect on previously reported results.

**2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents, including restricted amounts, consist of the following:

	<u>2018</u>	<u>2017</u>
Deposits	\$ 41,886,409	\$ 4,015,953
Cash equivalents	<u>4,328,724</u>	<u>826,000</u>
	<u>\$ 46,215,133</u>	<u>\$ 4,841,953</u>

Restricted cash and cash equivalents consist of the following:

	<u>2018</u>	<u>2017</u>
Accounts mandated by bond indentures and required uses:		
Renewal and Replacement Account - capital costs and costs of maintaining, repairing, replacing, renovating and improving each facility:		
Rhode Island Convention Center (RICC)	\$ 245,512	\$ 233,941
DDC	520,580	155,851
Parking facility adjacent to Garrahy Courthouse	91,069	
Operating Reserve Fund (Note 5) - operating and maintenance expenses	20,398	77,456
General Revenue Fund - general operating expenses	209,257	240,715
2006 Series A Revenue Fund - operating expenses of the DDC	820	78
2018 Series A Construction Fund - parking facility adjacent to Garrahy Courthouse	40,478,832	
2018 Series A Capitalized Interest Account	<u>999,077</u>	
Total mandated by bond indentures	42,565,545	708,041
Arts Conservation and Maintenance Fund - conservation and maintenance of public works of art in conjunction with the Rhode Island State Council on the Arts and General Rebate Account	<u>120,259</u>	<u>117,959</u>
Total Restricted Cash and Cash Equivalents	<u>\$ 42,685,804</u>	<u>\$ 826,000</u>

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Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. Carrying amounts of the Authority’s cash equivalents, held by the Bank of New York Mellon Trust Company, N.A., (Bank of New York) consist of the following:

	<u>2018</u>	<u>2017</u>
BlackRock Federal Fund Institutional Shares	\$ 3,211,898	\$
Fidelity Institutional Money Market Government Portfolio - Class III	<u>1,116,826</u>	<u>826,000</u>
	<u>\$ 4,328,724</u>	<u>\$ 826,000</u>

BlackRock Federal Fund Institutional Shares is designed to maintain a stable share price of \$1.00, and maintains a dollar weighted average maturity of 23 days as of June 30, 2018. At June 30, 2018, approximately 99% of the securities in which the funds are invested are backed by the full faith and credit of the United States Government; the remainder is neither insured nor guaranteed by the United States Government. As of June 30, 2018, the funds were rated AAA-mf by Moody’s Investors Services (Moody’s) and AAAm by Standard & Poor’s (S&P).

Fidelity Institutional Money Market Government Portfolio Class III is designed to maintain a stable share price of \$1.00, and maintains a dollar weighted average maturity of 25 days as of June 30, 2018 and 2017. At June 30, 2018 and 2017, approximately 99% of the securities in which the funds are invested are backed by the full faith and credit of the United States Government; the remainder is neither insured nor guaranteed by the United States Government. As of June 30, 2018 and 2017, the funds were rated AAA-mf by Moody’s and AAAm by S&P.

These investments are used as temporary cash management investments. The fair value of these money market funds reflects the net asset value reported by the fund administrator, which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments, are generally carried at amortized cost which approximates fair value. There are no withdrawal limitations for the money market mutual funds.

**Deposits**

Under the “Rhode Island Collateralization of Public Deposits Act,” depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. These deposits were not required to be collateralized based on the criteria set forth in the Rhode Island Collateralization of Public Deposits Act.

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The Authority’s bank balances, excluding money market accounts were as follows:

	<u>2018</u>	<u>2017</u>
Bank balance	\$ 42,100,334	\$ 4,235,351
Bank balance insured by federal and other depository insurance	<u>39,095,876</u>	<u>628,889</u>
Uninsured balance	3,004,458	3,606,462
Collateralized - collateral held by third-party custodian in the Authority’s name	<u>3,004,458</u>	<u>3,606,462</u>
Uninsured and Uncollateralized	\$ <u><u>          -</u></u>	\$ <u><u>          -</u></u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market value interest rates.

Although it has no established policy, the Authority manages its exposure to declines in fair values by limiting the term of liquid investments to less than 60 days.

Managed investments are subject to interest rate risk. The risk associated with investments maturing beyond 60 days is mitigated by continuous evaluation of the portfolio’s performance. The Authority receives monthly investment performance reports from its investment advisor and reviews the reports to determine if market conditions reflect the investment performance policies of the Authority.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment and is measured by the assignment of a rating by a nationally recognized statistical rating organization to debt securities. Although it has no established policy, the Authority manages its exposure to credit risk by monitoring the ratings assigned to such securities, as applicable.

**Concentration of Credit Risk**

The Authority has no policy limiting an investment in any one issuer that is in excess of 5% of the Authority’s total investments; however, the Authority continually evaluates alternative investment options to diversify its portfolio and maximize interest income.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Authority’s deposits and investments may not be returned. The Authority does not have a deposit or investment policy for custodial credit risk. The Authority manages the custodial credit risk of its cash and cash equivalents through analysis and review of the custodians’ or counterparties’ credit worthiness.

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**3. CAPITAL ASSETS**

	<b>2018</b>			<b>Balance June 30, 2018</b>
	<b>Balance, July 1, 2017</b>	<b>Increases</b>	<b>Decreases</b>	
Capital assets not being depreciated:				
Land and easements	\$ 46,808,078	\$	\$	\$ 46,808,078
Construction in progress	839,583	4,795,071	(123,897)	5,510,757
Total capital assets not being depreciated	<u>47,647,661</u>	<u>4,795,071</u>	<u>(123,897)</u>	<u>52,318,835</u>
Capital assets being depreciated:				
Buildings and facilities	231,001,337			231,001,337
Equipment	30,527,782	2,600,465	(947,377)	32,180,870
Total capital assets being depreciated	<u>261,529,119</u>	<u>2,600,465</u>	<u>(947,377)</u>	<u>263,182,207</u>
Less accumulated depreciation for:				
Buildings and facilities	(146,893,986)	(8,173,664)		(155,067,650)
Equipment	(24,980,868)	(2,292,665)	935,471	(26,338,062)
Total accumulated depreciation	<u>(171,874,854)</u>	<u>(10,466,329)</u>	<u>935,471</u>	<u>(181,405,712)</u>
Total capital assets being depreciated, net	<u>89,654,265</u>	<u>(7,865,864)</u>	<u>(11,906)</u>	<u>81,776,495</u>
Capital Assets, Net	<u>\$ 137,301,926</u>	<u>\$ (3,070,793)</u>	<u>\$ (135,803)</u>	<u>\$ 134,095,330</u>
	<b>2017</b>			
	<b>Balance, July 1, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2017</b>
Capital assets not being depreciated:				
Land and easements	\$ 46,808,078	\$	\$	\$ 46,808,078
Construction in progress	292,467	581,155	(34,039)	839,583
Total capital assets not being depreciated	<u>47,100,545</u>	<u>581,155</u>	<u>(34,039)</u>	<u>47,647,661</u>
Capital assets being depreciated:				
Buildings and facilities	231,001,337			231,001,337
Equipment	30,139,668	1,299,760	(911,646)	30,527,782
Total capital assets being depreciated	<u>261,141,005</u>	<u>1,299,760</u>	<u>(911,646)</u>	<u>261,529,119</u>
Less accumulated depreciation for:				
Buildings and facilities	(138,720,322)	(8,173,664)		(146,893,986)
Equipment	(23,586,067)	(2,306,447)	911,646	(24,980,868)
Total accumulated depreciation	<u>(162,306,389)</u>	<u>(10,480,111)</u>	<u>911,646</u>	<u>(171,874,854)</u>
Total capital assets being depreciated, net	<u>98,834,616</u>	<u>(9,180,351)</u>		<u>89,654,265</u>
Capital Assets, Net	<u>\$ 145,935,161</u>	<u>\$ (8,599,196)</u>	<u>\$ (34,039)</u>	<u>\$ 137,301,926</u>

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Substantially all capital assets at both June 30, 2018 and 2017, are pledged as collateral for the revenue bonds (see Note 5).

**4. UNEARNED ADVANCES**

Unearned advances consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Current unearned advances:		
Advanced ticket sales	\$ 1,188,379	\$ 796,898
Deposits	1,806,272	1,681,552
Other unearned fees	<u>766,063</u>	<u>710,461</u>
Total current portion	3,760,714	3,188,911
Long-term unearned advances:		
Other unearned fees	<u>596,154</u>	<u>700,721</u>
Total	<u>\$ 4,356,868</u>	<u>\$ 3,889,632</u>

Advanced ticket sales consist of revenue collected prior to an event, including sales collected by the venues and through other outlets. Deposits include other fees collected by the venues for event and rental deposits and facility fees. Other unearned fees include unearned revenue relating to naming rights, sponsorship fees and luxury box agreements.

**5. BONDS PAYABLE**

The Authority's bond indebtedness at June 30, 2018 and 2017, is as follows:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Original Issue</u>	<u>Balance June 30, 2018</u>	<u>Balance June 30, 2017</u>
Bonds Payable:						
Revenue Bonds:						
2006 Series A	06/08/06	05/15/35	5.38% - 6.06%	\$ 92,500,000	\$ 72,115,000	\$ 74,530,000
2018 Series A	03/06/18	05/15/42	2.24% - 4.12%	45,000,000	45,000,000	
Refunding Revenue Bonds:						
2009 Series A	03/25/09	05/15/27	3.00% - 5.50%	70,735,000		64,800,000
2013 Series A	04/04/13	05/15/20	2.00% - 5.00%	37,335,000	14,870,000	21,835,000
2015 Series A	04/01/05	05/15/23	2.00% - 5.00%	31,900,000	30,890,000	31,275,000
2017 Series A	11/21/17	05/15/27	2.28% - 3.26%	68,720,000	<u>68,720,000</u>	
Total Bonds Payable					<u>\$ 231,595,000</u>	<u>\$ 192,440,000</u>

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The Authority is limited to the issuance of bonds or notes in an aggregate principal amount of \$305,000,000. At June 30, 2018 and 2017, outstanding bond and note indebtedness totals \$231,595,000 and \$192,440,000, respectively.

In November 2017, the 2009 Series A Bonds outstanding in the amount of \$64,800,000 were advance refunded via the Authority's issuance of Revenue Refunding Bonds, 2017 Series A (federally taxable) (2017 Series A Bonds).

Concurrent with the issuance of the 2009 Series A Bonds, a financial guaranty insurance policy was issued by Assured Guaranty Corp. (AGC). The policy provided maximum coverage for principal and interest payments on the 2009 Series A Bonds of \$127,472,366. Coverage under the policy terminated with the advance refunding of the 2009 Series A Bonds.

Simultaneous with the issuance of the 2009 Series A and Series B Bonds (2009 Series Bonds), a Debt Service Reserve Fund Facility (the Facility) was issued by Assured Guaranty Municipal Corp. (AGM), formerly Financial Security Assurance, Inc. (FSA) to meet the Debt Service Reserve Fund requirement. The Facility provides maximum coverage of \$16,230,945. Coverage under the Facility expires at the earlier of May 15, 2027 or the date upon which the bonds issued under 1991 General Revenue Bond Resolution (i.e., 2013 Series A, 2015 Series A, and 2017 Series A) are no longer outstanding. In May 2018, AGM was rated by Moody's as A2. In June 2018, AGM was rated by S&P as AA.

During November 2017, the Authority issued its 2017 Series A Bonds in an aggregate amount of \$68,720,000 for the purpose of refunding the Authority's outstanding 2009 Series A and to pay costs of issuance. The net proceeds of \$68,294,980 (after payment of \$425,020 in underwriter's fees and other issuance costs) were deposited in an irrevocable trust fund under an escrow agreement dated December 20, 2017 between the Escrow Agent and the Authority. The proceeds were used to buy a portfolio of direct obligations of, or obligations guaranteed by, the United States of America. All investment income on and the maturing principal of the escrow securities held in the escrow deposit fund will be irrevocably deposited by the Authority for payment of the refunded bonds. The Authority refunded the above bonds to reduce total debt service payments over the next ten years by \$6,863,365 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$5,740,469. The refunded bonds are considered defeased. As of June 30, 2018, the amount of defeased debt outstanding but removed from the statement of net position is \$63,455,000 and the escrow balance is \$65,437,843.

In March 2018, The Authority issued the Garrahy Parking Garage Lease Revenue Bonds, 2018 Series A (federally taxable) (2018 Series A Bonds), in an aggregate amount of \$45,000,000 for the purpose of (i) financing the acquisition, construction, equipping and improvement of the parking facility adjacent to the Garrahy Courthouse, (ii) paying the costs of issuance, and (iii) paying capitalized interest on the 2018 Series A Bonds. The bonds mature between 2019 and 2042.

All outstanding indebtedness is subject to optional and mandatory redemption provisions. Mandatory redemption is required for certain bonds over various years through 2027 at the principal amount of the bonds. Certain bonds may be redeemed early, at the option of the Authority, at amounts ranging from 100% to 102% of the principal balance.



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Outstanding indebtedness is collateralized by all rents receivable (if any) under a lease and agreement between the Authority and the State covering all property purchased by the Authority for the site (see Note 7), all other revenues and receipts from the project, a mortgage on constructed facilities, land financed by proceeds of the bonds, and amounts held in various accounts into which bond proceeds were deposited. In addition, outstanding indebtedness is insured under certain financial guaranty insurance policies.

**Maintenance of Funds**

Each of the bond resolutions contains certain restrictive covenants. During the years ended June 30, 2018 and 2017, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the DDC pursuant to the indentures. During the year ended June 30, 2017, the Authority was unable to fund the Renewal and Replacement requirement of the restrictive covenant for the DDC pursuant to the indenture.

**Rhode Island Capital Plan Fund (RICAP)**

As an operational alternative, the Authority and the DOA entered into three agreements that provide for total appropriations from RICAP of \$6,475,000 for the purpose of addressing the renewal and replacement requirement included in the 2006 Series A Bonds (DDC), \$5,500,000 for the purpose of funding renovations and repairs to the RICC and \$500,000 for the purpose of building a parking garage adjacent to the Garrahy Courthouse in Providence, Rhode Island.

Under the agreement for the DDC, the Authority was authorized to receive funding of \$925,000 in FY14 and annual appropriations of \$1,387,500 through FY18.

Under the agreement for the RICC, the Authority was authorized to receive funding of \$500,000 in FY13 and annual appropriations of \$1,000,000 through FY18.

Under the agreement for the parking facility adjacent to the Garrahy Courthouse, the Authority was authorized to receive funding of up to \$500,000 to be used for construction. The \$483,698 in RICAP funding provided through FY18 for this project was repaid to the DOA in FY18.

Any unexpended funds from one fiscal year will be recommended to be reappropriated to the subsequent fiscal year. During FY18, the Authority received appropriations for the DDC totaling \$1,113,392 and for the RICC totaling \$1,688,243, which included carryover funding from the prior fiscal year. These funding allocations are included in nonoperating revenues in the accompanying 2018 and 2017 statements of revenues, expenses and changes in net position.

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At June 30, 2018, aggregate scheduled principal and interest payments due on the Authority's bonds through maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 10,785,000	\$ 10,667,360
2020	14,570,000	9,863,845
2021	16,695,000	9,229,297
2022	17,465,000	8,453,323
2023	16,160,000	7,626,915
2024-2028	85,975,000	27,513,895
2029-2033	35,070,000	14,588,697
2034-2038	23,970,000	4,973,699
2039-2042	10,905,000	1,193,628
	<u>231,595,000</u>	<u>\$ 94,110,659</u>
Bond premium	<u>2,946,967</u>	
Bonds Payable	<u>\$ 234,541,967</u>	

Changes in bonds payable during the years ended June 30, 2018 and 2017, were as follows:

	<b>2018</b>				
	<u>Balance, July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$ 192,440,000	\$ 113,720,000	\$ (74,565,000)	\$ 231,595,000	\$ 10,785,000
Bond premium	4,178,086		(1,231,119)	2,946,967	
Bond discount	(846,019)		846,019	-	
Total	<u>\$ 195,772,067</u>	<u>\$ 113,720,000</u>	<u>\$ (74,950,100)</u>	<u>\$ 234,541,967</u>	<u>\$ 10,785,000</u>
	<b>2017</b>				
	<u>Balance, July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$ 203,880,000		\$ (11,440,000)	\$ 192,440,000	\$ 11,110,000
Bond premium	5,710,069		(1,531,983)	4,178,086	
Bond discount	(963,338)		117,319	(846,019)	
Total	<u>\$ 208,626,731</u>	<u>\$ -</u>	<u>\$ (12,854,664)</u>	<u>\$ 195,772,067</u>	<u>\$ 11,110,000</u>

**Surety Bonds**

The Authority maintains an agreement with AMBAC Indemnity Corporation (AMBAC) under which AMBAC provides the Authority with surety bond coverage to meet Debt Service Reserve Fund requirements for the RICC. The surety bond provides a maximum coverage of \$15,200,000. Coverage under the surety bond expires on May 15, 2023.

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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The Authority maintains additional agreements with AMBAC for the RICC under which AMBAC provides the Authority with separate surety bond coverages to meet Debt Service Reserve Fund and Operating Reserve Fund requirements, respectively. The surety bond relating to the Debt Service Reserve Fund requirements replaced mandated investments and provides a maximum coverage of approximately \$8,755,000. The surety bond relating to the Operating Reserve Fund requirements also replaced mandated investments and provides a maximum coverage of approximately \$3,895,000. Coverage under both surety bonds expires on May 15, 2027.

The Debt Service and Operating Reserve Fund Facilities are required to have a credit rating in one of the three highest categories by Moody's and S&P. As of June 30, 2018 and 2017, AMBAC's credit rating did not meet the aforementioned requirement, however, the Authority acquired from AGM a surety bond that meets the Debt Service Reserve Fund requirement for the RICC.

**Debt Compliance**

The Authority is required by the Internal Revenue Service, as well as its various bond resolutions, to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and the Authority must comply with various restrictions on investment earnings from bond proceeds. The Authority is in compliance with all tax code provisions and bond covenants with exception of certain maintenance of funds requirements as explained above.

**6. OTHER COMMITMENTS AND RELATED PARTY TRANSACTIONS**

**Collective Bargaining Agreements**

At June 30, 2018, SMG, the management company that operates the RICC and DDC, has several collective bargaining agreements, which expire at various dates through September 2021, covering approximately 72% of SMG's labor force. Collective bargaining agreements expiring prior to June 30, 2019 cover approximately 5% of SMG's labor force.

SMG contributes to several union-sponsored multi-employer defined benefit pension plans under the terms of collective bargaining agreements that cover its union-represented employees. The risks of participating in these multi-employer plans differ from single-employer plans. The potential risks include, but are not limited to, the use of SMG's contributions to provide benefits to employees of other participating employers, SMG becoming obligated for other participating employers' unfunded obligations, and, upon SMG's withdrawal from a plan, SMG being required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. SMG has no intention of withdrawing from the plans.

Contributions are payable monthly and are determined on the basis of the number of hours worked by the respective employees. The union pension plans do not account for plan assets and liabilities separately for participating employers. Accordingly, information regarding the plans' assets, liabilities and pension benefit obligations applicable to SMG is not available.

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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The Authority's legal counsel has determined that it is possible that the Authority could be responsible for funding the unfunded pension obligations attributable to SMG's labor force, past and present, who are beneficiaries of the union-sponsored multi-employer defined benefit plans to which SMG contributes, although the weight of the case law on this question would favor the Authority's position that it is not responsible for these obligations if it were to seek to avoid paying any actual withdrawal liability claim.

**RICC and DDC Management Agreements**

The Authority has a management agreement with SMG, the terms of which expire on June 30, 2025, under which SMG provides various services relating to the operations of the RICC, its parking facilities and the DDC. The Authority also has agreements with other vendors through June 30, 2025. Based on the terms of the management agreement, the Authority funds payroll and related costs of SMG's labor force, which have been included in personnel services on the statements of revenues, expenses and changes in net position. For the years ended June 30, 2018 and 2017, SMG personnel services totaled \$16,203,644 and \$16,111,833, respectively. Negotiations between the Authority and SMG to restructure the term of the management agreement are in progress.

The Authority pays SMG an annual base management fee of \$375,000 for the RICC and its parking garages and \$100,000 for the DDC. Management fees are imbedded in the operating budgets of both entities and are requested in a monthly funding format. Both fees are adjusted annually by the annual percentage change in the "Consumer Price Index for all Urban Consumers, U.S. City Average All Items" (CPI), to a maximum of three percentage points (CPI Adjustment).

In addition to the base management fees, the Authority pays incentive compensation consisting of both quantitative and qualitative components. There is no quantitative element for the RICC. The quantitative component for the DDC is conditional upon the DDC achieving break-even results. Prior to break-even results, this fee equals 15% of the improvement over a net operating loss of approximately \$300,000. Following break-even results, this fee equals 25% of the amount, if any, that exceeds the DDC's break-even number.

The qualitative portion of the incentive fee cannot exceed \$25,000 annually for the DDC, adjusted annually by the CPI Adjustment. The qualitative incentive fee for the RICC cannot exceed 5% of its annual base management fee. During FY18 and FY17, the Authority paid \$72,000 in each year for incentive fees pertaining to a prior year.

The base management fees incurred for the years ended June 30, 2018 and 2017, totaled \$505,725 and \$499,140, respectively. The Authority advances funds to SMG to pay operating expenses of the RICC and the DDC.

Under the term of the management agreement, SMG is committed to advance \$750,000 in two equal installments to the Authority for operation and maintenance of the RICC, its parking garages and the DDC. The first installment was advanced in October 2011 and the second was due July 2017. The Authority's repayment of SMG's advances is forgiven ratably during the term of the agreement. Upon termination of the management agreement, any unforgiven balance shall be paid by the Authority to SMG within 30 days of expiration.

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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**The Vets Management Agreement**

The Authority has a management agreement with PFM, which expires on June 30, 2021, relating to the operations of The Vets. The agreement with PFM provides for annual payments of \$125,000 for management services and \$125,000 for centralized operating services.

**Providence/Warwick Convention & Visitors Bureau (CVB)**

Pursuant to an agreement between the Authority and the CVB, the CVB provides marketing and other services to the Authority; annual fees for these services were \$630,000 for the years ended June 30, 2018 and 2017. The agreement was renewed effective July 1, 2016 through June 30, 2019 and provides for annual fees of \$630,000.

**7. LEASE REVENUE FROM STATE**

The Authority maintains a Lease and Agreement, dated November 1, 1991 and amended July 1, 1993 (the Agreement), with the State. The Agreement establishes provisions for the Authority, as lessor, to lease the RICC and related facilities (including the land on which the sites are located) to the State. The State has the option to purchase the leased property at any time during the lease term for the sum of all obligations of the Authority then outstanding plus one dollar (\$1). The lease term extends until such time as all outstanding indebtedness (see Note 5) is paid in full.

Minimum annual lease payments from the State are equal to the debt service costs of the Authority. In the event of an operating deficit (excluding depreciation), annual lease payments may be increased by the amount of the deficit. The obligation of the State to pay such rentals is subject to and dependent upon annual appropriations of such payments being made by the Rhode Island General Assembly for such purpose. Those appropriations are made in connection with the State's annual budgetary process and are therefore dependent upon the State's general financial resources and factors affecting such resources. The Authority was appropriated \$19,363,912 and \$22,464,524 for the years ended June 30, 2018 and 2017, respectively, from the State, exclusive of working capital advances and represents the anticipated gross debt service for the RICC and DDC.

The Authority's ability to continue operations is dependent upon receipt of the annual State appropriation of lease revenue.

The Authority has entered into a sublease agreement with the State, for a term equal to the term of the above Lease and Agreement, whereby the Authority subleases the RICC and related facilities from the State for one dollar (\$1) per year.

**8. COMMITMENT AND CONTINGENCIES**

Through June 30, 2018, the Authority's remaining commitment under contracts entered into with vendors associated with the construction project involving the parking facility adjacent to the Garrahy Courthouse totaled approximately \$36,100,000.

The Authority is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Authority's financial position or results of operations.

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

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**9. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, errors and omissions, property casualty and liability, and workers' compensation claims for which the Authority carries commercial insurance. Management believes the Authority has access to sufficient funds for potential claims, if any, that are subject to deductibles or are in excess of stated coverage maximums. The Authority is not aware of any potential claims. During the past five years, claims settled have not exceeded the Authority's coverage, and there have been no significant reductions in insurance coverage. Accordingly, the Authority has not recorded a reserve for potential claims.

**10. RETIREMENT PLANS**

The Authority sponsors two retirement plans: a defined contribution 401(a) plan and a deferred compensation 457(b) plan. The retirement plans allow for employee and discretionary employer contributions and cover substantially all full-time employees who meet the eligibility requirements. In both 2018 and 2017, the Authority contributed \$29,060 and \$22,848 to the 457(b) and 401(a) plans, respectively.

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
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SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>	<u>Amount</u>
<b><u>Rhode Island Convention Center (RICC)</u></b>			
<b>Travel</b>			
Lawrence Lepore	Pollstar Conference - Hotel, Taxi, Limo	\$	2,240
Amanda Wilmouth	SMG General Manager's Meeting - Hotel, Flight - Long Beach		2,186
Lawrence Lepore	SMG General Manager's Meeting - Hotel, Flight Change, Baggage Fee, Taxi's - Long Beach		2,067
Chris Spolidoro	SMG Operations Meeting - Long Beach, CA - Hotel, Taxi, Airfare		1,962
Amanda Wilmouth	PCMA Conference - Flight, Hotel, Taxi, Baggage Fee - Nashville, TN		1,854
Beth Johnson	SMG Finance Meeting - Los Angeles, CA - Airfare, Hotel, Parking, Taxi, Mileage		1,730
Arleen Oliva	IMEX America/Tradeshaw - Las Vegas, NV - Hotel, Airfare, Taxi, Parking, Mileage		1,711
Arleen Oliva	ASAE Annual Convention - Toronto, Canada - Airfare, Hotel, Taxi, Parking, Mileage		1,468
Arleen Oliva	Sales Meeting - Kansas City, KS & Minneapolis, MN - Airfare		1,432
Melissa Avedisian	Connect - New Orleans, LA - Hotel, Airfare, Taxi		1,328
John McGinn	NACS - Pittsburgh, PA - Hotel, Airfare, Parking, Taxi		1,301
John McGinn	NYC Sales Mission - Hotel, Train Ticket, Taxi		1,053
Rachel Costa	ESPA/PCMA - Nashville, TX - Hotel, Taxi, Parking		1,032
Arleen Oliva	CSPI Annual Conference - Washington, DC - Hotel, Airfare, Taxi, Mileage, Parking		1,031
Travel Resource	Pollstar Conference - Airfare		1,021
Melissa Avedisian	NASC Symposium - Minneapolis, MN - Hotel, Taxi, Early Check-In		971
Jonathon Canario	KNEXT Training - Charleston, SC - Hotel, Parking, Taxis		874
John McGinn	IAEE Expo Expo - San Antonio, TX - Hotel, Taxi, Airport Parking		855
Arleen Oliva	IAEE Expo Expo - San Antonio, TX - Hotel, Airport Parking		813
Howard Allen	OSHA Training - Philadelphia, PA - Air, Hotel		802
Chris Spolidoro	OSHA Training - Philadelphia, PA - Hotel, Airfare		802
Taylor Finley	KNEXT Training - Charleston, SC - Hotel, Taxi, Baggage Fee		772
Lincoln Sisson	Penn Yan, NY - Dog Recertification - Hotel, Car Rental, Parking/Tolls & Fuel		767
Katrina Delicato	NACUFS Site Visit - Airfare, Taxi, Parking		718
John McGinn	IAEE Expo Expo - San Antonio, TX - Airfare		702
Arleen Oliva	IAEE Expo Expo - San Antonio, TX - Airfare		702
Chris Spolidoro	SMG Operations Meeting - Pittsburgh, PA - Hotel, Taxi & Baggage		514
Travel Resource	Pollstar Conference - Airfare Change		454
Travel Resource	Merelise Hitte (New Accounting Manager) - Airfare - Philadelphia, PA - Training		446
Arleen Oliva	Sales Meeting - Kansas City, KS & Minneapolis, MN - Hotel, Mileage, Parking		435
Merelise Hitte	Accounting Manager Training - Chicago, IL - Hotel, Parking, Taxis		419
Travel Resource	A Wilmouth - SMG Mgmt Meeting - Philadelphia, PA - Airfare		401
Travel Resouce	C Spolidoro - Airfare - Pittsburgh, PA - Airfare		401
Melissa Avedisian	NASC Symposium - Minneapolis, MN - Airfare		358
Rachel Costa	ESPA/PCMA - Nashville, TX - Airfare		275
Jonathon Canario	KNEXT Training - Charleston, SC - Airfare		252
Taylor Finley	KNEXT Training - Charleston, SC - Airfare		252
Lawrence Lepore	SMG General Manager's Meeting - Pittsburgh, PA - Cancelled Flight		225
Kathy Masino	New England Food Show - Boston, MA - Train Fare for Staff		224
Lawrence Lepore	Michael Hamilton - Hotel - Recruitment - Potential Business		224
Rachel Costa	Omni Hotel - Snow Day - 3/22/18 - Rachel Costa & Carolina Franko		224
Various	Miscellaneous Amounts Under \$200		667
	Total Travel		\$ 37,966
<b>Meals and Entertainment</b>			
Lawrence Lepore	SMG General Manager's Meeting - Long Beach - Meals		981
Lawrence Lepore	Union Representative - Centro Restaurant - Re: Capital Projects		965
Lawrence Lepore	Pollstar Conference - Los Angeles, CA - Meals		636
	J Ritz-Parsons/Sheila Judkins/Julie Duffy, Crystal Flynn, D Fergenbaum/John Hogue, K Maleski,		
Lawrence Lepore	Hasbro - Thank You Dinner		550
John McGinn	Providence Sales Mtg - Wildbirds Unlimited - K Ceseretti-CVB, E Degulis, Matt DeSalvo		434
Chris Spolidoro	Comic Con - Security Meals		345
Chris Spolidoro	Hascon - Staff Move Out Meal		330
John McGinn	Annual Customer Cookie Blitz - Staff Meal		319
Taylor Finley	KNEXT Training - Charleston, SC - Meals		299

(Continued on next page)

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>	<u>Amount</u>
<b><u>Rhode Island Convention Center (RICC)</u></b>			
<b>Meals and Entertainment (continued)</b>			
Lawrence Lepore	Aurora Club - Hasbro Mtmt Mtg - P Roux, J Parsons, J Hule, C Flynn	293	
	Maytag Business Meeting - D Smith, Mktg Mgr, M Conover, Training Mgr, V Holland Advertising		
Diane Richards	Mgr Hemmingways	287	
Melissa Avedisian	NASC Symposium - Minneapolis, MN - Meals	282	
Amanda Wilmoth	New England Food Show - Boston, MA - F&B Staff & A Wilmoth	276	
Rachel Costa	Capital Grille - Client Appreciation - Freman Decorating & JLC Live	271	
Lawrence Lepore	Capital Grille - M Hamilton, P Hamilton - Recruit/Interview	265	
Lawrence Lepore	Mare Rooftop - M Hamilton, P Hamilton, T Bechert - Recruit/Interview	263	
Arleen Oliva	IMEX America/Tradeshaw - Las Vegas, NV - Meals	251	
Arleen Oliva	Sales Meeting - Kansas City, KS & Minneapolis, MN - Meals	247	
Jonathon Canario	KNEXT Training - Charleston, SC - Meals	236	
Prov Warwick CVB	Buddy V's - Las Vegas, NV - IMEX STK Client Dinner - Grace Jan & Caitlin Gaborow	231	
Rachel Costa	ESPA/PCMA - Nashville, TX - Meals	228	
Melissa Avedisian	Connect - New Orleans, LA - Meals	227	
John McGinn	NYC Sales Mission - Meals	218	
Various	Miscellaneous Amounts Under \$200	2,092	
	Total RICC Meals and Entertainment		10,526
	Total RICC Travel and Entertainment		48,492
<b><u>Dunkin' Donuts Center (DDC)</u></b>			
<b>Travel</b>			
Debra Polselli	Pollstar Conference - Los Angeles, CA - Hotel, Uber, Baggage Fee	\$ 1,932	
Cheryl Cohen	Pollstar Conference - Los Angeles, CA - Hotel, Baggage Fee	1,739	
Cheryl Cohen	C Cohen - Nashville, TN - Hotel, Baggage Fee, Taxi	1,027	
Debra Polselli	IEBA Conference - Nashville, TN - Hotel, Baggage Fee, Taxi	914	
Michael Hamilton	Airfare from Toronto, Canada - Recruitment	765	
Travel Resources	D Polselli - IEBA Conference - Nashville, TN - Airfare	579	
Travel Resources	C Cohen - IEBA Conference - Nashville, TN - Airfare	579	
Robert Lauro	SMG Operations Meeting - Philadelphia, PA - Hotel, Taxi	563	
Travel Resource	R Lauro - SMG Operations Meeting - Philadelphia, PA - Airfare	401	
Travel Resources	D Polselli - Pollstar Conference - Los Angeles, CA - Airfare	331	
Travel Resources	C Cohen - Pollstar Conference - Los Angeles, CA - Airfare	331	
Debra Polselli	New York City, NY - Hotel, Uber, Parking	319	
Various	Miscellaneous Amounts Under \$200	387	
	Total DDC Travel		\$ 9,867
<b>Meals and Entertainment</b>			
Barefoot Sailing	Volvo Open - Charter Rental - Deposit	3,750	
Barefoot Sailing	Volvo Open - Charter Rental - Remaining Balance	3,750	
Newport Yacht Center	Volvo Open - Berth Rental - Remaining Balance	1,072	
Cheryl Cohen	Pollstar Conference - Los Angeles, CA - Meals	349	
Debra Polselli	Pollstar Conference - Los Angeles, CA - Meals	271	
Newport Yacht Center	Volvo Open - Berth Rental - Deposit	232	
Robert Lauro	SMG Operations Meeting - Philadelphia, PA - Meals	224	
Various	Miscellaneous Amounts Under \$200	1,309	
	Total DDC Meals and Entertainment		10,957
	Total DDC Travel and Entertainment		20,824
<b><u>Veterans Memorial Auditorium Arts and Cultural Center (VMA)</u></b>			
Daniel Schwartz	Southwest Airfare - DPAC Conference - Raleigh-Durham, North Carolina	424	
Daniel Schwartz	Holiday Lunch - Cassarino's Ristorante	273	
Various	Miscellaneous Amounts Under \$200	966	
	Total VMA Meals and Entertainment		1,663
	<b>Total Travel and Entertainment</b>		<b>\$ 70,282</b>



**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
STATE OF RHODE ISLAND REQUIRED FORMAT  
JUNE 30, 2018**

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**Statement of Net Position**

**Attachment B**

Assets:

Current assets:

Cash and cash equivalents	\$ 3,529,329
Investments	
Receivables, net	1,377,184
Restricted assets:	
Cash and cash equivalents	42,685,804
Investments	
Receivables, net	
Other assets	
Due from primary government	
Due from other component units	
Due from other governments	
Inventories	
Other assets	<u>436,029</u>

Total current assets	<u>48,028,346</u>
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Noncurrent assets:

Investments	
Receivables, net	
Restricted assets:	
Cash and cash equivalents	
Investments	
Receivables, net	
Other assets	
Due from other component units	
Capital assets - nondepreciable	52,318,835
Capital assets - depreciable, net	81,776,495
Other assets, net of amortization	<u>291,344</u>

Total noncurrent assets	<u>134,386,674</u>
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Total assets	<u>182,415,020</u>
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Deferred Outflows of Resources:

Accumulated decrease in fair value of hedging derivatives	
Deferred loss on advance debt refunding	7,756,643
Deferred pension amounts	
Other deferred outflows of resources	

Total deferred outflows of resources	<u>7,756,643</u>
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**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
STATE OF RHODE ISLAND REQUIRED FORMAT (CONTINUED)  
JUNE 30, 2018**

**Statement of Net Position (Continued)**

**Attachment B**

Liabilities:

Current liabilities:

Cash overdraft	\$	
Accounts payable		6,396,416
Due to primary government		
Due to other component units		
Due to other governments		
Unearned revenue		3,760,714
Other current liabilities		
Current portion of long-term debt		<u>10,785,000</u>
Total current liabilities		<u>20,942,130</u>

Noncurrent liabilities:

Due to primary government		
Due to other component units		
Due to other governments		
Net pension liability		
Net OPEB obligation		
Unearned revenue		596,154
Notes payable		
Loans payable		
Obligations under capital leases		
Compensated absences		
Other liabilities		59,887
Bonds payable		<u>223,756,967</u>
Total noncurrent liabilities		<u>224,413,008</u>

Total liabilities		<u>245,355,138</u>
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Deferred Inflows of Resources:

Accumulated increase in fair value of hedging derivatives		
Deferred gains on refunding		
Deferred pension amounts		
Other deferred inflows of resources		
Total deferred inflows of resources		<u>-</u>

Net Position:

Net investment in capital assets		(51,121,016)
Restricted for:		
Debt		
Other		1,116,826
Nonexpendable		
Unrestricted		<u>(5,179,285)</u>

Total Net Position	\$	<u>(55,183,475)</u>
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**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
STATE OF RHODE ISLAND REQUIRED FORMAT  
FOR THE YEAR ENDED JUNE 30, 2018**

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<u>Statement of Activities</u>	<u>Attachment C</u>
Expenses	\$ <u>52,684,001</u>
Program Revenues:	
Charges for services	30,167,550
Operating grants and contributions	
Capital grants and contributions	
Total program revenues	<u>30,167,550</u>
Net (expenses) revenues	<u>(22,516,451)</u>
General Revenues:	
Interest and investment earnings	61,209
Miscellaneous revenue	<u>336,110</u>
Total general revenues	<u>397,319</u>
Transfers from Primary Government Extraordinary items	<u>21,681,849</u>
Change in net position	(437,283)
Total Net Deficit Position - Beginning	<u>(54,746,192)</u>
Total Net Deficit Position - Ending	<u>\$ <u>(55,183,475)</u></u>

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
STATE OF RHODE ISLAND REQUIRED FORMAT  
JUNE 30, 2018**

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**Attachment D**

**Schedule of Debt Service to Maturity  
Long-Term Debt**

**Bonds Payable**

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 10,785,000	\$ 10,667,360
2020	14,570,000	9,863,845
2021	16,695,000	9,229,297
2022	17,465,000	8,453,323
2023	16,160,000	7,626,915
2024-2028	85,975,000	27,513,895
2029-2033	35,070,000	14,588,697
2034-2038	23,970,000	4,973,699
2039-2042	10,905,000	1,193,628
	<b>\$ <u>231,595,000</u></b>	<b>\$ <u>94,110,659</u></b>

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
STATE OF RHODE ISLAND REQUIRED FORMAT  
FOR THE YEAR ENDED JUNE 30, 2018**

	Attachment E					
	Schedule of Changes in Long-Term Debt					
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	\$ 192,440,000	\$ 113,720,000	\$ (74,565,000)	\$ 231,595,000	\$ 10,785,000	\$ 220,810,000
Net unamortized premium/discount	3,332,067		(385,100)	2,946,967		2,946,967
Bonds payable	<u>195,772,067</u>	<u>113,720,000</u>	<u>(74,950,100)</u>	<u>234,541,967</u>	<u>10,785,000</u>	<u>223,756,967</u>
Notes payable						
Loans payable						
Obligations under capital leases						
Net pension liability						
Net OPEB obligation						
Due to primary government						
Due to component units						
Due to other governments and agencies						
Unearned revenue	3,889,632	467,236		4,356,868	3,760,714	596,154
Compensated absences						
Retainage payable		59,887		59,887		59,887
Reported as other liabilities:						
Arbitrage rebate						
Pollution remediation						
Items not listed above						
Other liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 199,661,699</u>	<u>\$ 114,247,123</u>	<u>\$ (74,950,100)</u>	<u>\$ 238,958,722</u>	<u>\$ 14,545,714</u>	<u>\$ 224,413,008</u>



Accounting | Tax | Business Consulting

## **Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Commissioners  
Rhode Island Convention Center Authority  
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 Convention Center Authority, a component unit of the State of Rhode Island, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Rhode Island Convention Center Authority's basic financial statements, and have issued our report thereon dated September 27, 2018.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Rhode Island Convention Center Authority'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 Convention Center Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rhode Island Convention Center Authority's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Rhode Island Convention Center Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-001.

## **The Rhode Island Convention Center Authority's Response to Findings**

The Rhode Island Convention Center Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. The Rhode Island Convention Center Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 Rhode Island Convention Center Authority'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 Rhode Island Convention Center Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
September 27, 2018

**RHODE ISLAND CONVENTION CENTER AUTHORITY  
 (A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)  
 SCHEDULE OF FINDINGS  
 FOR THE YEAR ENDED JUNE 30, 2018**

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<b>2018-001</b>	<b>Restrictive Covenants</b>
<b>Criteria</b>	Bond indentures require that the Authority fund the Operating Reserve.
<b>Condition</b>	During the year ended June 30, 2018, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the DDC pursuant to the indentures.
<b>Context</b>	The Authority is currently in violation of its debt indentures.
<b>Effect</b>	As a result of this fund not being funded, the Authority is in noncompliance with bond indentures.
<b>Cause</b>	The Authority does not have sufficient cash flow to fund the Operating Reserve.
<b>Recommendation</b>	We recommend that the Authority fund the Operating Reserve.
<b>Views of Responsible Officials and Planned Corrective Action</b>	<p><b>Authority Response</b></p> <p>The Authority will fund the Operating Reserve provided there is sufficient cash flow.</p> <p>Given that Authority continues to make timely and complete debt service payments, it would make little sense for the trustee to declare a default for reserve fund noncompliance. In fact, this has been the practical practice over several years as the Authority has failed to maintain adequate reserves due to insufficient State appropriations. If a default was declared, the Authority would have 90 days to cure and would seek a legislative appropriation to remedy the default. Of course, annual appropriations in excess of debt service requirements would assist in building reserves and reaching the requirements.</p>