

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Quonset Development Corporation

Report on the Financial Statements

Opinions

We have audited the financial statements of the business-type activity and fiduciary activity of Quonset Development Corporation (a component unit of the State of Rhode Island) (the "Corporation"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and fiduciary activity of the Corporation, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

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 5-10, the schedule of the Corporation's proportionate share of the net pension liability on Page 41, the schedule of the Corporation's contributions on Page 42 and the notes to the required supplementary information on Page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Quonset Development Corporation's basic financial statements. The schedule of travel and entertainment expenses on Page 44 and the State of Rhode Island required format on Pages 47-51 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on Page 45 is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of travel and entertainment expenses, the State of Rhode Island required format and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of travel and entertainment expenses, the State of Rhode Island required format and the schedule of expenditures of federal awards are 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 28, 2023 on our consideration of Quonset Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Quonset Development Corporation'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 Quonset Development Corporation's internal control over financial reporting and compliance.

Marcum LLP

Providence, RI
September 28, 2023

QUONSET DEVELOPMENT CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited)

June 30, 2023

As management of the Quonset Development Corporation (the "Corporation"), we offer readers of the Corporation's financial statements this narrative overview and analysis of the financial activities of the Corporation as of and for the fiscal years ending June 30, 2023 and June 30, 2022. This information should be read in conjunction with the Corporation's financial statements.

Overview of the Financial Statements

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

The Corporation is a quasi-state agency, responsible for the development and management of the Quonset Business Park. It was created by the Rhode Island General Assembly on July 1, 2004 (RIGL 42-64.10) and became effective through a transfer of powers on January 1, 2005.

The Corporation engages only in business-type activities, that is, activities that are financed in whole or in part by charges to external parties for goods and services. As a result, the Corporation's basic financial statements include the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Corporation's assets and liabilities, with the difference between the two amounts as net position. Over time, increases or decreases in the Corporation's net position may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating. You might also need to consider other non-financial factors when evaluating the Corporation's financial position. The statement of revenues, expenses and changes in net position presents information on how the Corporation's net position changed during the year.

All assets and liabilities and changes in net position are reported, using the accrual basis of accounting for governmental agencies, as soon as the underlying event giving rise to the asset or liability and resulting change in net position occurs, regardless of the timing of when the cash is received or paid. Consequently, certain revenues and expenses reported in the statement of revenues, expenses and changes in net position will result in cash flows in future periods.

QUONSET DEVELOPMENT CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Overview of the Financial Statements - Continued

Land use at the Quonset Business Park is governed by a Master Land Use and Development Plan adopted by the QDC Board on September 17, 2019. This document serves as the general guide for the continuing development of the site and related infrastructure improvements. QDC's development goals are:

- Create additional jobs
- Stimulate private sector investment
- Create additional tax base

Investing in infrastructure is the foundation for stimulating substantial private investment within the Park. Federal and State Government investment has totaled approximately \$800 million since 1980. Private investment of approximately \$1.85 billion since 2005 and total private investment since 1980 has been more than \$3 billion. This infrastructure investment has been directed to multiple projects including buildings, demolition, rail improvements, road construction, utility upgrades, sign installation, bulkhead replacement, environmental clean-up, and purchase of a mobile crane for the port. This investment in infrastructure will provide the platform for continued development. The Quonset Business Park currently hosts more than 220 diversified companies with over 13,000 employees.

The Port of Davisville (POD) Master Plan was implemented by the Quonset Development Corporation to plan for an estimated total \$234.5 million modernization, expansion, and improvement of the Port. The POD Master Plan will provide an additional 50 years of service life to the Port piers, expand storage and laydown areas, and increase accessibility and flexibility for various uses by tenants and other port users.

The POD Master Plan has been divided into 4 Phases.

Phase 1 – Pier 2 Expansion & Modernization

Phase 2 – Pier 1 Dredging

Phase 3 – Pier 1 Reconstruction

Phase 4 –Terminal 5 Pier & Dredging, Access & laydown improvements, and Roadway relocation

Beginning in FY 2016, the rehabilitation of Pier 2 at the Port of Davisville (Phase 1) commenced. This multi-year project was completed in FY2023 for a total cost of approximately \$80.1M. The State of RI funding sources for the Pier 2 Project consisted of General Obligation bonds from, approved by the voters, in the amount of \$50M and state allocated RICAP funds in the amount of \$10M. The corporation issued a revenue bond in FY 2020 in the amount of \$14M and the remaining balance of \$6.1M was funded by the corporation. Phase 2, the dredging of Pier 1 has also been completed.

QUONSET DEVELOPMENT CORPORATION
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Overview of the Financial Statements - Continued

In FY2023, the Corporation received an appropriation of \$60 million in State Fiscal Recovery Funds (SFRF) from the \$1.1 billion in American Rescue Plan Act (ARPA) emergency funding received by the State. The specific approved use of these funds is to support the rehabilitation of portions of Pier 1 (Phase 3), the construction of the new Terminal 5 Pier and completion of associated required dredging, and the implementation of access improvements, including construction of a new Port security gate and road relocations, and port laydown improvements (Phase 4).

The Pandemic Recovery Office (PRO) was established within the Department of Administration to oversee all programs financed by the State Fiscal Recovery Fund (SFRF) to ensure compliance with the rules, regulations, and other guidance issued by the U.S. Department of the Treasury in accordance with the provisions of Section 9901, Subsections 602 and 604 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2.

Construction on Pier 1 South commenced during FY2023 as well as preliminary work on Terminal 5 and the roadway location at the Port of Davisville. During the year ended June 30, 2023, the Corporation received \$6 million of the appropriated State Fiscal Recovery Funds.

Capital Projects started and/or completed in this fiscal year included:

MARAD Grant - Pier 1 South (Match)	\$ 4,869,366
Freight Rail Project (FRA Grant)	667,708
Land Site Development	480,964
MARAD Grant - Pier 1 North (Pre Award)	118,675
Pier 2 Improvements (QDC Portion)	1,204,950
Allen Harbor Dredging & Bulkhead	259,510
Water System Upgrade	86,990
Roadway Improvements	40,629
Buildings & Structures	677,650
Port of Davisville Modernization	<u>600,881</u>
	<u>\$ 9,007,323</u>

Pursuant to the Corporation’s by-laws, the Corporation's Board of Directors has dictated that all monies generated by excess operating surplus also be reserved for all unfunded capital needs. Additionally, the Corporation aggressively pursues all Federal and State grants available. These grants include, but are not limited to EDA (Economic Development Administration) grants, Department of Transportation grants, and DHS Port Security grants.

QUONSET DEVELOPMENT CORPORATION

(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Overview of the Financial Statements - Continued

The corporation is also responsible for managing the property associated with the Quonset State Airport on the behalf of the RI Airport Corporation. This includes approximately 55 acres of property located outside the operating boundary of the airfield designated as "revenue generating properties". The corporation manages the leasing associated with this property and transfers the associated revenue, less a management fee, to the Airport Corporation. See footnote 6 for a summary of capital assets.

Financial Highlights

- Total assets were \$624,289,785 (\$417,161,900 net of GASB87) at June 30, 2023 and \$567,128,086 (\$388,229,212 net of GASB87) at June 30, 2022. Of these total assets, \$367,304,701 and \$337,571,170, respectively, are considered capital assets.
- Total liabilities were \$83,955,149 (\$51,123,758 net of GASB87) for the year ending June 30, 2023 and \$67,447,744 (\$41,208,915 net of GASB87) for the year ending June 30, 2022. Of those total liabilities, \$67,381,433 (\$35,392,249 net of GASB87) and \$53,260,285 (\$27,758,344 net of GASB87) respectively, are long-term liabilities.
- Total assets exceeded total liabilities (net position) by \$339,439,733 at June 30, 2023 and \$322,221,639 at June 30, 2022.
- The Corporation's major source of revenues resulted in charges for services for rentals and fees in the amount of \$16,459,542 (\$12,982,036 net of GASB87) for the year ending June 30, 2023, and \$18,019,021 (\$14,148,320 net of GASB87) for year ending June 30, 2022.
- Income(loss) before contributed capital was \$6,475,320 (\$2,997,814 net of GASB 87) for the year ending June 30, 2023 and \$6,431,814 (\$2,561,113 net of GASB 87) for the year ending June 30, 2022.
- Depreciation and amortization expense were \$5,270,076 for the year ending June 30, 2023, and \$5,107,825 for the year ended June 30, 2022.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) was \$13,114,218 (\$9,963,712 net of GASB 87) for the year ending June 30, 2023 and \$12,629,194 (\$9,636,712 net of GASB 87) for the year ending June 30, 2022.

QUONSET DEVELOPMENT CORPORATION
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Summary of Operations and Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating Revenues	\$ 25,580,020	\$ 23,633,027
General Expenses	<u>(12,715,128)</u>	<u>(11,196,436)</u>
Operating Income (Before Depreciation)	12,864,892	12,436,591
Depreciation Expense	<u>(5,270,076)</u>	<u>(5,107,825)</u>
Operating Income	7,594,816	7,328,766
Non-Operating Expenses, Net	<u>(1,119,496)</u>	<u>(896,952)</u>
Income Before Contributed Capital and Transfers	6,475,320	6,431,814
Transfer from State of Rhode Island	--	1,200,000
Contributed Capital	<u>10,742,774</u>	<u>33,355,574</u>
Change in Net Position	<u>\$ 17,218,094</u>	<u>\$ 40,987,388</u>

Summary of Major Operating Expenses

	<u>2023</u>	<u>2022</u>
Personnel Services	\$ 4,619,555	\$ 3,993,546
Contractual Services	1,241,935	1,363,109
Utility Department Services	1,363,033	844,776
Other Expenses	5,490,605	4,995,005
Depreciation and Amortization	<u>5,270,076</u>	<u>5,107,825</u>
Total Operating Expenses	<u>\$ 17,985,204</u>	<u>\$ 16,304,261</u>

QUONSET DEVELOPMENT CORPORATION
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023

Summary of Statement of Net Position

	2023	2022
Current Assets	\$ 16,036,915	\$ 19,030,257
Current Portion of Lease Receivables (GASB 87)	7,475,376	7,616,646
Other Assets	1,747,812	5,812,579
Lease Receivable (GASB 87), net	199,652,509	171,282,228
Lease Asset (GASB 87), net	32,072,472	25,815,206
Capital Assets, net	367,304,701	337,571,170
Total Assets	624,289,785	567,128,086
Deferred Outflows of Resources:		
Deferred outflows of resources - pension related	3,398,964	363,535
Total Deferred Outflows of Resources	3,398,964	363,535
Current Liabilities	15,731,509	13,450,571
Current Portion of Lease Liability (GASB 87)	842,207	736,888
Lease Liability (GASB 87), net	31,989,184	25,501,941
Long-term Liabilities	35,392,249	27,758,344
Total Liabilities	83,955,149	67,447,744
Deferred Inflows of Resources:		
Deferred inflows of resources - pension related	1,956,876	2,794,065
Deferred inflows of resources - lease related	202,336,991	175,028,173
Total Deferred Inflows of Resources	204,293,867	177,822,238
Total Net Position	\$ 339,439,733	\$ 322,221,639

Request for Information

This financial report is designed to provide a general overview of the Corporation's finances for all those interested in the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, Quonset Development Corporation, 95 Cripe Street, North Kingstown, Rhode Island, 02852.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF NET POSITION

JUNE 30, 2023

Assets and Deferred Outflows of Resources

Current Assets

Cash and cash equivalents	\$ 467,205
Cash and cash equivalents - restricted for grant	648,541
Cash and cash equivalents - restricted for municipal services fund	1,050,255
Cash and cash equivalents - restricted for capital construction	5,826,641
Cash and cash equivalents - restricted reserve account	815,260
Accounts receivable, net	6,077,459
Current portion of lease receivable	7,475,376
Due from Rhode Island Airport Corporation, current portion	235,000
Due from Rhode Island Ready	39,677
Note receivable, current portion	18,605
Prepaid expenses and other assets	<u>858,272</u>

Total Current Assets 23,512,291

Non-Current Assets

Cash and cash equivalents - restricted - cash held in escrow	73,721
Note receivable, net of current portion	8,279
Due from Rhode Island Airport Corporation, net of current portion	60,593
Net pension asset	1,605,219
Lease receivable, net of current portion	199,652,509
Capital assets, net	367,304,701
Lease assets, net	<u>32,072,472</u>

Total Non-Current Assets 600,777,494

Total Assets 624,289,785

Deferred Outflows of Resources

Deferred outflows of resources - pension related	<u>3,398,964</u>
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Total Deferred Outflows of Resources 3,398,964

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

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2023

Liabilities, Deferred Inflows and Net Position

Current Liabilities

Accounts payable	\$ 3,600,501
Accrued expenses	4,974,433
Current portion of bonds payable	785,000
Current portion of loans payable	1,814,962
Current portion of lease liability	842,207
Deposits and unearned revenue, current portion	<u>4,556,613</u>

Total Current Liabilities 16,573,716

Non-Current Liabilities

Bonds payable, net of current portion	13,999,167
Loans payable, net of current portion	20,271,582
Lease liability, net of current portion	31,989,184
Deposits and unearned revenue, net of current portion	<u>1,121,500</u>

Total Non-Current Liabilities 67,381,433

Total Liabilities 83,955,149

Deferred Inflows of Resources:

Deferred inflows of resources - pension related	1,956,876
Deferred inflows of resources - lease related	<u>202,336,991</u>

Total Deferred Inflows of Resources 204,293,867

Net Position

Net investment in capital assets	325,897,466
Restricted for pension	1,605,219
Restricted for municipal services fund	533,854
Unrestricted	<u>11,403,194</u>

Total Net Position \$ 339,439,733

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

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2023

Operating Revenues

Charges for services:

Rentals and fees	\$ 16,459,542
Other revenue	4,223,923
Utilities	<u>4,896,555</u>

Total Operating Revenues 25,580,020

Operating Expenses

Personnel services	4,619,555
Contracted services	1,241,935
Utility department services	1,363,033
General expenses	5,490,605
Depreciation	<u>5,270,076</u>

Total Operating Expenses 17,985,204

Operating Income 7,594,816

Non-Operating Revenues (Expenses)

Gain on disposal of capital assets	41,825
Gain on forgiveness of debt	24,722
Interest	(1,368,822)
Investment income	<u>182,779</u>

Total Non-Operating Revenues (Expenses) (1,119,496)

Change in Net Position Before Capital Contributions 6,475,320

Capital Contributions

General Obligation Bonds - State of Rhode Island	609,244
Coronavirus State and Local Fiscal Recovery Funds	6,000,000
Contributions in aid of construction ("CIAC")	<u>4,133,530</u>

Total Capital Contributions 10,742,774

Change in Net Position 17,218,094

Net Position - Beginning of Year 322,221,639

Net Position - End of Year \$ 339,439,733

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

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

Cash Flows from Operating Activities	
Receipts from customers	\$ 20,341,210
Receipts from grantor	2,562,972
Payments to suppliers	(4,698,331)
Payments to pension plan	(352,912)
Payments to employees	<u>(5,657,200)</u>
Net Cash Provided by Operating Activities	<u>12,195,739</u>
Cash Flows from Capital and Related Financing Activities	
General Obligation Bonds - State of Rhode Island	3,315,317
Coronavirus State and Local Fiscal Recovery Funds	6,000,000
Capital contributions	2,315,147
Purchase of capital assets	(22,838,873)
Principal payments on debt obligations	(2,771,673)
Interest paid on debt obligations	<u>(1,285,046)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(15,265,128)</u>
Cash Flows from Investing Activities	
Collections on note receivable	16,785
Investment income	<u>182,779</u>
Net Cash Provided by Investing Activities	<u>199,564</u>
Net Decrease in Cash and Equivalents	(2,869,825)
Cash and Equivalents - Beginning of Year	<u>11,751,448</u>
Cash and Equivalents - End of Year	<u><u>\$ 8,881,623</u></u>

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

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2023

Cash and Equivalents

Cash and cash equivalents	\$ 467,205
Cash and cash equivalents - restricted for grant	648,541
Cash and cash equivalents - restricted for municipal services fund	1,050,255
Cash and cash equivalents - restricted for capital construction	5,826,641
Cash and cash equivalents - restricted reserve account	815,260
Cash and cash equivalents - restricted - cash held in escrow	<u>73,721</u>

Cash and Equivalents - End of Year \$ 8,881,623

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating income	\$ 7,594,816
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	5,270,076
Net pension activity	(728,785)
Changes in:	
Accounts receivable, net	(4,160,652)
Due from Rhode Island Airport Corporation	532,370
Due from Rhode Island Ready	152,910
Prepaid expenses and other assets	(440,355)
Accounts payable and accrued expenses	3,175,825
Deposits and unearned revenue	<u>799,534</u>

Net Cash Provided by Operating Activities \$ 12,195,739

Supplemental Disclosure of Cash Flows Information:

During fiscal year 2023, the Corporation financed capital asset acquisitions of \$12,053,107 through the issuance of debt.

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

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2023

	<u>RI READY</u>
Assets	
Cash	\$ 3,601,993
Liabilities	
Other payable	\$ 84,678
Net Position	
Net position restricted for other programs	<u>3,517,315</u>
Total Liabilities and Net Position	<u>\$ 3,601,993</u>

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

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2023

	<u>RI READY</u>
Additions	
Contributions:	
Bond proceeds	\$ <u>3,500,000</u>
Total Additions	<u>3,500,000</u>
Deductions	
Administrative and other expenses	<u>695,139</u>
Total Deductions	<u>695,139</u>
Change in Net Position	2,804,861
Net Position Restricted for Other Programs - Beginning of Year	<u>712,454</u>
Net Position Restricted for Other Programs - End of Year	<u><u>\$ 3,517,315</u></u>

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

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS DESCRIPTION

Quonset Development Corporation (the “Corporation”) is a quasi-state agency, established as a special purpose subsidiary of the Rhode Island Commerce Corporation (formerly the Rhode Island Economic Development Corporation), which is responsible for the development and management of the Quonset Business Park. The Corporation was created by the Rhode Island General Assembly on July 1, 2004 and became effective through a transfer of powers on January 1, 2005. The Corporation is a component unit of the State of Rhode Island. More information is available on the Corporation’s website: www.quonset.com.

The Corporation leases property for commercial, industrial, and recreational uses. The Corporation’s leasing activities consist of the rental of land and buildings located at the Quonset Business Park under both non-cancelable leases expiring through 2109 and leases with lease periods of one year or less, or which are cancelable at the option of the Corporation or the tenant. Rental revenue under operating leases is recognized based on the terms of the lease contracts, except for contingent rentals, which are recognized when the tenant reports the rental activity. The Corporation also provides water and waste disposal services to tenants and recognizes the related revenue as services are provided. For the year ended June 30, 2023, approximately 47% of rental revenues and utility and service revenues are derived from agreements with five customers. The leases for those five customers expire between 2030 and 2047.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”), as prescribed by the Governmental Accounting Standards Board (“GASB”). Under the accrual basis, revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met. The Corporation has determined that it functions as a business-type activity, as defined by GASB.

The Corporation’s policies for defining operating activities in the statement of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services. Certain other transactions are reported as non-operating activities. These non-operating activities include the Corporation’s operating and capital appropriations from the State of Rhode Island, loss on disposal of capital assets, net investment income, and interest expense.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

Through the application of GASB Statement No. 84, *Fiduciary Activities*, the RI READY program has been included as a fiduciary activity in the accompanying financial statements, although it is not a component unit of the Corporation. The RI READY program has been reported as a Custodial Fund in the Fiduciary Fund financial statements.

The accompanying statement of revenues, expenses and changes in net position demonstrates the degree to which the direct expenses of a given function are offset by revenues. Direct expenses are those that are clearly identifiable within a specific function. Operating revenues, consisting primarily of charges to tenants for rent and utility services, are generated directly from the primary activity of the Corporation. Operating expenses, including depreciation on capital assets, are the costs incurred in connection with the provision of the Corporation's primary activities and services to its customers. Revenues and expenses not meeting these definitions are classified as non-operating. Capital appropriations and contributions in aid of construction ("CIAC") are reported as non-operating.

CHANGE IN ACCOUNTING PRINCIPLES

In fiscal year 2023, the Corporation implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription Based Information Technology Arrangements (SBITAs)*. This statement enhances the relevance and consistency of information of the Corporation's subscription-based information technology arrangements. It establishes requirements for entities to establish right-to-use subscription assets and a corresponding subscription liability. The Corporation implemented the standard with no material impact to the financial statements.

NET POSITION

Resources are classified for accounting purposes into the following net position categories:

Net Investment in Capital Assets:

Capital assets, net of accumulated depreciation, lease asset, net of accumulated amortization and lease liability, outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets.

Restricted - Nonexpendable:

Net position subject to externally imposed conditions that the Corporation must maintain in perpetuity.

QUONSET DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITION (CONTINUED)

Restricted - Expendable:

Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the Corporation or by the passage of time.

Unrestricted:

All other categories of net position. Unrestricted net position may be designated by the Corporation.

The Corporation has adopted a policy of generally utilizing restricted – expendable funds, when available, prior to unrestricted funds.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of highly liquid financial instruments with maturities of three months or less when purchased.

CASH HELD BY TRUSTEE

Funds held by Trustee are for ongoing construction projects from bond proceeds.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of accounts receivables, estimating depreciation and estimation of pension.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

UNEARNED REVENUE

The Corporation defers recognition of rental receipts until the period to which they relate.

TAX STATUS

The Corporation is a component unit of the State of Rhode Island and is therefore exempt from income taxes under Section 115 of the Internal Revenue Code.

ACCOUNTS RECEIVABLE AND CONCENTRATION

Accounts receivable are periodically evaluated for collectability based on past history with customers. At June 30, 2023, approximately 70% of the Corporation's accounts receivable are due from two customers.

CAPITAL ASSETS

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost on the date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the Corporation's capitalization policy, land, vehicles, equipment, computer software for internal use, and works of art and historical treasures, building and infrastructure improvements with a unit cost of \$5,000 or more are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period and then depreciated over the life of the asset. Corporation capital assets, with the exception of land and construction in progress are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 50 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC")

CIAC are additions and/or upgrades to infrastructure made by tenants that have been assigned to the Corporation for approved projects. The contributions are reported as non-operating capital contributions, and as additions to the Corporation's capital assets.

PAYMENTS IN LIEU OF TAXES ("PILOT")

On behalf of the Town of North Kingstown, Rhode Island, Quonset Development Corporation as an agent for the State of Rhode Island collects costs associated with services provided to the tenants by the town.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and the Corporation's policies. Unused vacation and sick leave are accumulated and accrued as earned.

GRANT REVENUE

Revenues from grants are recognized as eligibility requirements imposed by the provider are met.

RHODE ISLAND COMMERCE CORPORATION PENSION PLAN AND TRUST

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Rhode Island Commerce Corporation Pension Plan and Trust (the "Plan") and the additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

RECENTLY ISSUED GOVERNMENTAL ACCOUNTING STANDARDS

The following are recently issued governmental accounting standards which may be applicable to the Corporation in future years:

GASB Statement 100 – *Accounting Changes and Error Corrections* – an amendment of *GASB Statement No. 62* is effective for the Corporation's fiscal year ending June 30, 2024. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 101 – *Compensated Absences* is effective for the Corporation's fiscal year ending June 30, 2025. Management has not completed its review of the requirements of this standard and applicability.

QUONSET DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - CASH AND CASH EQUIVALENTS

The Corporation's policy is in accordance with Chapter 35-10.1 of the Rhode Island General Laws dealing with Public Finance, which states that any depository institutions holding public deposits shall insure or pledge eligible collateral equal to one hundred percent of any time deposit with maturities greater than sixty days. If any depository institution does not meet its minimum capital standards as prescribed by its federal regulator, it shall insure or pledge eligible collateral equal to one hundred percent of all public deposits. The Corporation does not have a policy for custodial credit risk associated with deposits. None of the cash deposits of the Corporation were required to be collateralized at June 30, 2023 pursuant to this statutory provision.

At June 30, 2023, the carrying amount of the Corporation's cash deposits was \$8,881,623 (which includes \$73,721 of cash held by the trustee for future loan drawdowns). The bank balance of these funds was \$9,118,272, of which \$6,150,494 was covered by federal depository insurance and \$1,688,772 was either fully collateralized or covered by another source. The remaining bank balance of \$1,279,006 was uninsured and uncollateralized and held in depository institutions that exceed the minimum capital standards. The insured balances reflect guarantees from the Federal Deposit Insurance Corporation (FDIC) in effect during June 30, 2023.

At June 30, 2023 the carrying amount of the Corporation's custodial fund cash deposits was \$3,601,993. The bank balance of these funds was \$3,601,993 and was fully collateralized or covered by another source.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a) Uncollateralized,
- b) Collateralized with securities held by the pledging financial institution, or
- c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

QUONSET DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 3 - ACCOUNTS RECEIVABLE, NET

At June 30, 2023, accounts receivable, including the allowance for uncollectible accounts, are as follows:

Rentals	\$ 525,822
Utilities and service	555,904
Port activities	388,640
Construction - deposits	2,076,272
Grants - MARAD	2,237,320
Department of Labor and Training	3,920
Payments in lieu of taxes	<u>302,188</u>
	6,090,066
Less: allowance for uncollectable	<u>(12,607)</u>
	<u>\$ 6,077,459</u>

NOTE 4 - NOTE RECEIVABLE

At June 30, 2023, the Corporation had a note receivable in the amount of \$26,884 with a tenant, related to capital expenditures on property leased by the tenant. The note receivable is payable in monthly installments of \$1,550 that includes interest of 5% through December 2024.

NOTE 5 - DUE FROM RHODE ISLAND AIRPORT CORPORATION

The Corporation has an agreement with the Rhode Island Airport Corporation (“RIAC”) whereby each party exchanges services performed during the year as part of each respective party’s operational needs. The resulting balance for the Corporation at year-end is either a net payable or net receivable depending on the extent of services performed.

As of June 30, 2023, RIAC owes the Corporation \$295,593 with \$235,000 as a current asset and \$60,593 as a non-current asset, resulting from previous operating activity.

The parties have agreed that RIAC will make non-interest-bearing annual installments of \$235,000 to be applied first, to the existing balance and then to balances related to future services provided.

The amount due by the Corporation will be applied against future payments due from RIAC. Interest has not been imputed since these transactions represent an intergovernmental transaction and RIAC is not imputing interest due to lack of materiality.

QUONSET DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the Corporation for the year ended June 30, 2023, is as follows:

	Estimated Lives (in Years)	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, not depreciated:					
Land		\$ 59,811,847	\$ --	\$ --	\$ 59,811,847
Construction in progress		<u>152,604,482</u>	<u>33,483,229</u>	<u>706,649</u>	<u>185,381,062</u>
Total capital assets, not depreciated		<u>212,416,329</u>	<u>33,483,229</u>	<u>706,649</u>	<u>245,192,909</u>
Capital assets, depreciated:					
Land improvements	40	54,480,755	1,432,575	--	55,913,330
Buildings and improvements	20-50	106,907,028	343,882	--	107,250,910
Furnishings and equipment	5-20	<u>19,947,070</u>	<u>450,570</u>	<u>111,627</u>	<u>20,286,013</u>
Total capital assets, depreciated		<u>181,334,853</u>	<u>2,227,027</u>	<u>111,627</u>	<u>183,450,253</u>
Total capital assets		<u>393,751,182</u>	<u>35,710,256</u>	<u>818,276</u>	<u>428,643,162</u>
Less: accumulated depreciation:					
Land improvements		15,551,506	1,781,934	--	17,333,440
Buildings and improvements		30,106,812	2,572,140	--	32,678,952
Furnishings and equipment		<u>10,521,694</u>	<u>916,002</u>	<u>111,627</u>	<u>11,326,069</u>
Total accumulated depreciation		<u>56,180,012</u>	<u>5,270,076</u>	<u>111,627</u>	<u>61,338,461</u>
Capital assets, net		<u>\$ 337,571,170</u>	<u>\$ 30,440,180</u>	<u>\$ 706,649</u>	<u>\$ 367,304,701</u>

NOTE 7 - DEPOSITS AND UNEARNED REVENUE

Deposits and unearned revenue consist of the following at June 30, 2023:

Deposit liabilities	4,328,279
Unearned revenue	<u>1,349,834</u>
Total deposits and unearned revenue	5,678,113
Current portion of deposits and unearned revenue	<u>4,556,613</u>
Deposits and unearned revenue, net of current portion	<u>\$ 1,121,500</u>

QUONSET DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - LONG-TERM OBLIGATIONS

Long-term liabilities consist of the following at June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, loans and lease payable:					
Revenue bond payable	\$ 15,569,167	\$ --	\$ 785,000	\$ 14,784,167	\$ 785,000
Loans payable	13,719,815	10,378,124	2,011,395	22,086,544	1,814,962
Lease payable	<u>26,238,829</u>	<u>11,373,086</u>	<u>4,780,524</u>	<u>32,831,391</u>	<u>842,207</u>
Total bonds, loans and lease payable	<u>55,527,811</u>	<u>21,751,210</u>	<u>7,576,919</u>	<u>69,702,102</u>	<u>3,442,169</u>
Other long-term liabilities:					
Deposits and unearned revenue	<u>4,878,579</u>	<u>4,515,416</u>	<u>3,715,882</u>	<u>5,678,113</u>	<u>4,556,613</u>
Total other long-term liabilities	<u>4,878,579</u>	<u>4,515,416</u>	<u>3,715,882</u>	<u>5,678,113</u>	<u>4,556,613</u>
Total long-term liabilities	<u>\$ 60,406,390</u>	<u>\$ 26,266,626</u>	<u>\$ 11,292,801</u>	<u>\$ 75,380,215</u>	<u>\$ 7,998,782</u>

BOND PAYABLE

On April 1, 2020, The Rhode Island Commerce Corporation issued the \$15,700,000, Quonset Development Corporation Economic Development Revenue Bonds, Series 2020 Bonds. The proceeds of the Series 2020 bonds were to further the development of the Port Facilities within the State of Rhode Island and to pay off the Series 2012 bonds. The bond requires a monthly payment of \$65,417 plus interest of 3.1% through April 2042. At June 30, 2023, the balance of this bond was \$14,784,167.

QUONSET DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

BOND PAYABLE (CONTINUED)

Principal and interest payments on the bond payable for the next five years and the remaining period through maturity are as follows:

Years Ending June 30	Principal	Interest	Total
2024	\$ 785,000	\$ 459,305	\$ 1,244,305
2025	785,000	433,138	1,218,138
2026	785,000	408,212	1,193,212
2027	785,000	383,284	1,168,284
2028	785,000	359,323	1,144,323
Thereafter	<u>10,859,167</u>	<u>2,401,008</u>	<u>13,260,175</u>
	<u>\$ 14,784,167</u>	<u>\$ 4,444,270</u>	<u>\$ 19,228,437</u>

LOANS PAYABLE

The Corporation entered into an agreement with Dillabur, LLC for the purchase of approximately 3.95 acres of land in June 2018. The loan is payable in monthly installments of \$76,188 that includes interest of 5% through June 2026. At June 30, 2023, the balance of this loan was \$2,550,266.

The Corporation entered into an agreement with MBQ, LLC to consolidate and refinance (the consolidated refinancing) existing loans for six buildings in May 2023 and borrow an additional \$5,557,350 for construction of a new building for a total financing of \$12,300,000. The loan is payable in monthly installments of \$104,350 that includes interest of 6% through April 2038. At June 30, 2023, the balance of this loan was \$12,257,150.

The Corporation entered into an agreement with MBQ, LLC for three office buildings at Romano Vineyard Way in September 2017. The loan was included in the consolidated refinancing and paid off in May 2023.

The Corporation entered into an agreement with MBQ, LLC for a building at Romano Vineyard Way in June 2019. The loan was included in the consolidated refinancing and paid off in May 2023.

QUONSET DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

LOANS PAYABLE (CONTINUED)

The Corporation entered into an agreement with MBQ, LLC for a building at Romano Vineyard Way in July 2019. The loan was included in the consolidated refinancing and paid off in May 2023.

The Corporation entered into an agreement with MBQ, LLC for a building at Romano Vineyard Way in May 2021. The loan was included in the consolidated refinancing and paid off in May 2023.

The Corporation entered into an agreement for the purchase of a new truck in April 2021. The loan is payable in monthly installments of \$800 that includes interest of 6.309% through April 2024. At June 30, 2023, the balance of this loan was \$21,958.

The Corporation entered into an agreement with West Shore Quonset, LLC for a building at 935 Roger Williams Way in August 2018. The loan is payable in monthly installments of \$20,000 that includes interest of 6.38% through August 2038. At June 30, 2023, the balance of this loan was \$2,358,804.

The Corporation entered into an agreement with J.R. Vinagro Corporation for excavation and grading services pertaining to land in July 2021 for \$379,500 and was amended in September 2021 and November 2021 adding \$233,235 to the loan. The loan is not interest bearing and is payable in monthly installments of \$25,000. At June 30, 2023, the balance on the loan was \$100,160.

The Corporation entered into an agreement with Rhode Island Infrastructure Bank for a loan in December 2021. The loan is payable in annual installments ranging from \$89,000-\$91,000 in which the loan is eligible for principal forgiveness of approximately 25%. Interest on the loan ranges from 0.410%-0.950%. Principal forgiven for the year ended June 30, 2023 was \$24,722. At June 30, 2023, the balance of this loan was \$361,000.

The Corporation entered into an agreement with Quonset Rail Shop, LLC for a construction loan in August 2022 in the amount of \$3,490,000. The loan is payable in monthly installments of \$24,375 that includes interest of 5.59% through May 2044. At June 30, 2023, the balance of this loan was \$3,424,594.

The Corporation entered into an agreement with New England Waste Systems, LLC for construction of a permanent access road in the amount of \$750,000 and was amended to \$924,348 in March 2023. The loan is payable in monthly installments of \$10,000 that includes interest of 5.50% through March 2033. At June 30, 2023, the balance of this loan was \$907,930.

QUONSET DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

LOANS PAYABLE (CONTINUED)

The Corporation entered into an agreement for the purchase of three new trucks in September 2022. The loans are payable in monthly installments of \$2,377 that includes interest of 6.81% through September 2025. At June 30, 2023, the balance of this loan was \$104,682.

Principal and interest on loans payable in subsequent years are as follows:

Years Ending June 30	Principal	Interest	Total
2024	\$ 1,814,962	\$ 1,246,102	\$ 3,061,064
2025	1,785,333	1,153,329	2,938,662
2026	1,928,985	1,053,520	2,982,505
2027	1,022,859	972,945	1,995,804
2028	870,703	915,167	1,785,870
Thereafter	<u>14,663,702</u>	<u>5,451,655</u>	<u>20,115,357</u>
	<u>\$22,086,544</u>	<u>\$ 10,792,718</u>	<u>\$ 32,879,262</u>

Interest expense on all debt for the year ended June 30, 2023 was \$1,368,822.

NOTE 9 - PENSION PLAN

Employees of the Corporation hired prior to January 1, 2006 are covered by a cost sharing multiple-employer defined benefit pension plan, the Rhode Island Commerce Corporation Pension and Trust (the "Plan"), administered by Rhode Island Commerce Corporation ("RICC"). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and Plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the Plan, regardless of the status of the employers' payment of its pension obligation to the Plan.

QUONSET DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - PENSION PLAN (CONTINUED)

The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Cost-of-living adjustments are provided to members and beneficiaries. The Plan assigns RICC the authority to amend benefit provisions. The actuarially determined benefits are based on 60% of average compensation and are adjusted based on length of service. The minimum length of service is one year, and employees are fully vested after 5 years of service.

The funding policy provides for contribution requirements to be established by RICC. Plan members are not required to contribute to the Plan. The employer is responsible for funding the cost of all benefits. The Corporation contributed \$352,912 for the years ended June 30, 2023, 2022 and 2021, equal to 100% of the required contributions for each year.

The Plan issues a financial report that includes financial statements and required supplementary information for the plans administered by the Plan. The report may be obtained by contacting management of RICC. This report also includes a summary of significant accounting policies and a more comprehensive description of 1) the groups of employees covered, 2) the types of benefits provided, and 3) the elements of the respective pension benefit formula.

PENSION ASSET, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

At June 30, 2023, the Corporation reported an asset of \$1,605,219 for its proportionate share of the net pension asset related to its participation in the Plan. The net pension asset was measured as of June 30, 2022 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation date of July 1, 2021. The Corporation's proportion of the net pension asset was based on its share of contributions to the Plan for fiscal year 2022 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2022 measurement date the Corporation's proportion was 59.19%.

For the year ended June 30, 2023, the Corporation recognized a pension benefit of \$728,785.

QUONSET DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - PENSION PLAN (CONTINUED)

PENSION ASSET, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$ 352,912
Difference between expected and actual experience	5,857
Changes of assumptions	8,450
Difference between projected and actual earnings on plan investments	3,031,745
Total	\$ 3,398,964

Deferred Inflows of Resources

Difference between projected and actual earnings on Plan investments	\$ (1,956,876)
Total	\$ (1,956,876)

The \$352,912 reported as deferred outflows of resources related to pensions resulting from the Corporation's contributions in fiscal year 2023 subsequent to the measurement date will be recognized as a change of the net pension asset in the subsequent period.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as an increase (reduction) in pension expense as follows:

Year Ending June 30,	Amount
2024	\$ 74,668
2025	117,334
2026	139,239
2027	757,935
	\$ 1,089,176

QUONSET DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - PENSION PLAN (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total pension asset was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.00%
Investment rate of return	6.50%

Mortality rates were based on PubG-2010 above median employee/healthy annuitant (male/female) with MP-2021 generational improvements. The net pension asset was measured as of June 30, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2021 and adjusted through June 30, 2022.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	60.00%	9.00%
Fixed Income	40.00%	4.00%
	100.00%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

QUONSET DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - PENSION PLAN (CONTINUED)

DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE NET PENSION ASSET (LIABILITY) TO CHANGES IN THE DISCOUNT RATE

The following presents the net pension asset calculated using the discount rate of 6.5 percent as well as what the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.0% Decrease (5.50%)	Current Discount Rate (6.50%)	1.0% Increase (7.50%)
\$ 263,045	\$ 1,605,219	\$ 2,756,655

PENSION PLAN FIDUCIARY NET POSITION

As noted earlier, the Plan's financial report that includes financial statements and required supplementary information for the Plan is available by requesting it from management of RICC at 315 Iron Horse Way, Providence, RI 02988. The report contains detailed information about the pension plan's fiduciary net position.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - RETIREMENT AND SAVINGS PLAN

Employees of the Corporation hired on or after January 1, 2006 participate in the Quonset Development Corporation Retirement and Savings Plan (“401a”), a discretionary contribution plan. The Plan, administered by the Corporation, provides for the Corporation to make discretionary matching and/or additional contributions as approved by the Board of Directors. For fiscal year ended June 30, 2023, the Corporation contributed 4% of eligible salary and provided up to an additional 3% to the extent the employee participated in the Quonset Development Corporation Deferred Compensation Plan (“457”). The contributions for the fiscal year ended June 30, 2023 were \$174,594. All employees are eligible to participate in the Quonset Development Corporation Deferred Compensation Plan (“457”), investments are directed at the participant level. Both the 401a and 457 plans are calendar year based.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

GRANTS

The Corporation receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the Corporation. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the Corporation.

SUPERFUND SITE REDEVELOPMENT PROGRAM

The Corporation’s capital assets are located at the former Davisville Naval Construction Battalion Center (“NCBC”), which has been named a Superfund site by the United States Environmental Protection Agency (“EPA”). From 1951 to 1994, NCBC provided mobilization support to Naval construction forces, which led to the contamination of several areas throughout the installation. In 1989, EPA added the site to its list of hazardous waste sites needing cleanup. PCB spill debris, a battery acid tank, asphalt, and lead-contaminated soil were removed to prevent them from migrating into nearby water. The base closed in 1994 and in 1996 the Corporation began redevelopment. The statement of net position and statement of revenues, expenses and changes in net position do not reflect any amounts associated with the clean-up as the Corporation has not been identified as a responsible party, and the costs of any future remediation efforts are currently unknown since the costs cannot be estimated.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 11 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

RISK MANAGEMENT

The Corporation is self-insured for unemployment compensation. No accrual has been made for claims expected to arise from services on or before June 30, 2023 because Corporation officials are of the opinion that, based upon the Corporation's historical experience, any claims will not be material.

CAPITAL IMPROVEMENTS

At June 30, 2023, the Corporation was obligated for the completion of certain construction contracts under commitments totaling approximately \$623,556 which are expected to be funded from capital appropriation, reimbursements and cash and cash equivalents.

LEGAL CONTINGENCIES

Various lawsuits are pending or threatened against the Corporation that arose from the ordinary course of operations. In the opinion of management, no litigation is now pending, or threatened that would materially affect the Corporation's financial position.

RISKS AND UNCERTAINTIES

The Corporation's operations are exposed to various risks associated with its business as well as global events, such as a pandemic or international conflict which may impact general economic conditions. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to consider such risks and make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 12 - LEASES

LESSEE AGREEMENTS

The Corporation has entered into various rental agreements, as a lessee, for building space with lease maturity dates ranging from fiscal years 2039 to 2047. Discount rates on the aforementioned leases range from 2.32% to 6.20%. Rent expense and interest recognized in fiscal year 2023 was \$1,149,316 and \$1,070,639, respectively. The lease asset, net of accumulated amortization and lease liability balances at June 30, 2023 are \$32,072,472 and \$32,831,391, respectively.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 12 - LEASES (CONTINUED)

LESSEE AGREEMENTS (CONTINUED)

Annual requirements to amortize the lease liability and related interest are as follows:

Years Ending June 30,	Principal	Interest
2024	\$ 842,207	\$ 1,260,064
2025	874,415	1,227,856
2026	918,813	1,194,286
2027	970,469	1,158,847
2028	1,009,313	1,121,767
Thereafter	28,216,174	10,877,701
Total	\$ 32,831,391	\$ 16,840,521

LESSOR AGREEMENTS

The Corporation has entered into various rental agreements, as a lessor, for land and building spaces with lease maturity dates ranging from fiscal years 2024 to 2109. Discount rates on the aforementioned leases range from 2.00% to 3.10%. Lease agreements provide for review and determination of the payment amounts at the beginning of each renewal period. Lease revenue and interest revenue related to these leases was \$9,051,490 and \$4,938,885, respectively. Lease modifications and cancellations of \$2,391,842 were recognized during the year. The lease receivable and deferred inflows related to these leases are \$207,127,885 and \$202,336,991, respectively.

The Corporation has entered into various short-term leases for building space that are not included under GASB No. 87. Lease revenue under these arrangements was \$1,340,180 for the year ended June 30, 2023.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 12 - LEASES (CONTINUED)

LESSOR AGREEMENTS (CONTINUED)

Future payments due to the Corporation under non-cancelable agreements are as follows:

Years Ending June 30,	Principal	Interest
2024	\$ 7,475,376	\$ 5,760,221
2025	6,972,462	5,553,436
2026	5,507,016	5,370,757
2027	4,500,809	5,232,758
2028	4,600,501	5,105,583
Thereafter	178,071,721	105,740,711
Total	\$ 207,127,885	\$ 132,763,466

The following reports the cost and accumulated depreciation for buildings under non-cancelable lease agreements at June 30, 2023:

Cost	\$ 30,245,312
Less: accumulated depreciation	5,153,912
Total	\$ 25,091,400

NOTE 13 - STATE APPROPRIATIONS

STATE CONTRIBUTED CAPITAL - PIER 2 PROJECT

In November 2016, the Rhode Island voters approved the issuance of \$50 million in General Obligation Bonds to fund infrastructure modernization and repairs to the Port of Davisville at Quonset, including Pier 2. The State of Rhode Island reimburses the Corporation as construction costs are incurred in accordance with the funding agreement.

The Pier 2 project spanned multiple years with a cost at completion of \$80.1 million and was completed in fiscal year 2023. In addition to the \$50 million in General Obligation Bonds, the Corporation funded approximately \$6.1 million related to the Pier 2 project from the Corporation's operating funds, approximately \$14 million in revenue bonds issued in FY2020, and \$10 million in appropriations from the Rhode Island Capital Plan (RICAP) fund.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13 - STATE APPROPRIATIONS (CONTINUED)

STATE CONTRIBUTED CAPITAL - PIER 2 PROJECT (CONTINUED)

During the year ended June 30, 2023, no funding was appropriated from the State of Rhode Island for the Pier 2 project.

GENERAL INFRASTRUCTURE PROJECT - TENANT

The Corporation has a Memorandum of Understanding ("MOU") with a tenant to complete the infrastructure project. Costs related to the general infrastructure project are funded through a combination of RICAP funds and tenant reimbursement. The project is to be funded by the tenant, with the State of Rhode Island expected to contribute \$14.0 million of RICAP funding for the project, which reduces the amount to be paid by the tenant.

The infrastructure project is to be completed in three phases. First phase is the utility and roadway work. Phase two is the new approach channel work and the third phase is new pier work. The tenant is to pay the requisitions for the work as the project is completed. The total expected project cost is approximately \$37.0 million.

During the year ended June 30, 2023, no RICAP funding was appropriated for the general infrastructure project and approximately \$1.8 million was contributed by a tenant.

STATE CAPITAL PLAN FUNDS - INFRASTRUCTURE PROJECT

The RICAP Fund was modeled on a financial technique originating in the State of Delaware. The RICAP Fund is used for capital expenditures and for debt reduction. The technique is a "pay-as-you-go" capital funding program which was been a key factor in improving the state's debt management policies. The Corporation did not receive any appropriations from RICAP Funds for the Pier 2 Project or the general infrastructure project during the year ended June 30, 2023.

STATE FISCAL RECOVERY FUNDS – ECONOMIC RELIEF THROUGH PORT INVESTMENT

The State of Rhode Island received \$1.1 billion in American Rescue Plan Act (ARPA) emergency funding. The Corporation received an appropriation of \$60 million in State and Local Fiscal Recovery Funds (SLFRF) from the ARPA funds received by the State. The specific approved use of these funds is to support the rehabilitation of portions of Pier 1, the construction of the new Terminal 5 Pier and completion of associated required dredging, and the implementation of access improvements, including construction of a new Port security gate and road relocations, and port laydown improvements. The Pandemic Recovery Office (PRO) is tasked with oversight of the funds.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13 - STATE APPROPRIATIONS (CONTINUED)

***STATE FISCAL RECOVERY FUNDS – ECONOMIC RELIEF THROUGH PORT INVESTMENT
(CONTINUED)***

The PRO has been established within the Department of Administration to oversee all programs financed by the State and Local Fiscal Recovery Fund (SLFRF) to ensure compliance with the rules, regulations, and other guidance issued by the U.S. Department of the Treasury in accordance with the provisions of Section 9901, Subsections 602 and 604 of the American Rescue Plan Act of 2021, Pub. L. No. 117-2. In addition, PRO is responsible for submission of all reports required by the U.S. Department of the Treasury for the SLFRF.

During the year ended June 30, 2023, the Corporation received \$6 million of the appropriated State and Local Fiscal Recovery Funds. Open commitments at June 30, 2023 under the grant is \$9,373,329.

PORT OF DAVISVILLE MODERNIZATION

In March 2021 the Rhode Island voters approved \$20.0 million in General Obligation Bonds for the modernization of the Port of Davisville. The State of Rhode Island reimburses the Corporation as construction costs are incurred in accordance with the funding agreement.

The \$20.0 million in bond funding will be used by QDC to match the MARAD grant, to undertake other activities called for by the master plan, and to match future potential Federal grant opportunities as they arise. During the year ended June 30, 2023, the Corporation received \$609,244 in General Obligation Bonds from the State of Rhode Island for this project. Open commitments at June 30, 2023 under the MARAD grant is \$14,215,479.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 28, 2023, which is the date these financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.

The Corporation participates in a defined benefit plan that was formerly the Rhode Island Port Authority Pension Plan & Trust dating back to 1978. Employees who worked at Quonset were employees of the Rhode Island Economic Development Corporation (RIEDC), however when the Quonset Development Corporation was created in 2005, the employees at Quonset were removed from the RIEDC payroll and formally transitioned to the Quonset payroll. The Quonset Development Corporation then became a participating member of the now, RI Commerce Corporation's (formerly RIEDC) Pension Plan and Trust Agreement. The pension plan was frozen in 2006 to all new hires. Currently the plan has more active retirees than there are active employees.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 14 - SUBSEQUENT EVENTS (CONTINUED)

The cost of managing the Pension far exceeds the cost of the defined contribution plan which was implemented for all QDC employees hired after January 1, 2006. On August 15, 2023, the Quonset Board of Directors voted to terminate its participation in the Rhode Island Commerce Corporation's Pension Plan and Trust Agreement.

REQUIRED SUPPLEMENTARY INFORMATION

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

**SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (UNAUDITED)**

LAST NINE FISCAL YEARS

Year ended	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Valuation date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Corporation's proportion of the net pension liability (asset)	59.19%	59.19%	59.19%	59.19%	59.21%	59.21%	59.53%	59.12%	57.85%
Corporation's proportionate share of the net pension asset (liability)	\$ 1,605,219	\$ 4,749,052	\$ 1,338,242	\$ 1,284,218	\$ 783,000	\$ (120,839)	\$ (917,526)	\$ (2,482)	\$ 656,075
Corporation's covered-employee payroll	\$ 874,866	\$ 1,049,641	\$ 1,215,095	\$ 1,567,615	\$ 1,496,555	\$ 1,611,747	\$ 1,752,376	\$ 1,848,245	\$ 1,881,967
Corporation's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	183.48%	452.45%	110.13%	81.92%	52.32%	-7.50%	-52.36%	-0.13%	34.86%
Plan fiduciary net position as a percentage of the total pension liability	112.18%	136.61%	110.43%	110.46%	106.64%	98.95%	91.89%	100.01%	106.84%

Note:

Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS (UNAUDITED)

LAST NINE FISCAL YEARS

Fiscal year ended	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 352,912	\$ 352,912	\$ 352,912	\$ 352,912	\$ 352,912	\$ 352,911	\$ 352,912	\$ 144,768	\$ 86,736
Contribution in relation to contractually required contribution	<u>(352,912)</u>	<u>(352,912)</u>	<u>(352,912)</u>	<u>(352,912)</u>	<u>(352,912)</u>	<u>(352,911)</u>	<u>(352,912)</u>	<u>(144,768)</u>	<u>(86,736)</u>
Contribution deficiency	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Corporation's covered-payroll	\$ 874,866	\$ 845,780	\$ 1,049,641	\$ 1,215,095	\$ 1,567,615	\$ 1,496,555	\$ 1,611,747	\$ 1,752,376	\$ 1,848,245
Contribution as a percentage of covered-employee payroll	40.34%	41.73%	33.62%	29.04%	22.51%	23.58%	21.90%	8.26%	4.69%

Note:

Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - CHANGES IN ASSUMPTIONS

Amounts reported in 2022 measurement date reflect adjustment to the following:

Mortality rates are based on PubG-2010 above median Employee/Healthy Annuitant (Male/Female) with MP-2021 Generational Improvements tables. Previously, rates were based on the PubG-2010 above median Employee/Healthy Annuitant (Male/Female) with MP-2020 Generational Improvements tables.

SUPPLEMENTARY INFORMATION

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>	<u>Traveler</u>
7/31/2022	Chelsea Siefert	\$ 495	ICON Conference Registration - Dallas, TX	Chelsea Siefert
9/27/2022	Multiple	2,160	NE ARC Conference - Bretton Woods, NH	Multiple
10/31/2022	Edward Davies	1,052	NE RPCA Conference - Jersey City, NJ	Edward Davies
11/30/2022	Joseph Riccio	1,026	CONNECT Symposium - Providence, RI	Joseph Riccio
2/15/2023	Joseph Riccio	4,214	Finished Vehicles Conference - Huntington Beach, CA	Joseph Riccio
2/21/2023	Joseph Riccio	5,805	AAPA Conference - Dallas, TX	Joseph Riccio
4/30/2023	Tri State SHRM	700	SHRM Conference - Uncasville, CT	Jill Sherman
5/31/2023	Harvard Square Hotel	740	Professional Development Course - Cambridge, MA	Chelsea Siefert
Multiple	Multiple	<u>1,717</u>	Miscellaneous - less than \$200 each occurrence	Multiple
	Total	<u>\$ 17,909</u>		

See independent auditors' report on supplementary information.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Passed through to Subrecipient</u>	<u>Federal Expenditures</u>
<i>United States Department of Transportation - Federal Railroad Administration</i> Consolidated Rail Infrastructure and Safety Improvements	20.325	\$ --	\$ 1,408,526
<i>United States Department of Transportation - Maritime Administration</i> Port Infrastructure Development Program	20.823	--	<u>2,237,320</u>
Total United States Department of Transportation		--	<u>3,645,846</u>
<i>United States Department of Homeland Security</i> Port Security Grant	97.056	--	<u>99,408</u>
<i>United States Environmental Protection Agency</i> Capitalization Grant for Clean Water State Revolving Fund	66.458	--	<u>24,722</u>
Total Federal Expenditures		<u>\$ --</u>	<u>\$ 3,769,976</u>

See independent auditors' report on supplementary information.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Quonset Development Corporation under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Quonset Development Corporation, it is not intended to and does not present the financial position, changes in net position, or cash flows of Quonset Development Corporation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

Quonset Development Corporation has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – SINGLE AUDIT TESTING

The State of Rhode Island determined that single audit testing was not required to be performed at the component unit level for the Corporation’s federal award programs.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2023

Statement of Net Position

Attachment B

Assets

Current Assets:

Cash and cash equivalents	\$ 467,205
Receivables (net)	6,096,064
Restricted assets:	
Cash and cash equivalents	8,340,697
Current portion of lease receivable	
Due from primary government	--
Due from other component units	235,000
Other assets	<u>8,373,325</u>
Total current assets	<u>23,512,291</u>

Noncurrent Assets:

Receivables (net)	8,279
Restricted assets:	
Cash and cash equivalents	73,721
Due from other component units	60,593
Net pension asset	1,605,219
Capital assets - nondepreciable	245,192,909
Capital assets - depreciable (net)	122,111,792
Other assets, net of amortization	<u>231,724,981</u>
Total noncurrent assets	<u>600,777,494</u>
Total assets	<u>624,289,785</u>

Deferred outflows of resources

Deferred pension amounts	<u>3,398,964</u>
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See independent auditors' report on supplementary information.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2023

Statement of Net Position (Continued)

Attachment B

Liabilities

Current liabilities:

Accounts payable	3,600,501
Accrued expenses	4,974,433
Unearned revenue	4,556,613
Other current liabilities	842,207
Current portion of long-term debt	<u>2,599,962</u>
Total current liabilities	<u>16,573,716</u>

Noncurrent liabilities:

Unearned revenue	1,121,500
Loans payable	20,271,582
Bonds payable	13,999,167
Other liabilities	<u>31,989,184</u>
Total noncurrent liabilities	<u>67,381,433</u>
Total liabilities	<u>83,955,149</u>

Deferred inflows of resources

Deferred pension amounts	1,956,876
Other deferred inflows of resources	<u>202,336,991</u>
Total deferred inflows of resources	<u>204,293,867</u>

Net position

Net investment in capital assets	325,897,466
Restricted for:	
Other	533,854
Unrestricted	<u>11,403,194</u>
Total net position	<u><u>\$ 337,834,514</u></u>

See independent auditors' report on supplementary information.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATE OF RHODE ISLAND REQUIRED FORMAT

FOR THE YEAR ENDED JUNE 30, 2023

<u>Statement of Activities</u>	<u>Attachment C</u>
Expenses	\$ 19,354,026
Program revenues:	
Charges for services	21,356,097
Capital grants and contributions	<u>14,966,697</u>
Total program revenues	<u>36,322,794</u>
Net revenues	<u>16,968,768</u>
General revenue (expenses):	
Interest and investment earnings	182,779
Gain on forgiveness of debt	24,722
Gain on disposal of capital assets	<u>41,825</u>
Total general revenues (expenses)	<u>249,326</u>
Change in net position	17,218,094
Total net position - beginning	<u>322,221,639</u>
Total net position - ending	<u>\$ 339,439,733</u>

See independent auditors' report on supplementary information.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2023

Attachment D

Schedule of Debt Service to Maturity - Long-Term Debt

Fiscal Years Ending June 30,	Other (Bonds Payable)	
	Principal	Interest
2024	\$ 785,000	\$ 459,305
2025	785,000	433,138
2026	785,000	408,212
2027	785,000	383,284
2028	785,000	359,323
2029 - 2033	3,925,000	1,418,555
2034 - 2038	3,925,000	795,088
2039 - 2042	<u>3,009,167</u>	<u>187,365</u>
	<u>\$ 14,784,167</u>	<u>\$ 4,444,270</u>

See independent auditors' report on supplementary information.

QUONSET DEVELOPMENT CORPORATION
(A Component Unit of the State of Rhode Island)

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2023

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	\$ 15,569,167	\$ --	\$ 785,000	\$ 14,784,167	\$ 785,000	\$ 13,999,167
Bonds payable - Direct Payment	--	--	--	--	--	--
Net unamortized premium/discount	--	--	--	--	--	--
 Bonds payable	 15,569,167	 --	 785,000	 14,784,167	 785,000	 13,999,167
Notes payable	--	--	--	--	--	--
Notes payable - Direct Borrowings	--	--	--	--	--	--
Loans payable	13,719,815	10,378,124	2,011,395	22,086,544	1,814,962	20,271,582
Obligations under capital leases	--	--	--	--	--	--
Net pension liability	--	--	--	--	--	--
Net OPEB liability	--	--	--	--	--	--
Due to primary government	--	--	--	--	--	--
Due to component units	--	--	--	--	--	--
Due to other governments and agencies	--	--	--	--	--	--
Unearned revenue	4,878,579	4,515,416	3,715,882	5,678,113	4,556,613	1,121,500
Compensated absences	--	--	--	--	--	--
Arbitrage rebate	--	--	--	--	--	--
Pollution remediation	--	--	--	--	--	--
Funds Held for Others	--	--	--	--	--	--
Other liabilities - lease liability	26,238,829	11,373,086	4,780,524	32,831,391	842,207	31,989,184
	<u>\$ 60,406,390</u>	<u>\$ 26,266,626</u>	<u>\$ 11,292,801</u>	<u>\$ 75,380,215</u>	<u>\$ 7,998,782</u>	<u>\$ 67,381,433</u>

See independent auditors' report on supplementary information.

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

To the Board of Directors of
Quonset Development Corporation

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 Quonset Development Corporation (a component unit of the State of Rhode Island) (the "Corporation") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Quonset Development Corporation's basic financial statements, and have issued our report thereon dated September 28, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Quonset Development Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Quonset Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Quonset Development Corporation'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 Corporation'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 Quonset Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Providence, RI
September 28, 2023