



Rhode Island Airport Corporation

March 13, 2015

**ADDENDUM NO. 001
Request for Proposal – Contract No. 25741
Audit Services**

Prospective Proposers and all concerned are hereby notified of the following changes in the Request for Proposal document for Audit Services, RFP No. 25741. These changes shall be incorporated in and shall become an integral part of the contract documents.

Please see attached questions and answers as posed by prospective bidders



Jeffrey P. Goulart
Purchasing Agent

RFP 25741– Responses to Questions from Prospective Bidders

1. **Question:** When are the Corporation Books ready for Audit?

Response: RIAC expects to be ready for fieldwork to start the first full week in August. Planning should be done during the months of May and/or June.

2. **Question:** Does management prepare the financial statements or is the auditor expected to prepare them?

3. **Response:** The auditor is expected to prepare the financial statements for management's review and approval. RIAC has designated the Chief Financial Officer to oversee the preparation of the financial statements.

4. **Question:** Federal Single audit – Do you expect that any of the Corporations' grants will be a major program for the state?

Response: Yes.

5. **Question:** Passenger Facility Charges – We believe an auditor's opinion on PFC compliance and controls over PFC compliance is required but this is not mentioned in the RFP.

Response: Please see Attachment B for RIAC's FY 2014 PFC Audit Report.

6. **Question:** Does the Corporation prepare the schedule of travel and entertainment expenses?

Response: Yes.

7. **Question:** Has the Corporation or the state started planning implementation of GASB 68?

Response: Planning for GASB 68 has begun and the State intends to provide the actuarial information needed for the calculation of RIAC's net pension liability. Restatement of opening net position may be required as part of the implementation of GASB 68.

8. **Question:** Could you please provide a copy of the prior year's single audit and passenger facility charge report?

Response: Please see Attachment A - Federal Financial Compliance Report and Attachment B – Passenger Facility Charge Program Report

9. **Question:** Was there a management letter prepared in the prior year?

Response: No.

10. **Question:** Does management prepare the financial statements?

Response: The auditor is expected to prepare the financial statements for management's review and approval. RIAC has designated the Chief Financial Officer to oversee the preparation of the financial statements.

11. **Question:** Were there any adjusting entries in the prior year proposed by the CPA Firm?

Response: No

12. **Question:** Are there any immediate plans for any future bond issuances?

Response: RIAC is currently in the final stages of issuing its Airport Revenue Refunding Bonds, 2015 Series A, with a commercial bank to refund its 2004 Series A Airport Revenue Refunding Bonds. RIAC anticipates a closing in March 2015 for this transaction. In the Summer/Fall of 2015, RIAC is planning to issue Airport Revenue Bonds. The primary purpose is to provide approximately \$30 million of funding for Runway 5/23 extension project. There is also the potential to issue approximately \$95 million of Airport Revenue Refunding Bonds to refund all or a portion of the 2005 Series A & B Airport Revenue Bonds, and the 2005 Series C Airport Revenue Refunding Bonds.

13. **Question:** Has the Corporation investigated and quantified the impacts of the implementation of GASB 68?

Response: Please see response to Question No. 7

14. **Question:** Could you provide a timeline when you would like the planning/fieldwork performed in order to meet the State timing requirements?

Response: Planning should be done during the months of May and/or June. Fieldwork typically commences during the first full week of August.

15. **Question:** Could you please provide a copy of the Single Audit Report and the PFC revenue audit reports for the year ended June 30, 2014.

Response: Please see response to Question No. 8

16. **Question:** Was a management letter issued in connection with the audit for the year ended June 30, 2014?

➤ If so, please provide a copy.

Response: No management letter was issued.

17. **Question:** Were there any audit adjustments recorded, or adjustments proposed and not recorded, related to the financial statement audit as of and for the year ended June 30, 2014?

- If audit adjustments were recorded or adjustments were proposed and not recorded, could you please provide a copy of such proposed and/or recorded audit adjustments.

Response: No audit adjustments were recorded, or proposed and not recorded related to the financial statement audit as of and for the year ended June 30, 2014.

18. **Question:** What were the audit fees paid for the year ended June 30, 2014 for the following:

- a) Financial statement audit?
- b) PFC revenue audits?
- c) Single Audit?

Response: The fees paid were as follows:

- | | |
|------------------------------|-----------|
| a) Financial statement audit | \$26,250 |
| b) PFC revenue audits | \$5,350 |
| c) Single Audit | \$10,800* |

There is an outstanding invoice related to Single Audit which is under review.

19. **Question:** Does RIAC anticipate any significant changes in the number or dollar amount of existing federal financial assistance programs, or expect any new federal financial assistance programs in fiscal years 2015 through 2017 when compared to the year ended June 03, 2014?

- If so, please provide details.

Response: Please refer to RIAC's website for a copy of RIAC's five year CIP [RIAC'S FIVE YEAR CIP BUDGET](#) which contains anticipated funding sources. Please note that this is a planning document and subject to change.

20. **Question:** Approximately what date will RIAC be ready for the financial audit to commence?

Response: RIAC expects to be ready for fieldwork to start the first full week in August. Planning should be done during the months of May and/or June.

21. **Question:** When does the audit firm typically perform the work related to the Single Audit?

Response: The audit firm typically performs the work related to the Single Audit during planning and fieldwork.

22. **Question:** Does RIAC prepare its financial statements, including the notes and supplementary information thereto, or does the RIAC require that the financial statements and the notes and supplementary information be prepared by the audit firm for management's review and approval?

Response: The auditor is expected to prepare the financial statements and supplementary information for management's review and approval. RIAC has designated the Chief Financial Officer to oversee the preparation of the financial statements. The schedule of travel and entertainment expenses is prepared by RIAC.

23. **Question:** Although the Auditor General's Office requires a date later than September 30th of each year for completion of the Single Audit, is RIAC specifically requiring that the Single audit be completed by September 30th of each year?

Response: Yes.

24. **Question:** Did RIAC request the audit firm to provide any other services other than the audits of the financial statements, PFC revenues, and Single Audit?

- If yes, please provide a description of such services and the cost of each such service.

Response: RIAC requested the audit firm to provide "agreed upon procedures" related to Bond Issuances. The cost of these services was based on the proposed hourly rate.

Attachment A

**Rhode Island Airport Corporation FY 2014 Federal Financial Compliance
Report**

Rhode Island Airport Corporation

Federal Financial and Compliance Report
Year Ended June 30, 2014

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Report on Compliance for Its Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

To the Board of Directors of
Rhode Island Airport Corporation
Warwick, Rhode Island

Report on Compliance for Its Major Federal Program

We have audited the Rhode Island Airport Corporation's ("RIAC"), a component unit of the State of Rhode Island, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on RIAC's major federal program for the year ended June 30, 2014. RIAC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for RIAC's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RIAC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of RIAC's compliance.

Opinion on Its Major Federal Program

In our opinion, RIAC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of RIAC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered RIAC's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RIAC's internal control over compliance.

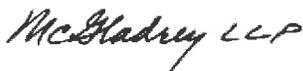
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Rhode Island Airport Corporation as of and for the year ended June 30, 2014, and have issued our report thereon dated September 29, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



New Haven, Connecticut
September 29, 2014

Rhode Island Airport Corporation

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Grant Contract No.	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Homeland Security			
Direct Programs:			
TSA - Explosive Detection Canine Team	HSTS0208HCAN445	97.072	\$ 181,000
TSA - Law Enforcement Officer Reimbursement Program	HSTS0209HSLR348	97.090	87,267
TSA - Advanced Surveillance Program	HSTS0409HCT7028	97.118	333,275
Passed through the Rhode Island Emergency Management Agency:			
Disaster Grants - Public Assistance	PA-01-RI-4089	97.036	212,701
Total Department of Homeland Security			<u>814,243</u>
U.S. Department of Transportation			
Direct Programs:			
Airport System - Land Use Compatibility Study	3-44-0000-001	20.106	35,356
Airport System - New England General Aviation Airport System Study	3-44-0000-002	20.106	98,600
Block Island - Wildlife Management Fence Installation	3-44-0001-017	20.106	109,138
Newport - Acquire Easements- Remove Obstructions	3-44-0002-019	20.106	13,209
T.F. Green - Final Environmental Impact Statement	3-44-0003-082	20.106	183,062
T.F. Green - Land Acquisition- 2020 No Build Phase 4 & 2025 Build Phase 1	3-44-0003-093	20.106	3,740,843
T.F. Green - Deicer Management System- Final Design	3-44-0003-096	20.106	63,074
T.F. Green - Acquire Two Airport Snow Multi-tasking Vehicles	3-44-0003-097	20.106	323,857
T.F. Green - Land Acquisition 2020 No-Build - Phase 5	3-44-0003-098	20.106	2,538,373
T.F. Green - Reimbursable Agreements for R/W 16-34 Navigational/ Lighting Equipment Design Support	3-44-0003-100	20.106	71,753
T.F. Green - R/W 16-34 Safety Areas -R/W 16 End Improvements	3-44-0003-101	20.106	4,498,380
T.F. Green - Hangar Demolition Project	3-44-0003-102	20.106	615,932
T.F. Green - Sound Insulation Test Program	3-44-0003-103	20.106	337,810
T.F. Green - Land Acquisition in Runway Protection Zone (RPZ)	3-44-0003-105	20.106	1,667,259
T.F. Green - Relocation Winslow Park	3-44-0003-108	20.106	436,157
North Central - Design Only - Clear Runway Visibility Zone (RVZ)	3-44-0004-024	20.106	1,423
North Central - Rehabilitate Taxiway B- Construction	3-44-0004-025	20.106	129,251
North Central - Clear RVZ and Relocate Fuel Tanks	3-44-0004-026	20.106	590,468
Westerly - Aero Study Update	3-44-0005-018	20.106	1,567
Westerly - Design Only - Install Obstruction Lighting & Remove off Airport Obstruction	3-44-0005-019	20.106	39,365
Westerly - Acquire Obstruction Easements	3-44-0005-020	20.106	3,149
Westerly - Installation of Obstruction Lighting	3-44-0005-021	20.106	89,364
Quonset - Airport Master Plan Update	3-44-0006-017	20.106	92,833
Quonset - Relocate Airfield Lighting Vault - Design Only	3-44-0006-018	20.106	4,316
Quonset - Relocate Airfield Electrical Vault	3-44-0006-019	20.106	1,054,890
Quonset - Reimbursable Agreement to Relocate Airfield Electrical Vault	3-44-0006-020	20.106	22,770
			16,762,199
Small Community Air Service Development Program	N/A	20.930	102,928
Total Department of Transportation			<u>16,865,127</u>
Environmental Protection Agency			
Passed through the Rhode Island Clean Water Agency:			
Capitalization Grants for Clean Water Revolving Funds	N/A	66.458	3,982,965
Total Expenditures of Federal Awards			<u>\$ 21,662,335</u>

See Notes to Schedule of Expenditures of Federal Awards.

Rhode Island Airport Corporation

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Rhode Island Airport Corporation under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Rhode Island Airport Corporation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Rhode Island Airport Corporation.

Note 2. Determination of Type A and Major Programs

RIAC's Type A programs are determined based on the total expenditures for all federal programs of the State of Rhode Island ("State"). For the year ended June 30, 2014, the State determined that programs for which federal expenditures were greater than or equal to \$13,400,000 constituted Type A programs. RIAC had one Type A programs for the year ended June 30, 2014.

When determining those programs to be audited as major programs, the State did not require a risk assessment of RIAC's federal programs whose federal expenditures were less than \$13,400,000 (Type B programs) since the State will perform a risk assessment of Type B programs at the State level. Also, the State did not require that the Percentage of Coverage Rule, as defined in OMB Circular A-133, be complied with by RIAC since compliance with the Percentage of Coverage Rule will be applied at the State level.

Note 3. Disaster Grants

The amounts recorded in Disaster Grants - Public Assistance CFDA 97.036 relate to expenditures that were incurred during fiscal year 2013. As the award was approved in fiscal year 2014 for this disaster, they are reported in the current year.

Rhode Island Airport Corporation

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes No

Identification of Major Programs

CFDA Number	Program Name or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs \$13,400,000

- Auditee qualified as low-risk auditee? Yes No

II. Financial Statement Findings

No matters were reported.

III. Federal Awards Findings and Questioned Costs

No matters were reported.

Rhode Island Airport Corporation

**Summary of Prior Year Audit Findings
For the Year Ended June 30, 2014**

There were no findings in the prior year that pertained to the federal single audit.



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

Independent Auditor's Report

To the Board of Directors
Rhode Island Airport Corporation
Warwick, 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 Airport Corporation (RIAC), a component unit of the State of Rhode Island, and the related notes to the financial statements as of and for the years ended June 30, 2014, which collectively comprise the RIAC's basic financial statements, and have issued our report thereon dated September 29, 2014. Our report includes an emphasis of a matter paragraph because of the adoption of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* and related restatement.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RIAC'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIAC's internal control. Accordingly, we do not express an opinion on the effectiveness of RIAC'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 RIAC'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 RIAC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIAC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

New Haven, Connecticut
September 29, 2014

Attachment B
Rhode Island Airport Corporation FY 2014 Passenger Facility Charge Program
Report

Rhode Island Airport Corporation

Passenger Facility Charge
Program Report
For the Year Ended June 30, 2014

Rhode Island Airport Corporation

Passenger Facility Charge Program Report

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**Report on Compliance with Requirements Applicable to the Passenger
Facility Charge Program and on Internal Control Over Compliance, and the
Schedule of Passenger Facility Charges**

To the Board of Directors of
Rhode Island Airport Corporation
Warwick, Rhode Island

Report on Compliance for the Passenger Facility Charge Program

We have audited of the Rhode Island Airport Corporation's ("RIAC"), a component unit of the State of Rhode Island, compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2014. Our responsibility is to express an opinion on RIAC's compliance based on our audit.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Passenger Facility Charges Program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for RIAC's Passenger Facility Charge Program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about RIAC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with RIAC's Passenger Facility Charge Program. However, our audit does not provide a legal determination of RIAC's compliance.

Opinion

In our opinion, the Rhode Island Airport Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of RIAC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered RIAC's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the RIAC's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements described in the Guide. Accordingly, this communication is not suitable for any other purpose.

Schedule of Passenger Facility Charges

We have audited the financial statements of the Rhode Island Airport Corporation, a component unit of the State of Rhode Island, as of and for the year ended June 30, 2014, and have issued our report thereon dated September 29 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise RIAC's financial statements. The schedule of passenger facility charges supplemental cash basis financial statement presentation is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. It provides relevant information that is not provided by the historical accrual basis financial statements, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or a complete presentation in accordance with the cash basis used for this financial statement presentation. Under the cash basis, certain revenue and the related assets are recognized when cash is received rather than earned, and certain expenses are recognized when paid rather than when the obligation is incurred. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the schedule of passenger facility charges supplemental cash basis financial statement is fairly stated in all material respects in relation to the basic financial statements as a whole.

McGladrey LLP

New Haven, Connecticut
September 29, 2014

Rhode Island Airport Corporation

**Schedule of Passenger Facility Charges
For the Year Ended June 30, 2014**

Cash balances, June 30, 2013	\$ 12,058,881
Receipts	
Passenger facility charges	7,939,827
Interest income	<u>1,378</u>
Total receipts	<u>7,941,205</u>
Disbursements	
Application No. 93-01-C-00-PVD	6,999,640
Application No. 00-03-C-00-PVD	321,515
Application No. 00-04-U-00-PVD	485,478
Application No. 06-05-C-00-PVD	-
Application No. 09-06-C-00-PVD	968,303
Application No. 14-07-C-00-PVD	<u>3,650,376</u>
Total disbursements	<u>12,425,312</u>
Decrease in cash balance	<u>(4,484,107)</u>
Cash balances - June 30, 2014	<u><u>\$ 7,574,774</u></u>

The accompanying notes are an integral part of this schedule.

Rhode Island Airport Corporation

Notes to Schedule of Passenger Facility Charges For the Year Ended June 30, 2014

Background

The Rhode Island Airport Corporation ("RIAC") operates T. F. Green International Airport (the "Airport") located in Warwick, Rhode Island. RIAC is a public corporation organized in December 1992 as a component unit of the State of Rhode Island. The Airport is owned by the State of Rhode Island and leased to RIAC effective July 1, 1993 through 2038.

In 1993, 1997, 2000, 2006, 2009 and 2014 the Federal Aviation Administration approved RIAC's applications for the authority to impose and use Passenger Facility Charges (PFC) to pay a portion of the costs of construction of a new terminal at the Airport, the land acquisition as part of the Noise Mitigation Program, new airfield maintenance facilities, ticket counter expansion, rehabilitation of runways and aircraft aprons, an in-line explosive detection system, a security screening checkpoint expansion, an aircraft rescue and firefighting vehicle, the Environmental Impact Statement project, the Runway 5-23 Extension, the Runway 16-34 Runway Safety Area Improvements, and the Hanger I Demolition, including payment of a portion of debt service related to such capital asset acquisition and construction. RIAC has been authorized to collect PFCs in the aggregate amount of \$261,935,756 based on a rate of \$4.50 per enplaned passenger. Collection of PFCs at the Airport began on February 1, 1994.

Significant Accounting Policy

The accompanying schedule of passenger facility charges is prepared on the basis of cash receipts and cash disbursements. Under the cash basis of accounting, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. The financial statements of RIAC are prepared on the accrual basis and as of June 30, 2014, included PFC receivables of \$728,362.

PFC receipts are deposited into an interest bearing checking account.

Rhode Island Airport Corporation

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Passenger Facility Charge Program

Internal Control Over the Program:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for the program: unmodified

- Any audit findings disclosed that are required to be reported in accordance with Passenger Facility Charges Audit Guide for Public Agencies? Yes X No

II. Financial Statement Findings

None reported.

III. Findings and Questioned Costs for the Program

None reported.

Rhode Island Airport Corporation

**Summary of Prior Year Audit Findings
For the Year Ended June 30, 2014**

There were no findings noted for the year ended June 30, 2013.