

**I-195 REDEVELOPMENT
DISTRICT COMMISSION
(A COMPONENT UNIT OF
THE STATE OF RHODE
ISLAND)**

**FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
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Independent Auditors' Report

Board of Commissioners
I-195 Redevelopment District Commission
Providence, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of the I-195 Redevelopment District Commission, a component unit of the State of Rhode Island, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the I-195 Redevelopment District Commission's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the I-195 Redevelopment District Commission as of June 30, 2018 and 2017, and the changes in its financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the I-195 Redevelopment District Commission is dependent upon annual appropriations by the General Assembly of the State of Rhode Island and transfers from the State to fund its operating expenses and debt service on its outstanding bonds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the I-195 Redevelopment District Commission's basic financial statements. The accompanying supplementary information on pages 21 through 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018 on our consideration of the I-195 Redevelopment District Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the I-195 Redevelopment District Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the I-195 Redevelopment District Commission's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
November 5, 2018

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017**

As management of the I-195 Redevelopment District Commission (the Commission), a component unit of the State of Rhode Island (the State), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the years ended June 30, 2018 and 2017. The Commission's financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

Introduction

The Commission was created on July 9, 2011 by the Rhode Island General Assembly under Chapter 64 of Title 42 of the General Laws of Rhode Island. The Commission was established to oversee, plan, implement, and administer the areas within the I-195 Redevelopment District (District), including redeveloping the land reclaimed from the I-195 relocation and Washington Bridge projects. Significant improvements to the land associated with the former I-195 highway are being funded by the State to complete redevelopment of the land for sale. To the extent such costs do not meet the requirements for capitalization under accounting principles generally accepted in the United States of America, these costs will not be reflected in the carrying value of the land as reported in the Commission's financial statements. In April 2013, the Rhode Island Commerce Corporation (Commerce RI), a component unit of the State, issued conduit debt obligations on behalf of the Commission totaling \$38,400,000.

Overview of the Financial Statements

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

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

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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2018 Financial Highlights

Total liabilities exceeded total assets by \$14,358,102 (net deficit position) at June 30, 2018, of which \$23,949,855 is restricted for the I-195 Redevelopment Project Fund, \$503,349 is restricted for the City of Providence and \$38,811,306 is the unrestricted net deficit of the I-195 Redevelopment District Commission Operating Fund.

Total operating loss for 2018 was \$3,988,297 an increase of \$1,783,468 when compared to the operating loss for 2017. The operating fund accounted for \$1,630,198 of the total loss whereas the remaining loss was from the project fund in the amount of \$2,358,099.

Total non-operating State appropriations revenue totaled \$3,681,658 in 2018, an increase of \$2,512,595 when compared to 2017. The increase was primarily due to a non-recurring \$2,000,000 appropriated under RIGL 42-64.24 for the I-195 Redevelopment Project Fund in 2018 to provide funding for capital investment requirements or filling project financing gaps for real estate projects for development in the I-195 Redevelopment District. The remainder of the year over year increase is due to additional RICAP funding for a temporary parking lot during the construction phase of a new parking garage.

Total net non-operating revenue for 2018 totaled \$2,854,909 compared to net non-operating revenue of \$564,499 for 2017. This change results from the \$2,000,000 non-recurring State appropriation relating to the I-195 Redevelopment Project Fund under RIGL 42-64.24 in 2018.

Transfers from the State for interest due on the Commission's bonds in 2018 were \$877,601 an increase of \$273,566 when compared to 2017.

The total net position decreased by \$255,787 due to the Project fund contractual expenditures in fiscal year 2018 of \$2,360,099, being offset by a non-recurring \$2,000,000 appropriation and \$130,775 interest income.

2017 Financial Highlights

Total liabilities exceeded total assets by \$14,102,315 (net deficit position) at June 30, 2017, of which \$24,295,855 is restricted for the I-195 Redevelopment Project Fund and \$38,279,494 and \$118,676 are the unrestricted net deficit of the I-195 Redevelopment District Commission Operating Fund and the I-195 Redevelopment Project Fund respectively.

Total operating loss for 2017 was \$2,204,829 a decrease of \$1,083,349 when compared to the operating loss for 2016. The operating fund accounted for \$1,352,051 of the total loss whereas the remaining loss was from the project fund in the amount of \$852,779.

Total non-operating State appropriations revenue totaled \$1,169,063 in 2017, a decrease of \$24,935,262 when compared to 2016. The decrease was due to a non-recurring \$25,000,000 appropriated under RIGL 42-64.24 for the I-195 Redevelopment Project Fund in 2016 to provide funding for capital investment requirements or filling project financing gaps for real estate projects for development in the I-195 Redevelopment District.

Total net non-operating revenue for 2017 totaled \$564,499 compared to net non-operating revenue of approximately \$25,619,307 for 2016. This change results from the non-recurring State appropriations relating to the I-195 Redevelopment Project Fund under RIGL 42-64.24 in 2016.

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Transfers from the State for interest due on the Commission's bonds in 2017 were \$604,035 an increase of \$121,272 when compared to 2016.

The total net position decreased by \$1,036,295 principally due to \$853,778 in expenditures on prior year appropriations in the I-195 Redevelopment Project Fund.

Condensed Comparative Information

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

	2018	2017	2016	Increase (decrease)	
				2018 v 2017	2017 v 2016
Net position:					
Current assets	\$ 25,522	\$ 24,582	\$ 25,364	\$ 940	\$ (782)
Noncurrent assets	319	311	287	8	23
Total assets	<u>25,841</u>	<u>24,893</u>	<u>25,651</u>	<u>948</u>	<u>(759)</u>
Current liabilities	3,219	595	317	2,624	278
Noncurrent liabilities	36,980	38,400	38,400	(1,420)	-
Total liabilities	<u>40,199</u>	<u>38,995</u>	<u>38,717</u>	<u>1,204</u>	<u>278</u>
Net Deficit Position	<u>\$ (14,358)</u>	<u>\$ (14,102)</u>	<u>\$ (13,066)</u>	<u>\$ (256)</u>	<u>\$ (1,037)</u>
Changes in net deficit position:					
Operating revenues	\$ 915	\$ 28	\$ 83	\$ 887	\$ (55)
Operating expenses	<u>4,903</u>	<u>2,233</u>	<u>1,205</u>	<u>2,670</u>	<u>1,028</u>
Operating loss	(3,988)	(2,205)	(1,122)	(1,783)	(1,083)
Nonoperating revenues (expenses)	2,855	564	25,619	2,291	(25,055)
Contributions and transfers	<u>878</u>	<u>604</u>	<u>483</u>	<u>274</u>	<u>121</u>
Change in Net Deficit Position	<u>\$ (255)</u>	<u>\$ (1,037)</u>	<u>\$ 24,980</u>	<u>\$ 781</u>	<u>\$ (26,018)</u>

2018 Financial Analysis

Total assets of the Commission increased \$948,220 during 2018. This increase is due to receivables from the State for permitting fees (largely payable to the City of Providence) of \$570,992 combined with \$470,677 in RICAP funds for a temporary parking lot during construction phase of a new parking garage.

Total liabilities increased \$1,204,007 primarily due to permitting fees of \$503,094 payable to the City of Providence and payments due to restore funding to the Project fund for costs incurred for temporary parking lot during construction phase of new parking garage.

2018 Operating Activity

The Commission had operating revenues of \$915,053 for the year ended June 30, 2018, compared to \$27,703 in 2017. The significant increase in revenues is directly related to permitting fees of \$537,270 due from the State of Rhode Island and \$300,000 reimbursement for legal and engineering costs.

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Total operating expenses increased \$2,670,818 during 2018 primarily due to an increase year over year in contractual services for project fund of \$2,061,331.

The operating loss of the Commission was \$3,988,297 in 2018 as compared to \$2,204,829 in 2017. Many factors contributed to the loss however, the increase year over year in project fund contractual services of \$2,061,331 associated with on-going land purchase and development is the primary driver.

In December 2013, additional limited design investigation activities were conducted at select parcels within the District to further refine the technical designs for the pending remediation of the District parcels. The results of the work were presented to Rhode Island Department of Environmental Management (RIDEM) in June 2014. Additionally, a Remedial Action Work Plan (RAWP) was prepared and submitted to RIDEM on July 1, 2014, as requested by RIDEM. The RAWP included the detailed designs which will be implemented to remediate all parcels within the District, except for Parcel 30, which has a separate plan, in accordance with the previously approved remedial strategy summarized above. The Commission received a Remedial Approval Letter for the District-wide RAWP from RIDEM on October 9, 2014.

In August 2014, the Commission was awarded a \$200,000 grant from the United States Environmental Protection Agency (USEPA) for further assessment and remediation activities of all parcels (the Assessment Grant). The award period for the USEPA Assessment Grant is October 2014 through September 2017. Additional limited design investigation, remedial planning, and clean-up activities are currently underway for Parcel 30 of the District, for which the Commission was awarded another \$200,000 grant from the USEPA in August 2015 (the Parcel 30 Clean-Up Grant). The award period for the USEPA Parcel 30 Clean-Up Grant is October 2015 through September 2018.

In August 2017, the Commission was awarded \$106,000 from the Brownfields Cleanup Revolving Loan Fund for hazardous remediation on parcel 22. The grant covered installation of a cap including topsoil and related landscaping and engineering costs associated with the remediation.

On September 21, 2017, the Commission sold Lot 1 (formerly part of Parcels 22 and 25) to Providence Innovation District Phase 1 Owner, LLC, an entity of Wexford Science and Technology, for \$1.00 as part of a three-phase development. Wexford broke ground on an approximately 200,000-SF commercial building on the site shortly thereafter. The development was supported by incentives from the I-195 Project Fund totaling \$18.8 million.

2017 Financial Analysis

Total assets of the Commission decreased \$1,758,039 during 2017 primarily due to \$853,778 project based expenditures for economic development incentives (I-195 Redevelopment Project Fund) offset by interest earned on fund balance.

Total liabilities increased \$278,256 due to two factors, expenditures in project fund restricted for the economic development incentives, and increased operating activity associated with land purchases and agreements.

2017 Operating Activity

The Commission had operating revenues of \$27,703 for the year ended June 30, 2017.

Total operating expenses increased \$1,027,784 during 2017 due to increased legal fees associated with pending purchase and sale agreements, and expenditures in project fund as restricted for economic development incentives.

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The operating loss of the Commission was \$2,204,829 in 2017 compared to \$1,121,480 in 2016.

In December 2013, additional limited design investigation activities were conducted at select parcels within the District to further refine the technical designs for the pending remediation of the District parcels. The results of the work were presented to Rhode Island Department of Environmental Management (RIDEM) in June 2014. Additionally, a Remedial Action Work Plan (RAWP) was prepared and submitted to RIDEM on July 1, 2014, as requested by RIDEM. The RAWP included the detailed designs which will be implemented to remediate all parcels within the District, except for Parcel 30, which has a separate plan, in accordance with the previously approved remedial strategy summarized above. The Commission received a Remedial Approval Letter for the District-wide RAWP from RIDEM on October 9, 2014.

In August 2014, the Commission was awarded a \$200,000 grant from the United States Environmental Protection Agency (USEPA) for further assessment and remediation activities of all parcels (the Assessment Grant). The award period for the USEPA Assessment Grant is October 2014 through September 2017. Additional limited design investigation, remedial planning, and clean-up activities are currently underway for Parcel 30 of the District, for which the Commission was awarded another \$200,000 grant from the USEPA in August 2015 (the Parcel 30 Clean-Up Grant). The award period for the USEPA Parcel 30 Clean-Up Grant is October 2015 through September 2018.

Requests for Information

This financial report is designed as a general overview of the Commission's financial picture for external and internal stakeholders. Questions concerning any of the information provided in this report or public requests for information should be addressed to the Executive Director, I-195 Redevelopment District Commission, 315 Iron Horse Way, Suite 101, Providence, Rhode Island 02908.

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			2017		
	I-195 Redevelopment District Commission Operating Fund	I-195 Redevelopment Project Fund	Total	I-195 Redevelopment District Commission Operating Fund	I-195 Redevelopment Project Fund	Total
ASSETS						
Current Assets:						
Cash	\$ 43,597	\$	\$ 43,597	\$ 186,612	\$	\$ 186,612
Cash, restricted	133,363	23,702,408	23,835,771	25,000	24,295,855	24,320,855
Accounts receivable	15,000		15,000	29,115		29,115
Prepaid expenses	50,995		50,995	45,634		45,634
Due from operating fund		470,677	470,677			
Due from State	1,106,380		1,106,380			
Total current assets	<u>1,349,335</u>	<u>24,173,085</u>	<u>25,522,420</u>	<u>286,361</u>	<u>24,295,855</u>	<u>24,582,216</u>
Noncurrent Assets:						
Land held for sale	<u>318,830</u>		<u>318,830</u>	<u>310,814</u>		<u>310,814</u>
Total assets	<u>1,668,165</u>	<u>24,173,085</u>	<u>25,841,250</u>	<u>597,175</u>	<u>24,295,855</u>	<u>24,893,030</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	153,709	129,929	283,638	212,914	114,213	327,127
Due to State				15,540		15,540
Accrued expenses	818,373	93,301	911,674	223,215	4,463	227,678
Due to redevelopment project fund	470,677		470,677			
Current maturity of bonds payable	1,420,000		1,420,000			
Unearned revenue, restricted	133,363		133,363	25,000		25,000
Total current liabilities	<u>2,996,122</u>	<u>223,230</u>	<u>3,219,352</u>	<u>476,669</u>	<u>118,676</u>	<u>595,345</u>
Noncurrent Liabilities:						
Bonds payable	<u>36,980,000</u>		<u>36,980,000</u>	<u>38,400,000</u>		<u>38,400,000</u>
Total liabilities	<u>39,976,122</u>	<u>223,230</u>	<u>40,199,352</u>	<u>38,876,669</u>	<u>118,676</u>	<u>38,995,345</u>
Net Position:						
Restricted for other programs		23,949,855	23,949,855		24,177,179	24,177,179
Unrestricted (deficit)	<u>(38,307,957)</u>		<u>(38,307,957)</u>	<u>(38,279,494)</u>		<u>(38,279,494)</u>
Net Position	<u>\$ (38,307,957)</u>	<u>\$ 23,949,855</u>	<u>\$ (14,358,102)</u>	<u>\$ (38,279,494)</u>	<u>\$ 24,177,179</u>	<u>\$ (14,102,315)</u>

The accompanying notes are an integral part of the financial statements

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			2017		
	I-195 Redevelopment District Commission Operating Fund	I-195 Redevelopment Project Fund	Total	I-195 Redevelopment District Commission Operating Fund	I-195 Redevelopment Project Fund	Total
Operating Revenues	\$ 913,053	\$ 2,000	\$ 915,053	\$ 26,703	\$ 1,000	\$ 27,703
Operating Expenses:						
Contractual services	1,482,817	2,360,099	3,842,916	927,807	853,778	1,781,585
Personnel services	437,181		437,181	383,355		383,355
Insurance	52,261		52,261	50,820		50,820
Other	570,992		570,992	16,772		16,772
Total operating expenses	<u>2,543,251</u>	<u>2,360,099</u>	<u>4,903,350</u>	<u>1,378,754</u>	<u>853,778</u>	<u>2,232,532</u>
Operating Loss	<u>(1,630,198)</u>	<u>(2,358,099)</u>	<u>(3,988,297)</u>	<u>(1,352,051)</u>	<u>(852,778)</u>	<u>(2,204,829)</u>
Nonoperating Revenues (Expenses):						
State appropriations	1,681,658	2,000,000	3,681,658	1,169,063		1,169,063
Grant income	140,455		140,455	202,632		202,632
Interest income		130,775	130,775		29,957	
Grant expenses	(132,439)		(132,439)	(179,168)		(179,168)
Interest expense	(965,540)		(965,540)	(657,985)		(657,985)
Total nonoperating revenues, net	<u>724,134</u>	<u>2,130,775</u>	<u>2,854,909</u>	<u>534,542</u>	<u>29,957</u>	<u>564,499</u>
Loss before Transfers	(906,064)	(227,324)	(1,133,388)	(817,509)	(822,821)	(1,640,330)
Transfer from State	<u>877,601</u>		<u>877,601</u>	<u>604,035</u>		<u>604,035</u>
Change in Net Position	(28,463)	(227,324)	(255,787)	(213,474)	(822,821)	(1,036,295)
Total Net Position, Beginning of Year	<u>(38,279,494)</u>	<u>24,177,179</u>	<u>(14,102,315)</u>	<u>(38,066,020)</u>	<u>25,000,000</u>	<u>(13,066,020)</u>
Total Net Position, End of Year	<u>\$ (38,307,957)</u>	<u>\$ 23,949,855</u>	<u>\$ (14,358,102)</u>	<u>\$ (38,279,494)</u>	<u>\$ 24,177,179</u>	<u>\$ (14,102,315)</u>

The accompanying notes are an integral part of the financial statements

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			2017		
	I-195 Redevelopment District Commission Operating Fund	I-195 Redevelopment Project Fund	Total	I-195 Redevelopment District Commission Operating Fund	I-195 Redevelopment Project Fund	Total
Cash Flows from Operating Activities:						
Receipts from customers	\$ 1,021,416	\$ 2,000	\$ 1,023,416	\$ (4,646)	\$ 1,000	\$ (3,646)
Payments to suppliers	(2,186,176)	(2,255,545)	(4,441,721)	(882,643)	(735,102)	(1,617,745)
Payments to employees	540,715		540,715	(365,250)		(365,250)
Net cash used in operating activities	<u>(624,045)</u>	<u>(2,253,545)</u>	<u>(2,877,590)</u>	<u>(1,252,539)</u>	<u>(734,102)</u>	<u>(1,986,641)</u>
Cash Flows from Noncapital Financing Activities:						
State appropriations	575,278	1,529,323	2,104,601	1,169,063	25,000,000	26,169,063
Grants received	154,570		154,570	191,862		191,862
Interest Income		130,775	130,775		29,957	29,957
Grant expenditures	<u>(132,439)</u>		<u>(132,439)</u>	<u>(123,106)</u>		<u>(123,106)</u>
Net cash provided by noncapital financing activities	<u>597,409</u>	<u>1,660,098</u>	<u>2,257,507</u>	<u>1,237,819</u>	<u>25,029,957</u>	<u>26,267,776</u>
Cash Flows from Capital and Related Financing Activities:						
Payments for land held for sale	<u>(8,016)</u>		<u>(8,016)</u>	<u>(16,939)</u>		<u>(16,939)</u>
Net Increase (Decrease) in Cash	(34,652)	(593,447)	(628,099)	(31,659)	24,295,855	24,264,196
Cash, Beginning of Year	<u>211,612</u>	<u>24,295,855</u>	<u>24,507,467</u>	<u>243,271</u>		<u>243,271</u>
Cash, End of Year	<u>\$ 176,960</u>	<u>\$ 23,702,408</u>	<u>\$ 23,879,368</u>	<u>\$ 211,612</u>	<u>\$ 24,295,855</u>	<u>\$ 24,507,467</u>

The accompanying notes are an integral part of the financial statements

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			2017		
	I-195 Redevelopment District Commission Operating Fund	I-195 Redevelopment Project Fund	Total	I-195 Redevelopment District Commission Operating Fund	I-195 Redevelopment Project Fund	Total
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:						
Operating loss	\$ (1,630,198)	\$ (2,358,099)	\$ (3,988,297)	\$ (1,352,051)	\$ (852,778)	\$ (2,204,829)
Adjustments to reconcile operating loss to net cash used in operating activities:						
Prepaid expenses	(5,361)		(5,361)	406		406
Accounts payable and accrued expenses	903,151	104,554	1,007,705	130,455	118,676	249,131
Unearned revenue, restricted	108,363		108,363	(31,349)		(31,349)
Net Cash Used in Operating Activities	<u>\$ (624,045)</u>	<u>\$ (2,253,545)</u>	<u>\$ (2,877,590)</u>	<u>\$ (1,252,539)</u>	<u>\$ (734,102)</u>	<u>\$ (1,986,641)</u>
Supplemental Disclosure:						
Noncash capital and related financing activities:						
Interest payments transferred from State	<u>\$ 877,601</u>	<u>\$ -</u>	<u>\$ 877,601</u>	<u>\$ 604,035</u>	<u>\$ -</u>	<u>\$ 604,035</u>

The accompanying notes are an integral part of the financial statements

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The I-195 Redevelopment District Commission (the Commission) was created by the Rhode Island General Assembly under Chapter 64 of Title 42 of the General Laws of Rhode Island. The Commission constitutes a body corporate and politic and a public instrumentality of the State of Rhode Island (the State) having a distinct legal existence from the State. It is a component unit of the State for financial reporting purposes. As such, the financial statements of the Commission will be included in the State's comprehensive annual financial report.

The Commission was established in 2011 to oversee, plan, implement and administer the areas within the I-195 Redevelopment District, including redeveloping the land reclaimed from the I-195 relocation and Washington Bridge projects.

The Commission is exempt from federal and state income taxes.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

The Commission engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external users, and economic development supported by revenue from land sales.

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

The Commission distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Commission's principal ongoing operations. Operating expenses include the costs resulting from services provided and administrative expenses. All other revenues and expenses are reported as nonoperating revenues and expenses.

The Commission reports the following major business-type funds:

The I-195 Redevelopment District Commission Operating Fund is the primary operating fund. It accounts for all financial resources of the Commission, except for those required to be accounted for in another fund.

The I-195 Redevelopment Project Fund accounts for financing activities funded from a \$25,000,000 State of Rhode Island appropriation for capital investment and project financing gaps for projects to be located within the I-195 Redevelopment District.

Use of Estimates

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

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

Cash Equivalents

The Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Commission had no cash equivalents at June 30, 2018 and 2017.

Restricted Cash, Unearned Revenue and Third-Party Expense Reimbursement

Restricted cash and unearned revenue represent advances paid to the Commission by potential purchasers under the terms of executed purchase and sales agreements for land parcels for which the related due diligence activities are in progress. As part of these agreements, potential purchasers are required to pay the Commission specified amounts to reimburse the Commission for the cost of due diligence activities. Amounts incurred related to due diligence activities are reported as operating expenses when incurred since the Commission is the primary obligor under arrangements with vendors providing due diligence services. Amounts previously advanced to the Commission are recognized as operating revenue when the related expenses are incurred.

Restricted cash under the I-195 Redevelopment Project Fund represents cash to be released once performance has been completed to contract specifications within agreed upon terms.

Restricted Net Position

The I-195 Redevelopment Project Fund's restricted net assets have been limited to uses specified either externally by creditors, contributors, laws or regulations of other governments or internally by enabling legislation or law; the ending restricted net position balance represents the balance of the restricted net assets that have been reduced by liabilities related to the restricted assets.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent the consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period. The Commission had no deferred inflows or outflows of resources at June 30, 2018 and 2017.

Reclassifications

Certain items relating to the prior year have been reclassified to conform to the current year's financial statement presentation.

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

2. CASH

Bank balances of the Commission's cash, including restricted amounts, consist of the following:

	<u>2018</u>	<u>2017</u>
Bank balance in checking account	\$ 23,991,879	\$ 24,520,275
Insured by federal depository insurance	<u>250,000</u>	<u>224,420</u>
Bank balance uninsured	23,741,879	24,295,855
Collateralized - collateral held by third-party custodian in the Commission's name	<u>23,741,879</u>	<u>24,295,855</u>
Uninsured and Uncollateralized	<u>\$ -</u>	<u>\$ -</u>

In accordance with State of Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, are required, at a minimum, to insure or pledge eligible collateral equal to one-hundred percent of time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators are required to insure or pledge eligible collateral equal to one-hundred percent of deposits, regardless of maturity. The Commission does not have a separate deposit policy for custodial credit risk.

3. LAND HELD FOR SALE

During the year ended June 30, 2013, the State transferred the land associated with the former I-195 highway in Providence, Rhode Island, to the Commission. The value of the land, which the Commission intends to develop, was reported as a capital contribution at the State's historical cost of \$343 per acre.

In accordance with GAAP, during the years ended June 30, 2018 and 2017, the Commission capitalized costs incurred for site-specific environmental expenses related to the Remedial Action Work Plan (RAWP).

Changes in land held for sale were as follows:

Balance, July 1, 2016	\$ 287,351
Additions, capitalized costs	<u>23,463</u>
Balance, June 30, 2017	310,814
Additions, capitalized costs	<u>8,016</u>
Balance, June 30, 2018	<u>\$ 318,830</u>

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

4. BONDS PAYABLE

The Commission's bond indebtedness is as follows:

Economic Development Revenue Bonds:	
2013 Series A	\$ 37,440,000
2013 Series B	<u>960,000</u>
	<u>\$ 38,400,000</u>

In April 2013, Rhode Island Commerce Corporation (Commerce RI) issued Economic Development Revenue Bonds, 2013 Series A, in the aggregate principal amount of \$37,440,000, for which the Commission is the obligor. The 2013 Series A Bonds mature in April 2033 and bear interest at the lesser of the 30-Day London Interbank Offered Rate (LIBOR) (1.9825% at June 30, 2018) plus applicable margin, or 7.75%. Applicable margin is the rate that corresponds to the lesser of the two long-term general obligation bond ratings of the State from Moody's Investors Service (Moody's) and Standard & Poor's (S&P) in the following table:

<u>State Bond Rating- S&P / Moody's</u>	<u>Applicable Margin</u>
AA/Aa2, or higher	1.00%
AA-/Aa3	1.17%
A+/A1	1.37%
A/A2	1.57%
A-/A3	1.82%

At June 30, 2018, the State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively. As such, at June 30, 2018, the 2013 Series A Bonds bore interest at 2.9825%.

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

Concurrent with the issuance of the 2013 Series A Bonds, Commerce RI issued Economic Development Bonds, 2013 Series B (federally taxable), in the aggregate principal amount of \$960,000, for which the Commission is the obligor. The 2013 Series B Bonds mature in April 2019 and bear interest at the lesser of the 30-Day LIBOR (1.9825% at June 30, 2018) plus applicable taxable margin, or 7.75%. Applicable taxable margin is the rate that corresponds to the lesser of the two long-term bond ratings of the State from Moody's and S&P in the following table:

<u>State Bond Rating- S&P / Moody's</u>	<u>Applicable Taxable Margin</u>
AA/Aa2, or higher	1.15%
AA-/Aa3	1.32%
A+/A1	1.52%
A/A2	1.72%
A-/A3	1.97%

Based on the State's most recent bond ratings, the 2013 Series B bonds bore interest at 3.1325% at June 30, 2018.

Proceeds from the 2013 Series A and B Bonds were transferred by the Commission to the State. Simultaneous with the issuance of the 2013 Series A and B Bonds, the Commission, Commerce RI, and Santander Bank (the Bank) entered into a bond purchase agreement under the terms of which the 2013 Series A and B Bonds were purchased by the Bank. The Bank holds a mandatory tender option to sell the bonds to Commerce RI on either April 1, 2023 or April 1, 2028.

Concurrent with the issuance of the 2013 Series A and B Bonds, the State entered into separate rate cap transaction agreements with the Bank for each bond series (the 2013 Series A and B Rate Cap Agreements). Under the terms of the 2013 Series A Rate Cap Agreement, the State paid the Bank \$658,500. In exchange, the Bank agreed to pay the State interest on a monthly basis at 30-Day LIBOR, to the extent 30-Day LIBOR exceeds the interest rate cap, on the notional amount, which mirrors the scheduled principal balance of the 2013 Series A Bonds, through April 1, 2023. The interest rate under the 2013 Series A Rate Cap Agreement is capped at 6.75%. Under the terms of the 2013 Series B Rate Cap Agreement, the Bank agreed to pay the State interest on a monthly basis at 30-Day LIBOR (1.9825% at June 30, 2018), to the extent 30-Day LIBOR exceeds the interest rate cap, on the notional amount, which mirrors the scheduled principal balance of the 2013 Series B Bonds, through April 1, 2019. The State made no payment to the Bank under the terms of that agreement. The interest rate under the 2013 Series B Rate Cap Agreement is capped at 6.85%. At June 30, 2018 and 2017, the fair value of the 2013 Series A and B Rate Cap Agreements was \$31,244 and \$46,593, respectively, and is estimated as the amount the State would receive to terminate the Rate Cap Agreements at the reporting dates, taking into account current interest rates and the current credit worthiness of the counterparties.

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

Repayment of the 2013 Series A and B Bonds shall be solely from i) appropriated funds, if any, made available and appropriated by the General Assembly of the State for bond payments, but not for payment of administrative expenses, and ii) pledged receipts, which are the net proceeds derived from the sale, lease, transfer, conveyance, or other disposition of any interest in all or any portion of the I-195 land owned by the Commission.

The Commission has pledged and granted to Commerce RI a security interest, which has been assigned to the bond trustee, in all pledged receipts and all deposits in the bond, project, expense and credit facility funds established with the bond trustee.

To the extent that the Commission has insufficient funds to meet its payment obligations under the bonds, it shall seek appropriations from the State; however, there are no assurances that the State will appropriate amounts to fund the Commission’s payment obligations.

At June 30, 2018, aggregate scheduled principal and interest payments due on the Commission’s bonds, based on rates in effect as of June 30, 2017 and as if the Bank waives its mandatory tender options, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,420,000	\$ 1,135,819
2020	1,540,000	1,091,655
2021	1,660,000	1,044,830
2022	1,790,000	994,352
2023	1,935,000	939,922
2024-2028	12,205,000	3,719,724
2029-2033	17,850,000	1,547,077
	<u>\$ 38,400,000</u>	<u>\$ 10,473,379</u>

There were no additions to or reductions of bonds payable during the years ended June 30, 2018 or 2017.

5. CONTRACTUAL SERVICES

Contractual services by category for the years ended June 30, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Consulting	\$ 303,930	\$ 308,673
Project Development	2,830,776	853,779
Professional	568,828	456,957
Maintenance	134,089	124,165
Interim use	5,293	38,011
	<u>\$ 3,842,916</u>	<u>\$ 1,781,585</u>

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

6. STATE APPROPRIATIONS AND TRANSFERS FROM STATE

During the years ended June 30, 2018 and 2017, the Commission received \$3,681,658 and \$1,169,063, respectively, in appropriations by the General Assembly of the State to fund operating expenses. These appropriations are made in connection with the State's annual budgetary process and are therefore dependent upon the State's general financial resources and factors affecting such resources. The Commission is dependent upon such annual appropriations to fund its operating expenses.

During the years ended June 30, 2018 and 2017, the Commission received \$877,601 and \$604,035, respectively, in transfers from the State to fund debt service. The Commission is dependent upon such transfers to fund its debt service on its outstanding bonds.

The I-195 Redevelopment Project Fund was established through legislative action under the jurisdiction of and to be administered by the Commission to further the goals set forth in Chapter 42-64.14 of the Rhode Island General Laws to promote, among other purposes, the development and attraction of advanced industries and innovation on and near the I-195 land to enhance Rhode Island's economic vitality. Expenditures for the years ended June 30, 2018 and 2017, were \$2,360,099 and \$853,778 respectively. Interest earned for the years ended June 30, 2018 and 2017 were \$130,775 and \$29,957, respectively. Net position decreased \$227,324 in 2018 and \$822,821 in 2017.

7. COMMITMENTS AND CONTINGENCIES

Environmental Remediation

Since 2012, several environmental studies have been performed on the land within and adjacent to the I-195 Redevelopment District (the District) on behalf of the Commission. These studies, conducted by multiple parties during different stages of the highway relocation and redevelopment, have resulted in an understanding of the environmental conditions and the associated regulatory and financial implications. The data generated from the most recent studies was compiled with the historical data available from previous studies in a comprehensive Site Investigation Report, which was submitted to, and approved by the Rhode Island Department of Environmental Management (RIDEM) in a Remedial Decision Letter, dated October 8, 2013. This formal regulatory approval confirms that site investigation activities have been completed in accordance with the applicable regulatory requirements and to the satisfaction of RIDEM, appropriate public notices have been completed, and that RIDEM has concurred with the conceptual remedy for the District. The final remedy, which will be implemented concurrent with the development of individual parcels within the District, will consist of capping existing soil with clean fill or structures, and the implementation of a vapor barrier below habitable structures to be constructed at specific parcels.

In December 2013, additional limited design investigation activities were conducted at select parcels within the District to further refine the technical designs for the pending remediation of the District parcels. The results of the work were presented to RIDEM in June 2014. Additionally, a Remedial Action Work Plan (RAWP) was prepared and submitted to RIDEM on July 1, 2014, as requested by RIDEM. The RAWP included the detailed designs which will be implemented to remediate all parcels within the District, except for Parcel 30, which has a separate plan, in accordance with the previously approved remedial strategy summarized above. The Commission received a Remedial Approval Letter for the District-wide RAWP from RIDEM on October 9, 2014. In August 2014, the Commission was

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

awarded a \$200,000 grant from the United States Environmental Protection Agency (USEPA) for further assessment and remediation activities of all parcels (the Assessment Grant). The award period for the USEPA Assessment Grant is October 2014 through September 2017. Additional limited design investigation, remedial planning, and clean-up activities are currently underway for Parcel 30 of the District, for which the Commission was awarded another \$240,000 grant from the USEPA in August 2015 (the Parcel 30 Clean-Up Grant). The award period for the USEPA Parcel 30 Clean-Up Grant is October 2015 through September 2018.

The accompanying 2018 financial statements include \$34,454 in grant income based on expending approximately \$34,454 of the USEPA Assessment Grant awards, \$26,439 as grant expenses and \$8,015 in costs related to land held for sale.

In August 2017, the Commission was awarded a \$76,000 grant from the Brownfields Cleanup Revolving Loan Fund authorized through Rhode Island Commerce in conjunction with the Small Business Loan fund. The award was amended in October 2017 increasing the award to \$106,000. The funds are to be used for hazardous substance remediation for Parcel 22. Due to the presence of soil contamination, the Rhode Island Department of Environmental Management (DEM) required the installation of a cap on the site to protect the public based on the intended use of the property. The accompanying 2018 financial statements include \$106,000, an equal amount in grant income and grant related expenses.

Excluding Parcel 30, the measures described above will be implemented concurrent with the development of individual parcels within the District. The obligation to complete these environmental remediation measures will be borne by the purchasers of the individual parcels within the District. Accordingly, no environmental remediation liability is reported in the accompanying statements of net position.

On September 21, 2017, the Commission sold Lot 1 (formerly part of Parcels 22 and 25) to Providence Innovation District Phase 1 Owner, LLC, an entity of Wexford Science and Technology, for \$1.00 as part of a three-phase development. Wexford broke ground on an approximately 200,000-SF commercial building on the site shortly thereafter. The development was supported by incentives from the I-195 Project Fund totaling \$18.8 million.

Risk Management

The Commission is exposed to various risks of loss related to torts, errors and omissions, property casualty and liability, and workers' compensation claims for which the Commission carries commercial insurance. Management believes the Commission has access to sufficient funds for potential claims, if any, that are subject to deductibles or are in excess of stated coverage maximums. The Commission is not aware of any potential claims. Accordingly, the Commission has not recorded a reserve for potential claims.

Subsequent Events

In July 2018, the Commission sold Parcel 30 for a total purchase price of \$809,677.

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Program Title Pass-Through Grantor	Federal CFDA Number	Federal Expenditures
U.S. Environmental Protection Agency		
<i>Direct Programs:</i>		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	\$ 26,439
U.S. Environmental Protection Agency		
<i>Passed Through the Rhode Island Commerce Corporation:</i>		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	<u>106,000</u>
Total Expenditures of Federal Awards		<u><u>\$ 132,439</u></u>

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the I-195 Redevelopment District Commission (the Commission) under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is prepared 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 the Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of the Commission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance.

3. DETERMINATION OF MAJOR PROGRAMS

The determination of major federal financial assistance programs was based on the overall level of expenditures for all federal programs for the State of Rhode Island, of which the Commission is a component unit. As such, the determination of major programs is made at the State level, where it was determined that none of the Commission's federal programs were major programs during the State fiscal year ended June 30, 2018.

4. LOANS BALANCE OUTSTANDING

The Commission did not have any loans outstanding with continuing compliance requirements under federal loan and loan guarantee programs at June 30, 2018.

5. PASSED THROUGH TO SUBRECIPIENTS

The Commission did not pass through any federal awards to subrecipients during the State fiscal year ended June 30, 2018.

6. INDIRECT COST RATE

The Commission has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance in certain circumstances.

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
STATEMENT OF NET POSITION
JUNE 30, 2018**

Attachment B

Assets

Current assets:

Cash and cash equivalents	\$ 43,597
Investments	
Receivables (net)	470,677
Restricted assets:	
Cash and cash equivalents	23,835,771
Investments	
Receivables (net)	
Other assets	
Due from primary government	1,106,380
Due from other component units	
Due from other governments	15,000
Inventories	
Other assets	50,995
Total current assets	<u>25,522,420</u>

Noncurrent assets:

Investments	
Receivables (net)	
Restricted assets:	
Cash and cash equivalents	
Investments	
Receivables (net)	
Other assets	
Due from other component units	
Land held for sale	318,830
Capital assets - depreciable (net)	
Other assets, net of amortization	
Total noncurrent assets	<u>318,830</u>

Total assets	<u>25,841,250</u>
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Deferred outflows of resources:

Accumulated decrease in fair value of hedging derivatives	<u> </u>
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(Continued on next page)

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2018**

Attachment B

Liabilities

Current liabilities:

Cash overdraft	
Accounts payable	\$ 283,638
Due to primary government	
Due to other component units	
Due to other governments	
Unearned revenue, restricted	133,363
Other current liabilities	1,382,351
Current portion of long-term debt	1,420,000
Total current liabilities	<u>3,219,352</u>

Noncurrent liabilities:

Due to primary government	
Due to other component units	
Due to other governments	
Unearned revenue	
Notes payable	
Loans payable	
Obligations under capital leases	
Compensated absences	
Bonds payable	36,980,000
Other liabilities	
Total noncurrent liabilities	<u>36,980,000</u>

Total liabilities	<u>40,199,352</u>
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Deferred inflows of resources:

Accumulated increase in fair value of hedging derivatives	
Deferred service concession agreement receipts	
Total deferred inflows of resources	<u> </u>

Net (deficit) position:

Investment in capital assets	
Restricted for:	
Debt	
Other	23,949,855
Other nonexpendable	
Unrestricted	<u>(38,307,957)</u>

Net (deficit) position	\$ <u><u>(14,358,102)</u></u>
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**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
STATEMENT OF ACTIVITIES
JUNE 30, 2018**

	<u>Attachment C</u>
Expenses	\$ <u>6,001,329</u>
Program revenues:	
Charges for services	915,053
Operating grants and contributions	4,699,714
Capital grants and contributions	
Total program revenues	<u>5,614,767</u>
Net (expenses) revenues	<u>(386,562)</u>
General revenues:	
Interest and investment earnings	130,775
Miscellaneous revenue	
Total general revenues	<u>130,775</u>
Income before contributions, transfers, and special and extraordinary items	<u>(255,787)</u>
Transfers to State, bond proceeds	
Special items	
Extraordinary items	
Total contributions and transfers	<u>-</u>
Change in net deficit position	(255,787)
Total net position - beginning	<u>(14,102,315)</u>
Total net position - ending	\$ <u><u>(14,358,102)</u></u>

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
SCHEDULE OF BONDS PAYABLE
JUNE 30, 2018**

Bonds Payable		Attachment D	
Fiscal Year Ending June 30	Principal	Interest	
2019	\$ 1,420,000	\$	1,135,819
2020	1,540,000		1,091,655
2021	1,660,000		1,044,830
2022	1,790,000		994,352
2023	1,935,000		939,922
2024-2028	12,205,000		3,719,724
2029-2033	17,850,000		1,547,077
	<u>\$ 38,400,000</u>	\$	<u>10,473,379</u>

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
SCHEDULE OF CHANGES IN LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Attachment E</u>	
					<u>Amounts Due Within One Year</u>	<u>Amounts Due Thereafter</u>
Bonds payable	\$ 38,400,000	\$	\$	\$ 38,400,000	\$ 1,420,000	\$ 36,980,000
Net unamortized premium/discount						
Deferred amount on refunding						
Bonds payable	38,400,000			38,400,000	1,420,000	36,980,000
Obligations under capital leases						
Net OPEB obligation						
Compensated absences						
Loans payable						
Notes payable						
Due to primary government						
Due to other governments and agencies						
Unearned revenue						
Due to other State component units						
Other liabilities						
	<u>\$ 38,400,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,400,000</u>	<u>\$ 1,420,000</u>	<u>\$ 36,980,000</u>

**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***

Board of Commissioners
I-195 Redevelopment District Commission
Providence, Rhode Island

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the I-195 Redevelopment District Commission, a component unit of the State of Rhode Island, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's financial statements, and have issued our report thereon dated November 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the I-195 Redevelopment District Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the I-195 Redevelopment District Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the I-195 Redevelopment District Commission's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the I-195 Redevelopment District Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the I-195 Redevelopment District Commission'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 I-195 Redevelopment District Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
November 5, 2018