

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

PROVIDENCE
INNOVATION & DESIGN
DISTRICT

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
I-195 Redevelopment District

Report on the Financial Statements

We have audited the accompanying financial statements of the I-195 Redevelopment District (the District), a component unit of the State of Rhode Island, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit 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 auditor considers 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 District as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the District is dependent upon annual appropriations by the General Assembly of the State of Rhode Island and transfers from the State of Rhode Island 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 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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.

Other Information - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information to the financial statements, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information to the financial statements presented on pages 25-29 is 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, accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September XX, 2021 on our consideration of the District'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 the District'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 District's internal control over financial reporting and compliance.

Providence, RI
September XX, 2021

DRAFT

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

As management of the I-195 Redevelopment District (the District), a component unit of the State of Rhode Island (the State), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the years ended June 30, 2021 and 2020. The District's financial statements, accompanying notes, and supplementary information should be read in conjunction with the following discussion.

INTRODUCTION

The District 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 District 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.

The State funded significant improvements to the land to prepare the land for sale and ultimately for redevelopment. 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 District's financial statements. In April 2013, the Rhode Island Commerce Corporation, a component unit of the State, issued conduit debt obligations on behalf of the District totaling \$38,400,000.

As part of the relocation, three parcels of land were designated as open space. The State constructed a seven-acre park that partially opened in August of 2020 and is owned by the District. Although the park remains under construction, the District has taken on the majority of maintenance responsibilities over the past year. Park construction should be completed in 2021, after which the District will be responsible for all maintenance and operations. There is an annual assessment on completed projects in the District to support park operations and maintenance, documented in a Declaration of Covenants.

The General Assembly also established the I-195 Redevelopment Project Fund (RIGL 42-64.24) (Project Fund), which the District can use for specific uses including capital investments, filling project financing gaps, land acquisition, and public infrastructure and facilities. As of June 30, 2021 the General Assembly has funded \$28,000,000 for the Project Fund. Of this amount, \$26,603,000 has been allocated to allowable uses.

During the year ended June 30, 2021, the District has closed on two real estate transactions, which include Parcels 6 and 28, and has active Purchase and Sale Agreements for three additional projects. The District also closed on the purchase of a small lot adjacent to a District parcel purchased from the Rhode Island Department of Transportation.

**I-195 REDEVELOPMENT DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The District engages only in business-type activities, that is, activities that are financed in whole or in part by charges to external parties for services. As a result, the District'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 District's finances, in a manner similar to a private-sector business.

The statement of net position presents detail on the District'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 District's net position serve as a useful indicator of whether the District's net position is improving or deteriorating. Readers should also consider other non-financial factors when evaluating the District's net position. The statement of revenues, expenses, and changes in net position presents information on how the District'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.

2021 FINANCIAL HIGHLIGHTS

Total liabilities exceeded total assets by \$24,709,360 (net deficit position) at June 30, 2021, of which \$8,484,383 is restricted for the I-195 Redevelopment Project Fund, \$868,994 is restricted for the City of Providence and \$34,318,446 is the unrestricted net deficit of the I-195 Redevelopment District Operating Fund. The current year net deficit position is primarily due to \$35,440,000 in bonded debt.

Total operating loss for 2021 was \$2,362,848, a decrease of \$4,846,128 when compared to the operating loss for 2020. The operating fund accounted for \$969,627 of the total loss whereas the remaining loss was from the project fund in the amount of \$1,393,221.

Total non-operating State appropriations revenue totaled \$1,024,883 in 2021, a decrease of \$34,835 when compared to 2020. The increase is primarily due to \$1,000,000 appropriated under RIGL 42-64.24 for the I-195 Redevelopment Project Fund in 2019, for which funding was not received during 2020.

**I-195 REDEVELOPMENT DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

Total net non-operating revenue for 2021 totaled \$795,314 compared to net non-operating revenue of \$280,089 for 2020. This change results from an increase in building permit fees collected.

Transfers from the State for principal and interest due on the District's bonds in 2021 were \$1,979,250, a decrease of \$477,027 when compared to 2020. This decrease is attributed to lower interest rates in 2021.

The total net position increased by \$391,828 primarily due to the Project fund contractual expenditures in fiscal year 2021 of \$6,502,429, being offset partially by \$152,370 interest income.

2020 FINANCIAL HIGHLIGHTS

Total liabilities exceeded total assets by \$25,104,846 (net deficit position) at June 30, 2020, of which \$9,879,475 is restricted for the I-195 Redevelopment Project Fund, \$677,936 is restricted for the City of Providence and \$35,662,257 is the unrestricted net deficit of the I-195 Redevelopment District Operating Fund. The current year net deficit position is primarily due to \$35,440,000 in bonded debt.

Total operating loss for 2020 was \$7,208,976, a decrease of \$2,227,161 when compared to the operating loss for 2019. The operating fund accounted for \$630,218 of the total loss whereas the remaining loss was from the project fund in the amount of \$6,578,758.

Total non-operating State appropriations revenue totaled \$1,059,718 in 2020, a decrease of \$1,216,282 when compared to 2019. The decrease is primarily due to \$1,000,000 appropriated under RIGL 42-64.24 for the I-195 Redevelopment Project Fund in 2019, for which funding was not received during 2020.

Total net non-operating revenue for 2020 totaled \$280,089 compared to net non-operating revenue of \$1,235,868 for 2019. This change results from the \$1,000,000 State appropriation relating to the I-195 Redevelopment Project Fund under R.I.G.L. 42-64.24 in 2019.

Transfers from the State for principal and interest due on the District's bonds in 2020 were \$2,456,277, an increase of \$530,139 when compared to 2019. This increase is attributed to the start of principal payments on 2013 Series A bonds.

The total net position decreased by \$4,501,336 primarily due to the Project fund contractual expenditures in fiscal year 2020 of \$6,502,429, being offset partially by \$152,370 interest income.

**I-195 REDEVELOPMENT DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

CONDENSED COMPARATIVE INFORMATION

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

	2021	2020	2019	Increase (Decrease)	
				2021 v 2020	2020 v 2019
Net Position					
Current Assets	\$ 9,728	\$ 11,122	\$ 16,819	\$ (1,393)	\$ (5,697)
Noncurrent assets	487	277	285	210	(8)
Total Assets	10,216	11,399	17,104	(1,183)	(5,705)
Current Liabilities	3,100	2,740	2,296	360	444
Noncurrent liabilities	31,990	33,780	35,440	(1,790)	(1,660)
Total Liabilities	35,090	36,520	37,736	(1,430)	(1,216)
Net Deficit Position	\$ (24,874)	\$ (25,121)	\$ (20,632)	\$ 247	\$ (4,489)

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

	2021	2020	2019	Increase (Decrease)	
				2021 v 2020	2020 v 2019
Changes in Net Deficit Position					
Operating revenues	\$ 453	\$ 464	\$ 377	\$ (11)	\$ 87
Operating expenses	2,909	7,885	10,486	(4,976)	(2,601)
Gain on sale of property	90	196	673	(106)	(477)
Operating Loss	(2,366)	(7,225)	(9,436)	4,965	2,688
Nonoperating Revenues (Expenses)	634	280	1,236	354	(956)
Contributions and Transfers	1,979	2,456	1,926	(477)	530
Change in Net Deficit Position	\$ 247	\$ (4,489)	\$ (6,274)	\$ 4,842	\$ 2,262

**I-195 REDEVELOPMENT DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

2021 FINANCIAL ANALYSIS

Total assets of the District decreased by \$1,183,074 during 2021. This net decrease is due to decreases in restricted cash, paid out as project development incentives.

Total liabilities decreased by \$1,429,997 due to payments made on the 2013 Series A Bonds of \$1,540,000 net with an increase in accrued expenses of \$220,257 relating to deposits funds held in escrow for third parties relating to the purchase of specific parcels.

2021 OPERATING ACTIVITY

The District had operating revenues of \$452,884 for the year ended June 30, 2021, compared to \$463,518 in year ended June 30, 2020.

Total operating expenses decreased \$4,975,925 during 2021 primarily due to a decrease year over year in project development incentives of \$5,080,270.

The operating loss of the District was \$2,366,505 in 2021 as compared to \$7,225,204 in 2020.

On October 14, 2020 the District sold Parcel 28 to EM 28 Providence L.P. for \$100,000 for the construction of a mixed-use project with 249 residential units and 22,700 SF of commercial space. The project is currently under construction. On November 16, 2020 the District sold Parcel 6 to Link Street LLC for \$100,000 for the construction of a mixed-use project with 62 residential units, a 13,000-SF grocery store, and approximately 10,000 SF of commercial space. The project is currently under construction.

On March 17, 2021, the District purchased a 2,247-SF lot adjacent to Parcel 2 from the Rhode Island Department of Transportation for \$235,000. The parcel was subsequently combined with Parcel 2 via an administrative subdivision process through the City of Providence.

2020 FINANCIAL ANALYSIS

Total assets of the District decreased \$5,705,226 during 2020. This decrease is primarily due to development incentives of \$6,502,429 related to on-going projects.

Total liabilities decreased \$3,956,343 primarily due to payments made on the 2013 Series A Bonds of \$1,540,000.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

2020 OPERATING ACTIVITY

The District had operating revenues of \$479,746 for the year ended June 30, 2020, compared to \$376,654 in year ended June 30, 2019.

Total operating expenses decreased \$2,601,126 during 2020 primarily due to a decrease year over year in project development incentives of \$2,592,300.

The operating loss of the District was \$7,225,204 in 2020 as compared to \$9,436,137 in 2019.

On November 26, 2019 the District sold Lot 2 (formerly part of Parcels 22 and 25) to BAC CVP Aloft LLC for \$250,000 for the construction of an approximately 175-room Aloft hotel. The hotel is currently under construction.

CONDITIONS EXPECTED TO AFFECT FUTURE OPERATIONS

There are two factors that can potentially impact the District's future operations. This includes the real estate market and appropriations from the State budget. COVID-19 has had and will continue to have substantial negative impacts on the economy, including the real estate market. It is unknown what negative impacts will occur in the long term and how it will shape the real estate market.

The State budget will undoubtedly also be impacted by COVID-19, which could affect State budget appropriations to the I-195 Redevelopment District. A decrease or level-funded appropriation from the State will have dire consequences for its operations as it is responsible for the operation and maintenance of a seven-acre park, which will increase operation expenditures significantly. There is an annual assessment on each property sold in the District to underwrite park operations, however the park operations budget will not be fully funded until the District is build-out is complete.

REQUESTS FOR INFORMATION

This financial report is designed as a general overview of the District'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, 315 Iron Horse Way, Suite 101, Providence, Rhode Island 02908.

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

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

	2021			2020 (as restated)		
	Operating Fund	Project Fund	Total	Operating Fund	Project Fund	Total
Assets						
Current Assets						
Cash	\$ 476,079	\$ --	\$ 476,079	\$ 98,357	\$ --	\$ 98,357
Cash, restricted	875,383	8,310,089	9,185,472	677,936	9,959,589	10,637,525
Accounts receivable	11,522	--	11,522	103,472	--	103,472
Prepaid expenses	53,848	--	53,848	61,463	--	61,463
Interfund receivable	--	--	--	89,073	--	89,073
Due from State	1,512	--	1,512	131,982	--	131,982
Total Current Assets	<u>1,418,344</u>	<u>8,310,089</u>	<u>9,728,433</u>	<u>1,162,283</u>	<u>9,959,589</u>	<u>11,121,872</u>
Noncurrent Assets						
Land held for sale	255,709	231,668	487,377	277,012	--	277,012
Total Assets	<u>1,674,053</u>	<u>8,541,757</u>	<u>10,215,810</u>	<u>1,439,295</u>	<u>9,959,589</u>	<u>11,398,884</u>
Liabilities						
Current Liabilities						
Current portion, long term debt	1,790,000	--	1,790,000	1,660,000	--	1,660,000
Accounts payable	139,502	57,374	196,876	163,566	2,785	166,351
Accrued expenses	143,583	--	143,583	824,534	--	824,534
Due to City of Providence	714,113	--	714,113	--	--	--
Deposit on Parcel 42	249,000	--	249,000	--	--	--
Interfund payable	--	--	--	--	89,073	89,073
Unearned revenue, restricted	6,389	--	6,389	--	--	--
Total Current Liabilities	<u>3,042,587</u>	<u>57,374</u>	<u>3,099,961</u>	<u>2,648,100</u>	<u>91,858</u>	<u>2,739,958</u>
Noncurrent Liabilities						
Bonds payable	31,990,000	--	31,990,000	33,780,000	--	33,780,000
Total Noncurrent Liabilities	<u>31,990,000</u>	<u>--</u>	<u>31,990,000</u>	<u>33,780,000</u>	<u>--</u>	<u>33,780,000</u>
Total Liabilities	<u>35,032,587</u>	<u>57,374</u>	<u>35,089,961</u>	<u>36,428,100</u>	<u>91,858</u>	<u>36,519,958</u>
Net Position						
Investment in capital assets	255,709	231,668	487,377	277,012	--	277,012
Restricted	868,994	8,252,715	9,121,709	677,936	9,867,731	10,545,667
Unrestricted (deficit)	(34,483,237)	--	(34,483,237)	(35,943,753)	--	(35,943,753)
Net Position (Deficit)	<u>\$ (33,358,534)</u>	<u>\$ 8,484,383</u>	<u>\$ (24,874,151)</u>	<u>\$ (34,988,805)</u>	<u>\$ 9,867,731</u>	<u>\$ (25,121,074)</u>

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

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT)

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020 (as restated)		
	Operating Fund	Project Fund	Total	Operating Fund	Project Fund	Total
Operating Revenues	\$ 452,884	\$ -	\$ 452,884	\$ 462,518	\$ 1,000	\$ 463,518
Operating Expenses						
Project development incentives	--	1,390,166	1,390,166	-	6,470,436	6,470,436
Contractual services	834,539	3,055	837,594	598,093	121,066	719,159
Personnel services	427,548	--	427,548	368,915	--	368,915
Insurance	53,198	--	53,198	63,505	--	63,505
Other	200,636	--	200,636	263,052	--	263,052
Total Operating Expenses	1,515,921	1,393,221	2,909,142	1,293,565	6,591,502	7,885,067
Gain on Sale of Property	89,752	--	89,752	196,345	--	196,345
Operating Loss	(973,285)	(1,393,221)	(2,366,506)	(634,702)	(6,590,502)	(7,225,204)
Nonoperating Revenues (Expenses)						
State appropriations - operations	1,024,883	--	1,024,883	1,059,718	--	1,059,718
Interest income	-	9,873	9,873	1,483	152,370	153,853
Interest expense	(400,577)	--	(400,577)	(933,482)	--	(933,482)
Total Nonoperating Revenues (Expenses), Net	624,306	9,873	634,179	127,719	152,370	280,089
Loss Before Transfers	(348,979)	(1,383,348)	(1,732,327)	(506,983)	(6,438,132)	(6,945,115)
State Appropriation - Debt Service	1,979,250	--	1,979,250	2,456,277	--	2,456,277
Change in Net Position	1,630,271	(1,383,348)	246,923	1,949,294	(6,438,132)	(4,488,838)
Total Net Position (Deficit)						
- Beginning of Year	(34,988,805)	9,867,731	(25,121,074)	(36,938,099)	16,305,863	(20,632,236)
Total Net Position (Deficit)						
- End of Year	\$ (33,358,534)	\$ 8,484,383	\$ (24,874,151)	\$ (34,988,805)	\$ 9,867,731	\$ (25,121,074)

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

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Operating Fund	Project Fund	Total	Operating Fund	Project Fund	Total
Cash Flows from Operating Activities						
Receipts from customers	\$ 551,223	\$ --	\$ 551,223	\$ 343,005	\$ 1,000	\$ 344,005
Payments to suppliers	(693,859)	(1,427,705)	(2,121,564)	(485,696)	(6,551,339)	(7,037,035)
Payments to employees	(427,548)	--	(427,548)	(368,915)	--	(368,915)
Net Cash Used in Operating Activities	<u>(570,184)</u>	<u>(1,427,705)</u>	<u>(1,997,889)</u>	<u>(511,606)</u>	<u>(6,550,339)</u>	<u>(7,061,945)</u>
Cash Flows from Noncapital Financing Activities						
State appropriations	1,155,353	--	1,155,353	953,308	1,000,000	1,953,308
Interest Income	--	9,873	9,873	--	152,370	152,370
Net Cash Provided by Noncapital Financing Activities	<u>1,155,353</u>	<u>9,873</u>	<u>1,165,226</u>	<u>953,308</u>	<u>1,152,370</u>	<u>2,105,678</u>
Cash Flows from Capital and Related Financing Activities						
Purchase of land held for sale	(10,000)	(231,668)	(241,668)	--	--	--
Net Increase (Decrease) in Cash	<u>575,169</u>	<u>(1,649,500)</u>	<u>(1,074,331)</u>	<u>441,702</u>	<u>(5,397,969)</u>	<u>(4,956,267)</u>
Cash - Beginning of Year	<u>776,293</u>	<u>9,959,589</u>	<u>10,735,882</u>	<u>334,591</u>	<u>15,357,558</u>	<u>15,692,149</u>
Cash - End of Year	<u>\$ 1,351,462</u>	<u>\$ 8,310,089</u>	<u>\$ 9,661,551</u>	<u>\$ 776,293</u>	<u>\$ 9,959,589</u>	<u>\$ 10,735,882</u>
Cash is reported in the financial statements as follows:						
Cash	\$ 476,079	\$ --	\$ 476,079	\$ 98,357	\$ --	\$ 98,357
Cash, restricted	<u>875,383</u>	<u>8,310,089</u>	<u>9,185,472</u>	<u>677,936</u>	<u>9,959,589</u>	<u>10,637,525</u>
Total Cash	<u>\$ 1,351,462</u>	<u>\$ 8,310,089</u>	<u>\$ 9,661,551</u>	<u>\$ 776,293</u>	<u>\$ 9,959,589</u>	<u>\$ 10,735,882</u>

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

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

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Operating Fund	Project Fund	Total	Operating Fund	Project Fund	Total
Reconciliation of Operating Loss to Net Cash Used in Operating						
Operating loss	\$ (973,285)	\$ (1,393,221)	\$ (2,366,506)	\$ (634,702)	\$ (6,590,502)	\$ (7,225,204)
Adjustments to reconcile operating loss to net cash used in operating activities:						
Noncash gain on property	(89,752)	--	(89,752)	(196,345)	--	(196,345)
Accounts receivable	91,950	--	91,950	7,816	--	7,816
Prepaid expenses	7,615	--	7,615	(4,420)	--	(4,420)
Interfund balances	89,073	(89,073)	--	(65,585)	65,585	--
Accounts payable and accrued expenses	297,826	54,589	352,415	450,472	(48,910)	401,562
Unearned Revenue, Restricted	6,389	--	6,389	(59,990)	--	(59,990)
Net Cash Used in Operating Activities	<u>\$ (570,184)</u>	<u>\$ (1,427,705)</u>	<u>\$ (1,997,889)</u>	<u>\$ (502,754)</u>	<u>\$ (6,573,827)</u>	<u>\$ (7,076,581)</u>
Supplemental Disclosure						
Noncash capital and related financing activities:						
Transfer from State of Rhode Island for debt service payment	\$ 1,979,250	\$ --	\$ 1,979,250	\$ 1,926,138	\$ --	\$ 1,926,138
Payment of Bonds Payable	<u>(1,979,250)</u>	<u>--</u>	<u>(1,979,250)</u>	<u>(1,926,138)</u>	<u>--</u>	<u>(1,926,138)</u>
Total Noncash capital and related financing activities:	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

The I-195 Redevelopment District (the District) was created by the Rhode Island General Assembly under Chapter 64 of Title 42 of the General Laws of Rhode Island. The District 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 District will be included in the State's comprehensive annual financial report.

The District 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 District owns a seven-acre park, the Providence Innovation District Park, which opened in August of 2020. Although the park remains under construction, the District has taken on the majority of the maintenance responsibilities over the past year. Park construction should be completed in 2021, after which the District will be responsible for all maintenance and operations. There is an annual assessment on completed projects in the District to support park operations and maintenance, documented in a Declaration of Covenants.

The District is exempt from federal and state income taxes.

FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The District 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.

The District uses the economic resources measurement focus and accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when the liability for goods and services has been incurred, regardless of the timing of the related cash flows.

The District distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. Operating revenues consist of recognition of deferred revenue as revenue when predevelopment activities occur, such as application fees, licensing fees and property assessments for the Providence Innovation District Park. It also includes building permit fees collected for projects within the District. Operating expenses include the costs resulting from services provided and administrative expenses. All other revenues and expenses are reported as nonoperating revenues and expenses.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

**NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

***FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING
(CONTINUED)***

When both restricted and unrestricted amounts are available for use, it is the District's practice to use the restricted resources first.

The District reports the following major business-type funds:

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

The I-195 Redevelopment Project Fund (Project Fund) accounts for financing activities funded from \$28,000,000 State of Rhode Island appropriations for capital investment and project financing gaps for projects to be located within the I-195 Redevelopment District. As of June 30, 2021 and 2020, the District had \$8,310,089 and \$9,959,589, respectively, of restricted cash available for capital investment and project financing gaps in accordance with the criteria set forth in the I-195 Redevelopment Project Fund Act (R.I.G.L. §42-64.24-1) and the Rules and Regulations of the I-195 Redevelopment Project Fund.

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
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

**NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

RECENTLY ISSUED ACCOUNTING STANDARDS

In March 2020, the Government Accounting Standards Board (GASB) issued Statement No. 93, *Replacement of Interbank Offered Rates* (GASB Statement No. 93). Many governmental entities have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR), most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions relating to the reference rate. GASB Statement No. 93 allows hedge accounting to continue when an IBOR is replaced as the reference rate of the hedging derivative instrument, as opposed to terminating hedge accounting under existing accounting principles. The new standard is effective for fiscal years beginning after June 15, 2020. The District adopted GASB Statement No. 93 during the year ended June 30, 2021, and there was no material impact.

CASH EQUIVALENTS

The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The District had no cash equivalents at June 30, 2021 and 2020.

RESTRICTED CASH, UNEARNED REVENUE, AND THIRD-PARTY EXPENSE REIMBURSEMENT

Restricted cash and unearned revenue represent advances paid to the District 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 District specified amounts to reimburse the District for the cost of predevelopment activities. Amounts incurred related to due diligence activities are reported as operating expenses when incurred since the District is the primary obligor under arrangements with vendors providing due diligence services. Amounts previously advanced to the District are recognized as operating revenue when the related expenses are incurred.

RESTRICTED NET POSITION

The 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

**NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 District had no deferred inflows or outflows of resources at June 30, 2021 and 2020.

RECLASSIFICATIONS

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

SUBSEQUENT EVENTS

Management has evaluated subsequent events through **September XX, 2021**, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these financial statements.

NOTE 2 - CASH

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

	2021	2020
Bank balance in checking accounts	\$ 9,789,392	\$ 10,801,926
Insured by federal depository insurance	251,152	251,152
Bank balance uninsured	9,538,240	10,550,774
Collateralized - collateral held by third-party custodian in the Commission's name	9,538,240	10,550,774
Uninsured and Uncollateralized	\$ --	\$ --

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 District does not have a separate deposit policy for custodial credit risk.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 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 District. The value of the land, which the District intends to develop, was reported as a capital contribution at the State's historical cost of \$343 per acre.

Changes in land held for sale held in the Operating Fund were as follows:

Balance, June 30, 2019	\$ 285,394
Less, sale of land (Lot 2 of Parcels 22 and 25)	<u>(8,382)</u>
Balance, June 30, 2020	277,012
Less, sale of land (Parcel 6 and 28)	<u>(31,303)</u>
Balance, June 30, 2021	<u>\$ 245,709</u>

During the year ended June 30, 2021, the Project Fund acquired Parcel 589 in Providence, Rhode Island for \$241,668, which is adjacent to Parcel 2. The land is held for sale.

NOTE 4 - BONDS PAYABLE

ECONOMIC DEVELOPMENT REVENUE BONDS, 2013 SERIES A

In April 2013, Rhode Island Commerce Corporation issued Economic Development Revenue Bonds, 2013 Series A, in the aggregate principal amount of \$37,440,000, for which the District is the obligor. The 2013 Series A Bonds mature in April 2033 and bear interest at the lesser of the 30-Day LIBOR (0.10250% at June 30, 2021) 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:

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4 - BONDS PAYABLE (CONTINUED)

ECONOMIC DEVELOPMENT REVENUE BONDS, 2013 SERIES A (CONTINUED)

At June 30, 2021, the State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively. As such, at June 30, 2021, the 2013 Series A Bonds bore interest at 1.10250%. The outstanding balance as of 2013 Series A Bonds were \$33,780,000 and \$36,980,000 as of June 30, 2021 and 2020, respectively.

USE OF PROCEEDS OF BONDS

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

STATE OF RHODE ISLAND 2013 SERIES A RATE CAP AGREEMENT

Concurrent with the issuance of the 2013 Series A Bonds, the State entered into separate rate cap transaction agreements with the Bank for each bond series (the Cap Agreement). Under the terms of the 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 Cap Agreement is capped at 6.75%. At June 30, 2021 and 2020, the fair value of the Cap Agreement was \$973 and \$8,676, respectively, and is estimated as the amount the Bank would receive to terminate the Cap Agreements at the reporting dates, taking into account current interest rates and the current credit worthiness of the counterparties.

REPAYMENT OF 2013 SERIES A BONDS

Repayment of the 2013 Series A 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 District.

The District has pledged and granted to the Rhode Island Commerce Corporation 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4 - BONDS PAYABLE (CONTINUED)

REPAYMENT OF 2013 SERIES A BONDS (CONTINUED)

To the extent that the District 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 District's payment obligations.

At June 30, 2021, aggregate scheduled principal and interest payments due on the District's bonds, based on rates in effect as of June 30, 2021 and as if the Bank waives its mandatory tender options, are as follows:

Year Ending June 30,	Principal	Interest
2022	1,790,000	1,129,476
2023	1,935,000	1,067,649
2024	2,085,000	1,000,826
2025	2,250,000	928,836
2026	2,425,000	851,172
2027 - 2031	15,335,000	2,858,245
2032 - 2033	7,960,000	343,433
	<u>\$ 33,780,000</u>	<u>\$ 8,179,637</u>

There were no additions to bonds during the years ended June 30, 2021 and 2020. Bond payments of \$1,660,000 and \$1,540,000 for the years ended June 30, 2021 and 2020, respectively. Bond payments were made as a result of the transfers in from the State of Rhode Island and proceeds from the sale of parcels as noted in Note 3.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 - NET POSITION

As of June 30, 2021, the net position was as follows:

	2021			2020		
	Operating Fund	Project Fund	Total	Operating Fund	Project Fund	Total
Net Position (Deficit)						
Investment in capital assets	\$ 255,709	\$ 231,668	\$ 487,377	\$ 277,012	\$ --	\$ 277,012
Restricted	868,994	8,252,715	9,121,709	677,936	9,867,731	10,545,667
Unrestricted	(34,483,237)	--	(34,483,237)	(35,943,753)	--	(35,943,753)
Total Net Position	<u>\$ (33,358,534)</u>	<u>\$ 8,484,383</u>	<u>\$ (24,874,151)</u>	<u>\$ (34,988,805)</u>	<u>\$ 9,867,731</u>	<u>\$ (25,121,074)</u>

The restricted net position within the Operating Fund consists of amounts limited to use by third parties. The restricted net position within the Project Fund consists of amounts limited to use under the Rules and Regulations of the I-195 Redevelopment Project Fund, of which approximately \$25,611,000 has been committed for various projects as allowable within the Project Fund and approximately \$2,389,000 is uncommitted.

See Note 11 for a discussion of prior period adjustments.

NOTE 6 - CONTRACTUAL SERVICES

Contractual services by category for the years ended June 30, 2021 and 2020, are as follows:

	2021	2020
Consulting	\$ 372,706	\$ 368,529
Professional	400,661	280,960
Maintenance	61,386	68,170
Interim use	2,840	1,500
	<u>\$ 837,593</u>	<u>\$ 719,159</u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 7 - PROJECT DEVELOPMENT INITIATIVES

WEXFORD AND VENTURE CAFE

Included in project development expenses for the years ended June 30, 2021 and 2020 is \$1,390,166 and \$6,470,436, respectively, relating to the Project Fund of which \$764,040 and \$6,351,946, respectively, relate to Providence Innovation District Phase 1 Owner, LLC, an entity of Wexford Science and Technology (Wexford), and \$0 and \$8,242, respectively, relating to the Venture Café Foundation, Inc. (Venture Café).

To provide incentives for the development of an approximately 200,000 square foot commercial building and to support the ongoing operations of key tenants, Cambridge Innovation Center (CIC) and Venture Café, the District has entered into following agreements with Wexford and CIC:

	Total Amount Awarded Through June 30, 2021	Paid Through June 30, 2021	Remaining Commitment
Base Building 195 Incentive	\$ 1,565,000	\$ 1,565,000	\$ --
CIC Tenant Improvements Grant	12,775,000	12,442,178	332,822
CIC Operation Grant	1,200,000	1,200,000	--
District Hall Development & Management Fee Gra	1,800,000	900,000	900,000
District Hall Operation Grant	560,000	560,000	--
District Hall FF&E Grant	200,000	200,000	--
Venture Café Grant	700,000	700,000	--
	<u>\$ 18,800,000</u>	<u>\$ 17,567,178</u>	<u>\$ 1,232,822</u>

Because Wexford is receiving incentives under the Rebuild Rhode Island Tax Credit Act and the I-195 Redevelopment Project Fund Act, the District is requiring Wexford to provide for return to the District from cash flows and/or upon a capital event based upon higher than expected returns from the project. Such contractual provisions are intended to recoup funding to the extent the project performs above an expected level of return as determined on a case by case basis. To date, no payment has been made to the District under such contractual provisions with respect to the project.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 8 - STATE APPROPRIATIONS AND TRANSFERS FROM STATE

During the years ended June 30, 2021 and 2020, the District received \$1,024,883 and \$1,059,718, respectively, in appropriations by the General Assembly of the State to fund operating expenses. These appropriations are made relating to the State's annual budgetary process and are therefore dependent upon the State's general financial resources and factors affecting such resources. The District is dependent upon such annual appropriations to fund its operating expenses.

During the years ended June 30, 2021 and 2020, the District received \$1,979,250 and \$1,926,138, respectively, in transfers from the State to fund debt service. The District 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 District 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, 2021 and 2020 were \$1,393,221 and \$6,579,756, respectively. Interest earned for the years ended June 30, 2021 and 2020 were \$9,873 and \$152,370, respectively. Net position decreased \$1,383,348 in 2021 and \$6,426,388 in 2020.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Rhode Island Commerce Corporation provided administrative support and office space to the District. For the years ended June 30, 2021 and 2020, the District paid the Rhode Island Commerce Corporation \$0. The value of these services is not readily determinable.

As discussed in Note 4, the Rhode Island Commerce Corporation was the issuer for the 2013 Series A, for which the District is the obligor.

As discussed in Note 6, the Rhode Island Commerce Corporation and the District entered into an agreement with Wexford and Venture Café to offer incentives for development and to distribute available as noted in Note 6.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10 - COMMITMENTS AND CONTINGENCIES

RISK MANAGEMENT

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

RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declares the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and the World. The District is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce the spread. As of the date the financial statements were available to be issued, there was considerable uncertainty around expected duration of this pandemic and the extent to which COVID-19 may impact the District's financial condition or its operations.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11 - PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2021, the District determined that operating expenses and permitting fees were incorrectly reported as of June 30, 2020 as part of an internal review and reconciliation with the State.

As a result, in the Operating Fund, operating revenues decreased by \$16,228, contractual services expenses decreased by \$11,744, accounts receivable decreased by \$16,228, and interfund receivable decreased by \$11,744. In the Project Fund, contractual services expenses increased by \$11,744 and interfund payable decreased by \$11,744.

The following restatement was recorded in the 2020 financial statements.

	Operating Fund	Project Fund	Total Net Position
Net position, as previously reported	(34,984,321)	9,879,475	(25,104,846)
Prior period adjustments:			
Change in operating income	(16,228)	--	(16,228)
Reclassification of expenses	11,744	(11,744)	--
Total prior period adjustments	(4,484)	(11,744)	(16,228)
Net position, as restated	(34,988,805)	9,867,731	(25,121,074)

SUPPLEMENTARY INFORMATION

DRAFT

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

**STATE OF RHODE ISLAND REQUIRED FORM
STATEMENT OF NET POSITION (ATTACHMENT B)**

JUNE 30, 2021

Assets

Current Assets

Cash and cash equivalents	\$ 476,079
Investments	--
Receivables (net)	--
Restricted assets	
Cash and cash equivalents	9,185,472
Investments	--
Receivables (net)	--
Other assets	--
Due from primary government	1,512
Due from other component units	--
Due from other governments	11,522
Inventories	--
Other assets	53,848

Total Current Assets

9,728,433

Noncurrent Assets

Investments	--
Receivables (net)	--
Restricted assets	
Cash and cash equivalents	--
Investments	--
Receivables (net)	--
Other assets	--
Due from other component units	--
Net pension asset	--
Net OPEB asset	--
Capital assets - nondepreciable	487,377
Capital assets - depreciable (net)	--
Other assets, net of amortization	--

Total Noncurrent Assets

487,377

Total Assets

\$ 10,215,810

Deferred Outflows of Resources

Deferred pension amounts	\$ --
Deferred OPEB amounts	--
Other deferred outflows of resources	--

Deferred Outflows of Resources

\$ --

See accompanying notes and independent auditors' report.

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

**STATE OF RHODE ISLAND REQUIRED FORM
STATEMENT OF NET POSITION (ATTACHMENT B) (CONTINUED)**

JUNE 30, 2021

Liabilities

Current Liabilities

Cash overdraft	\$	--
Accounts payable		196,876
Due to primary government		--
Due to other component units		--
Due to other governments		--
Accrued expenses		--
Compensated absences		--
Unearned revenue		6,389
Other current liabilities		143,583
Current portion of long-term debt		<u>1,790,000</u>

Total Current Liabilities

2,136,848

Noncurrent Liabilities

Due to primary government		--
Due to other component units		--
Due to other governments		--
Net pension liability		--
Net OPEB liability		--
Unearned revenue		--
Notes payable		--
Loans payable		--
Obligations under capital leases		--
Compensated absences		--
Bonds payable		31,990,000
Other liabilities		<u>--</u>

Total Noncurrent Liabilities

31,990,000

Total Liabilities

\$ 34,126,848

Deferred inflows of resources

Deferred pension amounts	\$	--
Deferred OPEB amounts		--
Other deferred inflows of resources		<u>--</u>

Total Deferred Inflows of Resources

\$ --

Net Position

Net investment in capital assets	\$	487,377
Restricted for		
Debt		8,252,715
Other		868,994
Nonexpendable		--
Capital projects		--
Unrestricted		<u>(34,483,237)</u>

Total Net Position

\$ (24,874,151)

See accompanying notes and independent auditors' report.

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

**STATE OF RHODE ISLAND REQUIRED FORM
STATEMENT OF ACTIVITIES (ATTACHMENT C)**

FOR THE YEAR ENDED JUNE 30, 2021

Expenses	<u>\$ 3,309,719</u>
Program Revenues	
Charges for services	542,636
Operating grants and contributions	3,004,133
Capital grants and contributions	<u> --</u>
Total Program Revenues	<u>3,546,769</u>
Net (Expenses) Revenues	<u>237,050</u>
General Revenues	
Interest and investment earnings	9,873
Miscellaneous revenue	<u> --</u>
Total General Revenues	<u>9,873</u>
Special items	--
Extraordinary items	<u> --</u>
Change in Net Deficit Position	246,923
Total Net Position - Beginning	<u>(25,121,074)</u>
Total Net Position - Ending	<u><u>\$ (24,874,151)</u></u>

See accompanying notes and independent auditors' report.

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

**STATE OF RHODE ISLAND REQUIRED FORM
BONDS PAYABLE (ATTACHMENT D)**

JUNE 30, 2021

Fiscal Year Ending June 30	Principal	Interest
2022	\$ 1,790,000	\$ 1,129,476
2023	1,935,000	1,067,649
2024	2,085,000	1,000,826
2025	2,250,000	928,836
2026	2,425,000	851,172
2027 - 2031	15,335,000	2,858,245
2032 - 2033	7,960,000	343,433
	<u>\$ 33,780,000</u>	<u>\$ 8,179,637</u>

DRAFT

See accompanying notes and independent auditors' report.

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

**STATE OF RHODE ISLAND REQUIRED FORM
SCHEDULE OF CHANGES IN LONG-TERM DEBT (ATTACHMENT E)**

FOR THE YEAR ENDED JUNE 30, 2021

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable	\$ 35,440,000	\$ --	\$ 1,660,000	\$ 33,780,000	\$ 1,790,000	\$ 31,990,000
Net unamortized premium/discount	--	--	--	--	--	--
Bonds Payable	<u>35,440,000</u>	<u>--</u>	<u>1,660,000</u>	<u>33,780,000</u>	<u>1,790,000</u>	<u>31,990,000</u>
Notes payable	--	--	--	--	--	--
Loans payable	--	--	--	--	--	--
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	--	6,389	--	6,389	6,389	--
Compensated absences	--	--	--	--	--	--
Arbitrage rebate	--	--	--	--	--	--
Pollution remediation	--	--	--	--	--	--
Funds held for others	--	--	--	--	--	--
Other liabilities	--	--	--	--	--	--
	<u>\$ 35,440,000</u>	<u>\$ 6,389</u>	<u>\$ 1,660,000</u>	<u>\$ 33,786,389</u>	<u>\$ 1,796,389</u>	<u>\$ 31,990,000</u>

See accompanying notes and independent auditors' report.

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

To the Board of Commissioners
I-195 Redevelopment District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the I-195 Redevelopment District (the District) which comprise the statement of financial position as of June 30, 2021 and the related statement of revenue, expenses, and changes in net position (deficit) and cash flow for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated **September XX**, 2021.

Internal Control Over Financial Reporting

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

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 did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-001 to be a material weakness.

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 response as item 2021-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

I-195 Redevelopment District's Response to Findings

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

Purpose of This Report

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

Providence, RI
September XX, 2021

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

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2021

MATERIAL WEAKNESS

2021-001 *PRIOR PERIOD ADJUSTMENTS*

Criteria

As noted in the financial statements, the District recorded prior period adjustments during the year.

Condition

The District recorded prior period adjustments to adjust the final numbers as of June 30, 2020, relating to (1) adjusting accrued building permit fees and permit fee income of \$16,228 and (2) reallocating expenses from the Operating Fund to the Project Fund \$11,744.

Cause

During the year-end close for the year ended June 30, 2020, there was a change in who managed the accounting for the District. During the year ended June 30, 2021, the District noted changes that were needed to the prior year financial statements, as noted in Note 11 to the Financial Statements.

Effect

Because the District's internal controls were unable to prevent, or detect and correct, a material error on a timely basis, the District recorded a prior period adjustment to its financial statements.

Prior Year Finding

No

Recommendation

We recommend that management ensure that appropriate controls are in place to prevent, or detect and correct, errors on a timely basis.

View of Responsible Officials and Planned Corrective Actions

See attached response for view of responsible officials and planned corrective actions.

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

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2021

SIGNIFICANT DEFICIENCY

2021-002 *CYBERSECURITY*

Criteria

The District should ensure that appropriate cybersecurity policies, procedures and controls are in place to protect the District against losses.

Condition

During the year, the District was the target of a phishing attack where the perpetrator portrayed an employee, successfully instructed management to amend payroll direct deposit information, and fraudulently obtained an employee's net pay for two payroll cycles.

Cause

The District lacked sufficient cybersecurity training and related control policies and procedures to protect the District from this type of fraudulent scheme.

Effect

As a result, the District incurred losses of approximately \$6,599 for payroll that was routed to the perpetrator's bank account.

Prior Year Finding

No

Recommendation

We recommend that management implement cybersecurity training and appropriate control policies and procedures to ensure that such instances do not recur in the future. We also recommend that the District consider securing insurance to protect against such losses.

View of Responsible Officials and Planned Corrective Actions

See attached response for view of responsible officials and planned corrective actions.

September XX, 2021

Fiscal Year 2021 Financial Statements
Management's Response to Findings

The I-195 Redevelopment District (District) has issued audited financial statements for fiscal year 2021 completed by Marcum LLP. The report noted two findings in which Management would like to respond, including prior period adjustments and cyber security. These responses can be found below.

Material Weakness 2021-001: Prior Period Adjustments

Prior period adjustments were made to adjust the financial numbers as of June 30, 2020, for two purposes. Adjustments were made to the final total of accrued building permit fees and permit fee income, in addition misclassifications were identified and corrected in the Project Fund account.

Building Permit Fee Adjustment

During a reconciliation of building permit fee collection with the State Building Commission, it was brought to the District's attention that credit card fees had been collected by the State without the District's knowledge. With this and some other minor findings, the District had to adjust the final numbers for the period ending in June 30, 2020 to accurately reflect building permit revenue and the amount due to the City of Providence.

Corrective actions

The District has worked closely with the State to develop a streamlined communication strategy on any new fees collected. In addition, the Director of Operations has been given access to review new permits that are issued. The State has also incorporated some changes to the building permit fee online portal regarding District issued permits. This includes incorporating some GIS integration, disabling the use of a credit card for District fees, and an additional payment instruction page within the online portal. Internally, the District has worked with its Accounting Firm to set into place additional controls and improved bookkeeping.

Project Fund Misclassifications

Several misclassifications were discovered in the Project Fund account during the transition to a third-party accounting firm.

Corrective Actions

The District and Accounting Firm will continue to review prior year financials to ensure there are no other misclassifications in addition to incorporating semi-annual General Ledger reviews to avoid any future issues.

Significant Deficiency: 2021-002 Cybersecurity

During the year, the District was the target of a phishing attack where the perpetrator portrayed an employee, successfully instructed management to amend payroll direct deposit information, and fraudulently obtained an employee's net pay for two payroll cycles totaling \$6,599.

Corrective Actions:

The District has taken a number of measures to prevent this from occurring again in consultation with its IT consultant, including adding an external tag to all emails stating it is coming from the outside, adding an extra security filter system, and enabling a multi-factor authentication on all accounts. Finally, management has also taken a cybersecurity training course.

DRAFT