

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, 2024

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

TABLE OF CONTENTS

Independent Auditors' Report	1-4	
Management's Discussion and Analysis	5-11	
Financial Statements		
Business-Type Activity:		
Statement of Net Position	12-13	
Statement of Revenues, Expenses and Changes in Net Position	14	
Statement of Cash Flows	15-16	
Fiduciary Activity		
Statement of Fiduciary Net Position.....	17	
Statement of Changes in Fiduciary Net Position.....	18	
Notes to the Financial Statements	19-41	
Required Supplementary Information		
Schedule of the Corporation's Proportionate Share of the Net Pension Liability	42	
Schedule of the Corporation's Contributions	43	
Note to the Required Supplementary Information.....	44	
Supplementary Information		
Schedule of Travel and Entertainment Expenses.....	45	
Schedule of Expenditures of Federal Awards.....	46	
Notes to the Schedule of Expenditures of Federal Awards	47	
State of Rhode Island Required Format		
Attachment B - Statement of Net Position.....	48-49	
Attachment C - Statement of Activities	50	
Attachment D - Schedule of Debt Service to Maturity – Long-Term Debt.....	51	
Attachment E - Schedule of Changes in Long-Term Debt.....	52	
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 <i>Government Auditing Standards</i>		53-54
Schedule of Findings and Responses.....	55-56	

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Quonset Development Corporation

Report on the Audit of 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, 2024, 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, 2024, 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 5-11, the schedule of the Corporation's proportionate share of the net pension liability on Page 42, the schedule of the Corporation's contributions on Page 43 and the notes to the required supplementary information on Page 44 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 48-52 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 46 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 October 11, 2024 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
October 11, 2024

QUONSET DEVELOPMENT CORPORATION

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

Management's Discussion and Analysis (Unaudited)

June 30, 2024

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, 2024 and June 30, 2023. 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 established as a special purpose subsidiary of the Rhode Island Commerce Corporation, responsible for the development and management of the Quonset Business Park. QDC was created by the Rhode Island General Assembly on July 1, 2024 (R.I. Gen. Law § 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, the expenses, and changes in net position, the statement of cash flows, statement of fiduciary net position, statement of changes in fiduciary net position, 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. The statement of fiduciary net position summarizes the position of the pension fund the Corporation took on late in the fiscal year as part of the process in terminating the pension plan.

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)

Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2024

Pension Fund

The Board of Directors voted August 15, 2023, to terminate the QDC portion of the defined benefit pension plan, held and administered by RI Commerce Corporation, due to favorable economic conditions. This termination would eliminate the Corporation’s pension liability, as well as return approximately \$3,316,164 (received in FY2025) to the Corporation, to be invested in capital projects around the Park. The pension plan was “spun off” to the corporation in March, funds distributed to its members and liquidated as of June 30, 2024.

Overview of Operations

Land use at the Quonset Business Park is governed by a Master Land Use and Development Plan adopted by the QDC Board in 2008, with amendments and updates in 2010, 2012 and 2019. The Master Plan serves as the general guide for the continued development of the Business Park. DC develops and manages the Quonset Business Park, a statewide asset, in accordance with the Master Plan and in the best interest of the citizens of Rhode Island, to attract and retain successful businesses that provide diverse employment opportunities. The major goals of the Corporation are to:

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

The Quonset Business Park currently hosts more than 230 diverse companies with over 14,000 employees. Investing in improvements to the Park’s infrastructure is the foundation for stimulating substantial private investment within the Park. For businesses to grow and thrive, the infrastructure needed to support their activities must be in place, well maintained, and sufficient for meeting business needs. Since 1980, Federal and State investments in support of the Quonset Business Park has totaled over \$850 million. This significant level of investment has catalyzed over \$1.89 billion in private investment since 2005, and over \$3 billion since 1980. The public sector investment in infrastructure has supported the demolition of Navy-era buildings, improvements to the Park’s rail network, construction of new buildings and roads, upgrading of utilities, clean-up of legacy environmental issues, installation of signage, replacement of bulkheads, purchase of equipment for the Port of Davisville, and upgrade and modernization of piers at the Port. Investment in the Park’s infrastructure continues to drive private investment, and the Corporation will implement several infrastructure projects over the coming years.

The Port of Davisville is one of the Park’s primary assets, providing the infrastructure necessary for businesses to conduct international marine shipping and receiving. In recent years, the Port of

QUONSET DEVELOPMENT CORPORATION

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2024

Overview of Operations - Continued

Davisville has ramped up its support of the nascent offshore wind industry, with 57 visits from offshore wind vessels in 2023. In support of the Park's businesses, the Corporation is in the midst of implementing a \$234.5 million Port Master Plan, which will modernize, expand and improve the Port infrastructure. The Port Master Plan will provide an additional 50 years of service life to the Port's aging pier infrastructure, expand storage and laydown areas for increased cargo throughput, improve access and circulation throughout the Port facility, and increase the Port's overall flexibility to support diverse users.

Implementation of the Port Master Plan began in FY 2016 with the rehabilitation of Pier 2 at the Port of Davisville. This multi-year project was completed in FY 2023 for a total cost of approximately \$80.1 million.

In FY 2020, Rhode Island voter's authorized a \$20.0 million GO bond to improve infrastructure at the Port of Davisville. To date, this funding has been utilized to complete dredging at the Port, engineering work in support of the Port Master Plan, and as matching funds for a Federal Port Infrastructure Development Program (PIDP) grant of \$11.14 million for the reconstruction of the southern berth at Pier 1. This project is nearing completion.

The remaining funds from the FY 2020 GO Bond will be utilized as matching funds for another PIDP grant of \$11.25 million, which will reconstruct the northern berth at Pier 1. It is anticipated that this work will begin in FY 25.

In FY 2023, the Corporation received an appropriation of \$60 million in State Fiscal Recovery Funds (SFRF) from the \$1.1 billion American Rescue Plan Act (ARPA) emergency funding received by the State of Rhode Island. In FY 2024, the SFRF allocation was increased to \$65 million. The SFRF monies are being utilized to support the reconstruction of the eastern berth at Pier 1, and the construction of the new Terminal 5 Pier and Blue Economy Support Docks. While the Corporation will execute the projects funded by the SFRF allocation, the State's Pandemic Recovery Office (PRO) will oversee the administration of the projects to ensure compliance with the rules, regulations and other guidance issued by the U.S. Department of Treasury.

Outside of the Port of Davisville, the Corporation actively maintains and upgrades the Park's roadway network, rail system, and water and wastewater infrastructure. In an effort to bring businesses to the Park and/or grow existing businesses, the Corporation makes capital improvements to lands that are available for development as part of its "Site Readiness Program." Also, the Corporation owns and maintains the water system serving the Ladd Center property in Exeter, Rhode Island, which is owned by the State of Rhode Island.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2024

In FY 2024, several capital projects began, continued and/or were completed during FY 2024, including:

- Reconstruction of the south berth at Pier 1
- Construction of a Crew Transfer Vessel Harbor
- Advance work for the new Terminal 5 Pier
- Construction of a new Engine House for the Park's rail system
- Relocation of the Moscrip Rail Spur
- Upgrade of several rail crossings throughout the Park
- Construction of the Davisville/Quonset Main Line Connector
- Upgrades to the DS-55 Pump Station
- Installation of point of service filtration devices for the Ladd Center water system
- Pit rehabilitation and replacement of the KOH tanks at the Park's well sites
- Upgrade of the Wastewater Treatment Facility's chlorine disinfection system
- Preparation of Site Readiness Parcel 42 to support new development

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 unfunded capital needs. Additionally, the Corporation aggressively pursues all Federal and State grants that are available for infrastructure improvements. In the past, the Corporation has been awarded grants from the U.S. Economic Development Administration, Department of Transportation, and Department of Homeland Security.

QUONSET DEVELOPMENT CORPORATION

(a Component Unit of the State of Rhode Island)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2024

Financial Highlights

- Total assets were \$683,352,290 (\$467,102,284 net of GASB87) at June 30, 2024 and \$624,289,785 (\$417,161,900 net of GASB87) at June 30, 2023. Of these total assets, \$436,930,479 (includes \$49,942,310 of GASB 87 lease assets) and \$399,377,173 (includes \$32,072,472 of GASB 87 lease assets), respectively, are considered capital assets.
- Total liabilities were \$100,131,670 (\$48,368,102 net of GASB87) for the year ending June 30, 2024 and \$83,955,149 (\$51,123,758 net of GASB87) for the year ending June 30, 2023. Of those total liabilities, \$82,938,179 (\$32,664,419 net of GASB87) and \$67,381,433 (\$35,392,249 net of GASB87) respectively, are long-term liabilities.
- Total assets exceeded total liabilities (net position) by \$376,398,086 at June 30, 2024 and \$339,439,733 at June 30, 2023.
- The Corporation's major source of revenues resulted in charges for services for rentals and fees in the amount of \$24,051,549 (\$19,833,018 net of GASB87) for the year ending June 30, 2024, and \$16,459,542 (\$12,982,036 net of GASB87) for the year ending June 30, 2023.
- Income (loss) before contributed capital was \$13,720,145 (\$10,205,301 net of GASB 87) for the year ending June 30, 2024 and \$6,475,320 (\$2,997,814 net of GASB 87) for the year ending June 30, 2023.
- Depreciation and amortization expense were \$8,109,547 (including \$2,235,043 related to GASB 87) for the year ending June 30, 2024, and \$7,553,711 (including \$2,283,635 related to GASB 87) for the year ending June 30, 2023.
- EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) was \$23,493,137 (\$19,978,293 net of GASB 87) for the year ending June 30, 2024 and \$15,397,853 (\$12,247,347 net of GASB 87) for the year ending June 30, 2023.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2024

Summary of Operations and Changes in Net Position

	<u>2024</u>	<u>2023</u>
Operating Revenues	\$ 37,532,868	\$ 25,580,020
General Expenses	<u>(14,204,804)</u>	<u>(10,431,493)</u>
Operating Income (Before Depreciation)	23,328,064	15,148,527
Depreciation Expense and Amortization	<u>(8,109,547)</u>	<u>(7,553,711)</u>
Operating Income	15,218,517	7,594,816
Non-Operating Expenses, Net	<u>(1,498,372)</u>	<u>(1,119,496)</u>
Income Before Contributed Capital and Transfers	13,720,145	6,475,320
Contributed Capital	<u>23,238,208</u>	<u>10,742,774</u>
Change in Net Position	<u>\$ 36,958,353</u>	<u>\$ 17,218,094</u>

Summary of Major Operating Expenses

	<u>2024</u>	<u>2023</u>
Personnel Services	\$ 4,958,398	\$ 4,619,555
Contractual Services	1,457,890	1,241,935
Utility Department Services	1,757,532	1,363,033
Other Expenses	6,030,984	3,206,970
Depreciation and Amortization	<u>8,109,547</u>	<u>7,553,711</u>
Total Operating Expenses	<u>\$ 22,314,351</u>	<u>\$ 17,985,204</u>

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2024

Summary of Statement of Net Position

	<u>2024</u>	<u>2023</u>
Current Assets	\$ 27,140,294	\$ 16,036,915
Current Portion of Lease Receivables (GASB 87)	9,646,105	7,475,376
Other Assets	3,031,511	1,747,812
Lease Receivable (GASB 87), net	206,603,901	199,652,509
Lease Asset (GASB 87), net	49,942,310	32,072,472
Capital Assets, net	<u>386,988,169</u>	<u>367,304,701</u>
Total Assets	<u>683,352,290</u>	<u>624,289,785</u>
Deferred Outflows of Resources:		
Deferred outflows of resources - pension related	<u>359,974</u>	<u>3,398,964</u>
Total Deferred Outflows of Resources	<u>359,974</u>	<u>3,398,964</u>
Current Liabilities	15,703,683	15,731,509
Current Portion of Lease Liability (GASB 87)	1,489,808	842,207
Lease Liability (GASB 87), net	50,273,760	31,989,184
Long-term Liabilities	<u>32,664,419</u>	<u>35,392,249</u>
Total Liabilities	<u>100,131,670</u>	<u>83,955,149</u>
Deferred Inflows of Resources:		
Deferred inflows of resources - pension related	34,383	1,956,876
Deferred inflows of resources - lease related	<u>207,148,125</u>	<u>202,336,991</u>
Total Deferred Inflows of Resources	<u>207,182,508</u>	<u>204,293,867</u>
Total Net Position	<u>\$ 376,398,086</u>	<u>\$ 339,439,733</u>

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, 2024

Assets and Deferred Outflows of Resources

Current Assets

Cash and cash equivalents	\$ 277,451
Cash and cash equivalents - restricted for grant	634,433
Cash and cash equivalents - restricted for municipal services fund	1,798,252
Cash and cash equivalents - restricted for capital construction	19,009,817
Cash and cash equivalents - restricted reserve account	1,006,624
Accounts receivable, net	4,013,404
Current portion of lease receivable	9,646,105
Due from Rhode Island Ready	79,914
Note receivable, current portion	9,197
Prepaid expenses and other assets	<u>311,202</u>

Total Current Assets 36,786,399

Non-Current Assets

Cash and cash equivalents - restricted - cash held in escrow	73,721
Net pension asset	2,957,790
Lease receivable, net of current portion	206,603,901
Capital assets not being depreciated	182,905,991
Capital assets, net of accumulated depreciation/amortization	<u>254,024,488</u>

Total Non-Current Assets 646,565,891

Total Assets 683,352,290

Deferred Outflows of Resources

Deferred outflows of resources - pension related	<u>359,974</u>
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Total Deferred Outflows of Resources 359,974

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, 2024

Liabilities, Deferred Inflows and Net Position

Current Liabilities

Accounts payable	\$ 1,669,216
Accrued expenses	4,767,097
Due to Rhode Island Airport Corporation	314,028
Current portion of bonds payable	785,000
Current portion of loans payable	1,823,441
Current portion of lease liability	1,489,808
Deposits and unearned revenue, current portion	<u>6,344,901</u>

Total Current Liabilities 17,193,491

Non-Current Liabilities

Bonds payable, net of current portion	13,214,167
Loans payable, net of current portion	18,460,752
Lease liability, net of current portion	50,273,760
Deposits and unearned revenue, net of current portion	<u>989,500</u>

Total Non-Current Liabilities 82,938,179

Total Liabilities 100,131,670

Deferred Inflows of Resources:

Deferred inflows of resources - pension related	34,383
Deferred inflows of resources - lease related	<u>207,148,125</u>

Total Deferred Inflows of Resources 207,182,508

Net Position

Net investment in capital assets	347,753,478
Restricted for pension	2,957,790
Restricted for municipal services fund	273,650
Unrestricted	<u>25,413,168</u>

Total Net Position \$ 376,398,086

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, 2024

Operating Revenues	
Charges for services:	
Rentals and fees	\$ 24,051,549
Other revenue	7,922,683
Utilities	<u>5,558,636</u>
Total Operating Revenues	<u>37,532,868</u>
Operating Expenses	
Personnel services	4,958,398
Contracted services	1,457,890
Utility department services	1,757,532
General expenses	6,030,984
Depreciation and amortization	<u>8,109,547</u>
Total Operating Expenses	<u>22,314,351</u>
Operating Income	<u>15,218,517</u>
Non-Operating Revenues (Expenses)	
Gain on forgiveness of debt	24,722
Interest	(1,663,445)
Investment income	<u>140,351</u>
Total Non-Operating Revenues (Expenses)	<u>(1,498,372)</u>
Change in Net Position Before Capital Contributions	<u>13,720,145</u>
Capital Contributions	
General Obligation Bonds - State of Rhode Island	8,233,405
Coronavirus State and Local Fiscal Recovery Funds	13,360,000
Contributions in aid of construction ("CIAC")	<u>1,644,803</u>
Total Capital Contributions	<u>23,238,208</u>
Change in Net Position	36,958,353
Net Position - Beginning of Year	<u>339,439,733</u>
Net Position - End of Year	<u>\$ 376,398,086</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

FOR THE YEAR ENDED JUNE 30, 2024

Cash Flows from Operating Activities	
Receipts from customers	\$ 32,583,612
Receipts from grantor	8,894,955
Payments to suppliers	(12,541,186)
Payments to pension plan	(264,684)
Payments to employees	<u>(6,017,254)</u>
Net Cash Provided by Operating Activities	<u>22,655,443</u>
Cash Flows from Capital and Related Financing Activities	
General Obligation Bonds - State of Rhode Island	8,233,405
Coronavirus State and Local Fiscal Recovery Funds	13,360,000
Capital contributions	3,721,575
Purchase of capital assets	(26,449,934)
Cash paid on operating lease payable	(3,481,912)
Principal payments on debt obligations	(2,599,790)
Interest paid on debt obligations	<u>(1,678,150)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(8,894,806)</u>
Cash Flows from Investing Activities	
Collections on note receivable	17,687
Investment income	<u>140,351</u>
Net Cash Provided by Investing Activities	<u>158,038</u>
Net Increase in Cash and Equivalents	13,918,675
Cash and Equivalents - Beginning of Year	<u>8,881,623</u>
Cash and Equivalents - End of Year	<u><u>\$ 22,800,298</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, 2024

Cash and Equivalents

Cash and cash equivalents	\$ 277,451
Cash and cash equivalents - restricted for grant	634,433
Cash and cash equivalents - restricted for municipal services fund	1,798,252
Cash and cash equivalents - restricted for capital construction	19,009,817
Cash and cash equivalents - restricted reserve account	1,006,624
Cash and cash equivalents - restricted - cash held in escrow	<u>73,721</u>

Cash and Equivalents - End of Year \$ 22,800,298

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

Operating income	\$ 15,218,517
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation and amortization	8,109,547
Net pension activity	(236,074)
Changes in:	
Accounts receivable, net	2,064,055
Due from Rhode Island Airport Corporation	609,621
Due from Rhode Island Ready	(40,237)
Prepaid expenses and other assets	547,070
Accounts payable and accrued expenses	(5,273,344)
Deposits and unearned revenue	<u>1,656,288</u>

Net Cash Provided by Operating Activities \$ 22,655,443

Supplemental Disclosure of Cash Flows Information:

During fiscal year 2024, the Corporation financed capital asset acquisitions of \$23,850,550 through the issuance of debt and accrued expenses

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, 2024

	Pension Trust Fund	RI READY
Assets		
Cash	\$ 3,278,131	\$ 2,576,611
Liabilities		
Other payable	\$ --	\$ 142,253
Total Liabilities	--	142,253
Net Position		
Net position restricted for pension	3,278,131	--
Net position restricted for other programs	--	2,434,358
Total Liabilities and Net Position	\$ 3,278,131	\$ 2,576,611

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, 2024

	Pension Trust Fund	RI READY
Additions		
Contributions:		
Employer contributions	\$ 44,599	\$ --
Dividend income	148,750	--
Unrealized gains/losses	19,194	--
Total Additions	<u>212,543</u>	<u>--</u>
Deductions		
Distributions	13,284,850	--
Administrative and other expenses	13,888	1,082,957
Total Deductions	<u>13,298,738</u>	<u>1,082,957</u>
Change in Net Position	(13,086,195)	(1,082,957)
Net Position Restricted for Pension - Beginning of Year	--	--
Net Position Restricted for Other Programs - Beginning of Year	--	3,517,315
	--	3,517,315
Transfers from RI Commerce Pension	16,364,326	--
Net Position Restricted for Pension - End of Year	3,278,131	--
Net Position Restricted for Other Programs - End of Year	--	2,434,358
Total Restricted Net Position	<u>\$ 3,278,131</u>	<u>\$ 2,434,358</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, 2024

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, 2024, approximately 49% 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 2062.

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, 2024

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.

Through the application of GASB Statement No. 84, the QDC Employees' Pension Plan has been included as a fiduciary activity in the accompanying financial statements, although it is not a component unit of the Authority. The QDC Employees' Pension Plan has been reported as a Pension Trust 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.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITION (CONTINUED)

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.

CONTRIBUTIONS

Plan member contributions in the Pension Trust Fund are recognized in the period in which wages, subject to required contributions, are earned. Corporation contributions to the Pension Trust Fund are recognized when due and the Corporation has made a formal commitment to provide the contributions.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PAYMENT OF BENEFITS

In the Pension Trust Fund, benefit payments to participants and refunds of contributions are recorded upon distribution in accordance with the terms of the Plan.

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, 2024, approximately 47% 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Corporation has implemented the following new accounting pronouncement:

GASB Statement 100 – *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62 effective for the Corporation’s fiscal year ended June 30, 2024. The implementation has no impact on net position for the year.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENTLY ISSUED GOVERNMENTAL ACCOUNTING STANDARDS

The Corporation will adopt the following new accounting pronouncements in future years, management is currently studying the impact of these pronouncements:

GASB Statement 101 – *Compensated Absences* is effective for the Corporation’s fiscal year ending June 30, 2025.

GASB Statement 102 – *Certain Risk Disclosures* is effective for the Corporation’s fiscal year ended June 30, 2025.

GASB Statement 103 – *Financial Reporting Model Improvements* is effective for the Corporation’s fiscal year ended June 30, 2026.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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, 2024 pursuant to this statutory provision.

At June 30, 2024, the carrying amount of the Corporation's cash deposits was \$22,800,298 (which includes \$73,721 of cash held by the trustee for future loan drawdowns). The bank balance of these funds was \$22,685,333, of which \$10,106,943 was covered by federal depository insurance and \$4,944,098 was either fully collateralized or covered by another source. The remaining bank balance of \$7,634,292 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, 2024.

At June 30, 2024 the carrying amount of the Corporation's custodial fund cash deposits was \$2,576,611. The bank balance of these funds was \$2,576,611 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
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 3 - ACCOUNTS RECEIVABLE, NET

At June 30, 2024, accounts receivable, including the allowance for uncollectible accounts, are as follows:

Rentals	\$ 1,108,824
Utilities and service	705,924
Port activities	511,429
Grants - MARAD	1,265,048
Department of Labor and Training	3,920
Payments in lieu of taxes	430,866
	<u>4,026,011</u>
Less: allowance for uncollectable	<u>(12,607)</u>
	<u>\$ 4,013,404</u>

NOTE 4 - NOTE RECEIVABLE

At June 30, 2024, the Corporation had a note receivable in the amount of \$9,197 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, 2024, the Corporation owes RIAC \$314,028, resulting from previous operating activity.

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
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the Corporation for the year ended June 30, 2024, 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>185,381,062</u>	<u>24,987,372</u>	<u>87,274,290</u>	<u>123,094,144</u>
Total capital assets, not depreciated		<u>245,192,909</u>	<u>24,987,372</u>	<u>87,274,290</u>	<u>182,905,991</u>
Capital assets, depreciated and amortized:					
Land improvements	40	55,913,330	59,878	188,263	55,784,945
Buildings and improvements	20-50	107,250,910	87,703,262	--	194,954,172
Furnishings and equipment	5-20	20,286,013	270,013	--	20,556,026
Right-to-use lease assets		<u>34,356,107</u>	<u>20,104,881</u>	<u>--</u>	<u>54,460,988</u>
Total capital assets, depreciated and amortized		<u>217,806,360</u>	<u>108,138,034</u>	<u>188,263</u>	<u>325,756,131</u>
Total capital assets		<u>462,999,269</u>	<u>133,125,406</u>	<u>87,462,553</u>	<u>508,662,122</u>
Less: accumulated depreciation and amortization:					
Land improvements		17,333,440	1,845,175	--	19,178,615
Buildings and improvements		32,678,952	3,097,804	--	35,776,756
Furnishings and equipment		11,326,069	931,525	--	12,257,594
Right-to-use lease assets		<u>2,283,635</u>	<u>2,235,043</u>	<u>--</u>	<u>4,518,678</u>
Total accumulated depreciation and amortization		<u>63,622,096</u>	<u>8,109,547</u>	<u>--</u>	<u>71,731,643</u>
Capital assets, net		<u>\$ 399,377,173</u>	<u>\$ 125,015,859</u>	<u>\$ 87,462,553</u>	<u>\$ 436,930,479</u>

NOTE 7 - DEPOSITS AND UNEARNED REVENUE

Deposits and unearned revenue consist of the following at June 30, 2024:

Deposit liabilities	\$ 6,150,864
Unearned revenue	<u>1,183,537</u>
Total deposits and unearned revenue	7,334,401
Current portion of deposits and unearned revenue	<u>6,344,901</u>
Deposits and unearned revenue, net of current portion	<u>\$ 989,500</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8 - LONG-TERM OBLIGATIONS

Long-term liabilities consist of the following at June 30, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, loans and lease payable:					
Revenue bond payable	\$ 14,784,167	\$ --	\$ 785,000	\$ 13,999,167	\$ 785,000
Loans payable	22,086,544	37,161	1,839,512	20,284,193	1,823,441
Lease payable	<u>32,831,391</u>	<u>20,339,695</u>	<u>1,407,518</u>	<u>51,763,568</u>	<u>1,489,808</u>
Total bonds, loans and lease payable	<u>69,702,102</u>	<u>20,376,856</u>	<u>4,032,030</u>	<u>86,046,928</u>	<u>4,098,249</u>
Other long-term liabilities:					
Deposits and unearned revenue	<u>5,678,113</u>	<u>3,815,709</u>	<u>2,159,421</u>	<u>7,334,401</u>	<u>6,344,901</u>
Total other long-term liabilities	<u>5,678,113</u>	<u>3,815,709</u>	<u>2,159,421</u>	<u>7,334,401</u>	<u>6,344,901</u>
Total long-term liabilities	<u>\$ 75,380,215</u>	<u>\$ 24,192,565</u>	<u>\$ 6,191,451</u>	<u>\$ 93,381,329</u>	<u>\$ 10,443,150</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, 2024, the balance of this bond was \$13,999,167.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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
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
2029	785,000	333,426	1,118,426
Thereafter	<u>10,074,167</u>	<u>2,067,582</u>	<u>12,141,749</u>
	<u>\$ 13,999,167</u>	<u>\$ 3,984,965</u>	<u>\$ 17,984,132</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, 2024, the balance of this loan was \$1,751,845.

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, 2024, the balance of this loan was \$11,725,929.

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, 2024, the balance of this loan was \$2,266,685.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 8 - LONG-TERM OBLIGATIONS (CONTINUED)

LOANS PAYABLE (CONTINUED)

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, 2024 was \$24,722. At June 30, 2024, the balance of this loan was \$272,000.

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, 2024, the balance of this loan was \$3,307,952.

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, 2024, the balance of this loan was \$844,448.

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, 2024, the balance of this loan was \$82,608.

The Corporation entered into an agreement for the purchase of a new truck in September 2023. The loan is payable in monthly installments of \$622,84 that includes interest of 6.18% through August 2026. At June 30, 2024, the balance of this loan was \$32,726.

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

Years Ending June 30	Principal	Interest	Total
2025	\$ 1,823,441	\$ 1,120,850	\$ 2,944,291
2026	1,963,518	1,031,179	2,994,697
2027	1,067,614	949,306	2,016,920
2028	1,013,902	890,798	1,904,700
2029	1,075,882	828,818	1,904,700
Thereafter	<u>13,339,836</u>	<u>4,169,340</u>	<u>17,509,176</u>
	<u>\$ 20,284,193</u>	<u>\$ 8,990,291</u>	<u>\$ 29,274,484</u>

Interest expense on all debt for the year ended June 30, 2024 was \$1,663,445.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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.

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 \$0 for the year ended June 30, 2024 and \$352,912 for the years ended June 30, 2023 and 2022, 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.

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 with an effective date of June 30, 2024.

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

At June 30, 2024, the Corporation reported an asset of \$2,957,790 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, 2023 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation date of July 1, 2022. The Corporation’s proportion of the net pension asset was based on its share of contributions to the Plan for fiscal year 2023 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2023 measurement date the Corporation’s proportion was 59.19%.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 9 - PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2024, the Corporation recognized a pension benefit of \$236,073.

Deferred Outflows of Resources

Difference between projected and actual earnings on plan investments	\$ 359,974
	\$ 359,974

Total

Deferred Inflows of Resources

Difference between projected and actual earnings on Plan investments	\$ (34,383)
Total	\$ (34,383)

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	\$ (80,683)
2025	(24,395)
2026	594,303
2027	(163,634)
	\$ 325,591

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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, 2024, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2022 and adjusted through June 30, 2023.

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
(A Component Unit of the State of Rhode Island)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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%)
\$ 1,643,242	\$ 2,957,790	\$ 4,099,156

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.

Effective February 29, 2024, the Corporation's Board of Directors approved the spin off from the RICC Pension and Trust and adopted a defined benefit plan in connection with the spinoff of assets and liabilities from the RICC Pension and Trust. The new plan, labeled Quonset Development Corporation, was setup only for the purpose of the payoff of all remaining plan participants. The terms of the plan remain the same as the RICC Pension and Trust. The plan assets and liabilities were transferred from the RICC Pension and Trust on March 25, 2024. From these assets, the Corporation disbursed account balances to all plan participants including active employees. Disbursements were initiated in June 2024 and remaining checks cleared as of September 19, 2024, where the remaining pension asset was paid back to the Corporation in the amount of \$3,316,164. Management determined that the accumulated benefits relating to the new plan would be immaterial due to the short term nature of the funds held in the plan.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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, 2024, 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, 2024 were \$83,869. 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, 2024

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, 2024 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, 2024, the Corporation was obligated for the completion of certain construction contracts under commitments totaling approximately \$81,999,127 which are expected to be funded from capital appropriations and grants, 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 2028 to 2047. Discount rates on the aforementioned leases range from 3.10% to 7.00%. Rent expense amortization and interest recognized in fiscal year 2024 was \$2,235,043 and \$2,074,396, respectively. The lease asset, net of accumulated amortization and lease liability balances at June 30, 2024 are \$49,942,310 and \$51,763,568, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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
2025	\$ 1,489,808	\$ 2,644,096
2026	1,569,877	2,574,854
2027	1,659,541	2,501,431
2028	1,738,678	2,423,995
2029	1,643,223	2,343,424
Thereafter	43,662,441	24,130,379
Total	\$ 51,763,568	\$ 36,618,179

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 2025 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 \$13,673,262 and \$6,090,690, respectively. The lease receivable and deferred inflows related to these leases are \$216,250,006 and \$207,148,125, 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 \$1,338,833 for the year ended June 30, 2024.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

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
2025	\$ 9,646,105	\$ 5,989,779
2026	7,544,655	5,744,134
2027	5,890,985	5,558,216
2028	5,704,708	5,397,765
2029	5,569,071	5,236,017
Thereafter	181,894,482	102,742,250
Total	\$ 216,250,006	\$ 130,668,161

The following reports the cost and accumulated depreciation for buildings under non-cancelable lease agreements at June 30, 2024:

Cost	\$ 29,423,763
Less: accumulated depreciation	5,901,696
Total	\$ 23,522,067

NOTE 13 - MAJOR CAPITAL PROJECTS

PORT OF DAVISVILLE MASTER PLAN IMPLEMENTATION

QDC is in the midst of implementing an approximately \$234.5 million master plan for the Port of Davisville. Implementation of the Master Plan began in FY 2016 with the modernization and extension of Pier 2 at the Port of Davisville. The multi-year Pier 2 project was completed in FY 2023 for a total cost of approximately \$80.1 million. The remaining projects within the Port of Davisville Master Plan are funded through several grants, a Rhode Island General Obligation (G.O.) Bond and with QDC's own revenues.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 13 - MAJOR CAPITAL PROJECTS (CONTINUED)

PORT OF DAVISVILLE MASTER PLAN IMPLEMENTATION (CONTINUED)

In March 2021, Rhode Island voters approved \$20.0 million in General Obligation (G.O.) 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. \$10.28 million of the G.O. Bond funding was disbursed to QDC prior to FY 2024 and in FY 2024, \$5.93 million in G.O. Bond funding was disbursed to QDC. As of June 30, 2024, \$3.79 million remains in the G.O. Bond for QDC to utilize.

In FY 2023, the Corporation received an appropriation of \$60 million in State Fiscal Recovery Funds (SFRF) from the \$1.1 billion American Rescue Plan Act (ARPA) emergency funding received by the State of Rhode Island. In FY 2024, the SFRF allocation was increased to \$65 million. During FY 2024, the Corporation received \$13.36 million of the appropriated SFRF allocation. As of June 30, 2024, \$51.64 million of the SFRF allocation remains for QDC to utilize.

QDC is the recipient of three (3) grants from the U.S. Maritime Administration (MARAD). In FY 2021, QDC was awarded a grant of \$11.141 million for the reconstruction of the south berth of Pier 1. In FY2023, QDC was awarded a grant of \$11.25 million for the reconstruction of the north berth of Pier 1. In FY 2024, QDC was awarded a grant of \$3.88 million for the construction of a stern offload ramp on the south face of Pier 1. In FY 2022, \$8.22 million of the FY 2021 grant was disbursed to QDC; activity under the other grants has not yet begun. As of June 30, 2024, \$2.92 million remains for QDC to utilize.

PIER 1 RECONSTRUCTION

QDC is undertaking the reconstruction of Pier 1 at the Port of Davisville in three phases. In FY 2024, QDC continued the first phase of the project, Reconstruction of the South Berth at Pier 1. To match the MARAD grant, QDC utilized funding from the 2020 G.O. Bond and from QDC's own revenues. As of June 30, 2024, Reconstruction of the South Berth at Pier 1 was nearing completion with \$1.54 million remaining to be paid on the contract.

Also in FY 2024, QDC continued the second phase of the Pier 1 project, Reconstruction of the East Berth at Pier 1. This project is entirely funded by SFRF, with a total project cost of approximately \$10.1 million. As of June 30, 2024, \$5.6 million remains to be paid on the contract.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 13 - MAJOR CAPITAL PROJECTS (CONTINUED)

TERMINAL 5 PIER

The major project funded through SFRF is the construction of the new Terminal 5 Pier at the Port of Davisville. This \$50.75 million project began in FY 2024. As of June 30, 2024, \$45.18 million remains to be paid on the contract.

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.

RHODE ISLAND READY

In March 2021, Rhode Island voters approved \$40.0 million in General Obligation (G.O.) Bonds for QDC to conduct site readiness activities for industrial sites statewide. QDC created the Rhode Island Ready Program with the goal of creating an inventory of pre-permitted sites that could accommodate large-scale industrial development.

To receive funding from the Rhode Island Ready Program, site agents complete applications for enrollment that are reviewed by QDC staff. If development of a site is determined feasible, the site is enrolled and is eligible for up to \$200,000 in technical assistance. QDC has contracted with a firm to assist in managing the project, as well as several engineering firms who can provide the required technical assistance services.

As of June 30, 2024, 18 sites have been enrolled in the Program for a total of 532.68 developable acres. When developed, these sites could host up to 4,134,605 square feet of new industrial development. Prior to FY 2024, QDC had requested and received \$4.58 in G.O. Bond funding to support Rhode Island Ready. No funding was requested in FY 2024, though expenditures of the previously requested funding continued. As of June 30, 2024, \$25.42 million remains for QDC to utilize.

As of June 30, 2024, QDC had expended \$2,165,405 of the Rhode Island Ready Program funds. \$2.41 million of the G.O. Bond funds remain in QDC's possession for expenditure.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 11, 2024, 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.

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, 2024</u>	<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>
Valuation 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
Measurement date	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Corporation's proportion of the net pension liability (asset)	59.19%	59.19%	59.19%	59.19%	59.19%	59.21%	59.21%	59.53%	59.12%
Corporation's proportionate share of the net pension asset (liability)	\$ 2,957,790	\$ 1,605,219	\$ 4,749,052	\$ 1,338,242	\$ 1,284,218	\$ 783,000	\$ (120,839)	\$ (917,526)	\$ (2,482)
Corporation's covered-employee payroll	\$ 935,864	\$ 976,752	\$ 1,049,641	\$ 1,215,095	\$ 1,567,615	\$ 1,496,555	\$ 1,611,747	\$ 1,752,376	\$ 1,848,245
Corporation's proportionate share of the net pension asset (liability) as a percentage of its covered-employee payroll	316.05%	164.34%	452.45%	110.13%	81.92%	52.32%	-7.50%	-52.36%	-0.13%
Plan fiduciary net position as a percentage of the total pension liability	122.40%	112.18%	136.61%	110.43%	110.46%	106.64%	98.95%	91.89%	100.01%

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, 2024</u>	<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>
Contractually required contribution	\$ 264,684	\$ 264,684	\$ 352,912	\$ 352,912	\$ 352,912	\$ 352,912	\$ 352,911	\$ 352,912	\$ 144,768
Contribution in relation to contractually required contribution	<u> --</u>	<u> (264,684)</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>
Contribution deficiency	<u>\$ 264,684</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Corporation's covered-payroll	\$ 992,664	\$ 935,864	\$ 976,752	\$ 1,049,641	\$ 1,215,095	\$ 1,567,615	\$ 1,496,555	\$ 1,611,747	\$ 1,752,376
Contribution as a percentage of covered-employee payroll	26.66%	28.28%	36.13%	33.62%	29.04%	22.51%	23.58%	21.90%	8.26%

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, 2024

NOTE 1 - CHANGES IN ASSUMPTIONS

Amounts reported in 2023 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, 2024

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>	<u>Traveler</u>
10/26/2023	Ambrosio, Antonio	\$ 1,035	Elements Conference	Antonio Ambrosio
10/26/2023	Werbe, Stephanie	3,115	Elements Conference	Stephanie Werbe
10/31/2023	Riccio, Joseph	2,024	AAPA Conference - Aurora CO	Joseph Riccio
11/30/2023	Riccio, Joseph	725	AAPA/NAPA Conference	Joseph Riccio
12/28/2023	Riccio, Joseph	526	NAPA Conference	Joseph Riccio
1/25/2024	Siefert, Chelsea	816	Air & Mileage OffshoreWind Forum - New Orleans	Chelsea Siefert
1/31/2024	Riccio, Joseph	514	IPF Conference - New Orleans	Joseph Riccio
2/29/2024	Riccio, Joseph	291	AAPA Conference - Washington DC	Joseph Riccio
3/29/2024	Riccio, Joseph	1,560	AAPA Summitt - Washington DC	Joseph Riccio
4/24/2024	Lavoie, Rita	1,600	US DOT Training - Washington DC	Rita Lavoie
4/25/2024	Riccio, Joseph	622	Logistics Conference - New York	Joseph Riccio
4/30/2024	Siefert, Chelsea	1,014	IPF Conference - New Orleans	Chelsea Siefert
4/30/2024	Riccio, Joseph	331	IPF Conference - New Orleans	Joseph Riccio
5/31/2024	Riccio, Joseph	250	Mileage	Joseph Riccio
6/17/2024	Riccio, Joseph	789	NAPA Conference	Joseph Riccio
6/30/2024	Young, William	298	Mileage	William Young
Multiple	Multiple	<u>542</u>	Miscellaneous - less than \$200 each occurrence	Multiple
	Total	<u>\$ 16,052</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, 2024

<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	\$ --	\$ 315,759
<i>United States Department of Transportation - Federal Railroad Administration</i> Highway Planning and Construction (Federal-Aid Highway Program)	20.205	--	<u>136,291</u>
<i>United States Department of Transportation - Maritime Administration</i> Port Infrastructure Development Program	20.823	--	<u>6,187,734</u>
Total United States Department of Transportation		--	<u>6,639,784</u>
<i>United States Department of Defense</i> National Guard Military Operations and Maintenance (O&M) Projects	12.401	--	<u>8,876,340</u>
<i>United States Department of Treasury</i> Coronavirus State and Local Fiscal Recovery Funds	21.027	--	<u>10,220,654</u>
<i>United States Environmental Protection Agency</i> Capitalization Grant for Clean Water State Revolving Fund	66.458	--	<u>19,444</u>
Total Federal Expenditures		<u>\$ --</u>	<u>\$ 25,756,222</u>

Note: \$1,380,417 of Port Infrastructure Development (ALN 20.823) expenditures were incurred in FY2023 and not reported. FY2024 expenditures reflected above exclude this amount.

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, 2024

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, 2024. 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, 2024

Statement of Net Position

Attachment B

Assets

Current Assets:

Cash and cash equivalents	\$ 277,451
Receivables (net)	4,022,601
Restricted assets:	
Cash and cash equivalents	22,449,126
Current portion of lease receivable	
Due from primary government	--
Due from other component units	--
Other assets	<u>10,037,221</u>
Total current assets	<u>36,786,399</u>

Noncurrent Assets:

Receivables (net)	--
Restricted assets:	
Cash and cash equivalents	73,721
Due from other component units	--
Net pension asset	2,957,790
Capital assets - nondepreciable	182,905,991
Capital assets - depreciable (net)	254,024,488
Other assets, net of amortization	<u>206,603,901</u>
Total noncurrent assets	<u>646,565,891</u>
Total assets	<u>683,352,290</u>

Deferred outflows of resources

Deferred pension amounts	<u>359,974</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 (CONTINUED)

JUNE 30, 2024

Statement of Net Position (Continued)

Attachment B

Liabilities

Current liabilities:

Accounts payable	1,669,216
Due to other component units	314,028
Accrued expenses	4,767,097
Unearned revenue	6,344,901
Other current liabilities	1,489,808
Current portion of long-term debt	<u>2,608,441</u>

Total current liabilities 17,193,491

Noncurrent liabilities:

Unearned revenue	989,500
Loans payable	18,460,752
Bonds payable	13,214,167
Other liabilities	<u>50,273,760</u>

Total noncurrent liabilities 82,938,179

Total liabilities 100,131,670

Deferred inflows of resources

Deferred pension amounts	34,383
Other deferred inflows of resources	<u>207,148,125</u>

Total deferred inflows of resources 207,182,508

Net position

Net investment in capital assets 347,753,478

Restricted for:

Other 3,231,440

Unrestricted 25,413,168

Total net position \$ 376,398,086

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 (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2024

<u>Statement of Activities</u>	<u>Attachment C</u>
Expenses	\$ 23,977,796
Program revenues:	
Charges for services	29,610,185
Capital grants and contributions	<u>31,160,891</u>
Total program revenues	<u>60,771,076</u>
Net revenues	<u>36,793,280</u>
General revenue (expenses):	
Interest and investment earnings	140,351
Gain on forgiveness of debt	<u>24,722</u>
Total general revenues (expenses)	<u>165,073</u>
Change in net position	36,958,353
Total net position - beginning	<u>339,439,733</u>
Total net position - ending	<u><u>\$ 376,398,086</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 (CONTINUED)

JUNE 30, 2024

Attachment D

Schedule of Debt Service to Maturity – Long-Term Debt

<u>Fiscal Years</u> <u>Ending June 30,</u>	<u>Other (Bonds Payable)</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 785,000	\$ 433,138
2026	785,000	408,212
2027	785,000	383,284
2028	785,000	359,323
2029	785,000	333,426
2030 - 2034	3,925,000	1,293,919
2035 - 2039	3,925,000	670,449
2040 - 2042	<u>2,224,167</u>	<u>103,214</u>
	<u>\$ 13,999,167</u>	<u>\$ 3,984,965</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 (CONTINUED)

JUNE 30, 2024

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	\$ 14,784,167	\$ --	\$ 785,000	\$ 13,999,167	\$ 785,000	\$ 13,214,167
Bonds payable - Direct Payment	--	--	--	--	--	--
Net unamortized premium/discount	--	--	--	--	--	--
 Bonds payable	 14,784,167	 --	 785,000	 13,999,167	 785,000	 13,214,167
Notes payable	--	--	--	--	--	--
Notes payable - Direct Borrowings	--	--	--	--	--	--
Loans payable	22,086,544	37,161	1,839,512	20,284,193	1,823,441	18,460,752
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	5,678,113	3,815,709	2,159,421	7,334,401	6,344,901	989,500
Compensated absences	--	--	--	--	--	--
Arbitrage rebate	--	--	--	--	--	--
Pollution remediation	--	--	--	--	--	--
Funds Held for Others	--	--	--	--	--	--
Other liabilities - lease liability	32,831,391	20,339,695	1,407,518	51,763,568	1,489,808	50,273,760
	<u>\$ 75,380,215</u>	<u>\$ 24,192,565</u>	<u>\$ 6,191,451</u>	<u>\$ 93,381,329</u>	<u>\$ 10,443,150</u>	<u>\$ 82,938,179</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, 2024, 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 October 11, 2024.

Report on 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness noted at 2024-001.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal

control described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

Report on 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*.

Quonset Development Corporation Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Quonset Development Corporation's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Quonset Development Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
October 11, 2024

**QUONSET DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2024

CURRENT YEAR FINDING:

MATERIAL WEAKNESS

2024-001 TIMELINESS AND ACCURACY OF FINANCIAL REPORTING

Criteria

The Quonset Development Corporation should be completing monthly reconciliations on any significant transaction areas relating to the business, which should include but not be limited to, pension reporting, GASB 87 reporting and reporting of the schedule of federal expenditures.

Condition

During our current year audit, final reconciliations, in regards to the final accounting for the Corporation's new pension fund, the reporting on the schedule of federal expenditures and GASB 87 schedules with leases were delayed when the audit commenced. Based on discussions with management, the internal team was reviewing the inputs on all the Corporation leases to ensure accuracy and they also scrubbed the schedule of federal expenses to determine if expenditures were reported in the proper period.

Cause

The Corporation finance team had significant turnover in fiscal 2024, which lead to a lot of these delays in reconciliations and reporting being done timely.

Effect

The results of this process identified that a fiduciary fund for the rollout of the old pension plan into a new pension fund was not properly recorded in the financials for fiscal year 2024, which resulted in material activity being recorded to show the transfers into the plan and the payments out of the plan.

In addition, the management team reconciled the schedule of expenditures for the year noting that the prior year schedule excluded approximately \$1.3m in federal expenses as well as the accrued revenue relating to this funding.

The other reconciliation item that resulted from the overall clean up on the GASB 87 lease input included variances from prior year of an understatement of assets of approximately \$400k, an understatement of liabilities of approximately \$530k, understatement of revenue of approximately \$90k and an understatement of expense of approximately \$235k.

Prior Year Finding

No

QUONSET DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2024

Recommendation

We recommend that the Corporation enhance internal control policies and procedures to correct this process going forward.

View of Responsible Officials and Planned Corrective Actions

Since its inception in 2005 the Corporation has a strong track record of timely and accurate financial reporting. The findings outlined in this report for the current year are symptomatic of the poorly timed and unplanned exit of the Finance Director on March 5, 2024. The search for a replacement lasted until May 6, 2024. This vacancy combined with having a small accounting staff led to the challenges identified.

The efforts of the team to regroup and be diligent in its effort to provide accurate information revealed the prior year variances in both the schedule of federal expenditures and the GASB 87 schedules. While this work affected the timeliness of the audit it was important to reconcile the record to move forward.

The work completed with this GASB 87 reconciliation has resulted in the creation of detailed workbooks that will provide a sound foundation moving forward. Those workbooks are locked only to those who have intimate knowledge of how the transactions work and their financial statement impact. Three staff members are well trained and knowledgeable in this area, ensuring contingency for the future recordings necessary.

During the reporting period, the Corporation undertook an effort to terminate its defined benefit pension and payout the pensioners with their full benefit. To effectuate this, work a new pension fund was established in March 2024 to accept funds from the RI Commerce Corporation. The funds were received, and all pensioners were paid either a lump sum or provided with a lifetime annuity on or before June 30, 2024. This activity occurred during the staff vacancy and was overlooked in the year end reporting provided to the audit team. The weakness related to this pension fund has been addressed in that all transactions will be reflected on the general ledger going forward.

Notwithstanding this oversight, we are proud of the outcome. All pensioners have been paid what was due to them and the Corporation has reduced its potential future liability with the full transition of all staff to the defined contribution plan.

To avoid future challenges the Corporation is adjusting the accounting staff. In addition to engaging a new Chief Financial Officer, the Corporation has created a position for a Corporate Controller to add depth to the team should a future key personnel vacancy occur. The Corporation remains dedicated to providing timely accurate financial reporting to support its mission of operating and developing the full potential of the Business Park.