

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

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

**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, 2017 and 2016, 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, 2017 and 2016, 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 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 7 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 20 through 25 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 September 26, 2017 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
September 26, 2017

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

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, 2017 and 2016. 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.

**I-195 REDEVELOPMENT DISTRICT COMMISSION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

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. \$38,279,494 and \$118,676 are the unrestricted net deficits 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 \$852,778.

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.

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.

2016 Financial Highlights

Total liabilities exceeded total assets by \$13,066,020 (net deficit position) at June 30, 2016, of which \$25,000,000 is restricted for the I-195 Redevelopment Project Fund and \$38,066,020 is the unrestricted net deficit of the I-195 Redevelopment District Commission Operating Fund.

Operating loss for 2016 was \$1,121,480, an increase of \$213,713 when compared to the operating loss for 2015.

Non-operating State appropriations revenue totaled \$26,104,325 in 2016, an increase of \$25,063,969 when compared to 2015. The increase is primarily the result of \$25,000,000 that was appropriated under RIGL 42-64.24 for the I-195 Redevelopment Project Fund which will provide funding for capital investment requirements or filling project financing gaps for real estate projects for development in the I-195 Redevelopment District.

Net non-operating revenue for 2016 totaled \$25,619,307 compared to net non-operating revenue of approximately \$638,447 for 2015. This change results principally from increased State appropriations relating to the I-195 Redevelopment Project Fund, as described above.

Transfers from the State for interest due on the Commission's bonds in 2016 were \$482,763, an increase of \$36,849 when compared to 2015.

Net position increased by \$24,980,590, principally due to the appropriations in the I-195 Redevelopment Project Fund.

**I-195 REDEVELOPMENT DISTRICT COMMISSION
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017 AND 2016**

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):

	2017	2016	2015	Increase (decrease)	
				2017 v 2016	2016 v 2015
Net position:					
Current assets	\$ 24,582	\$ 25,364	\$ 492	\$ (782)	\$ 24,872
Noncurrent assets	311	287	262	23	25
Total assets	<u>24,893</u>	<u>25,651</u>	<u>754</u>	<u>(758)</u>	<u>24,897</u>
Current liabilities	595	317	400	278	(83)
Noncurrent liabilities	38,400	38,400	38,400	-	-
Total liabilities	<u>38,995</u>	<u>38,717</u>	<u>38,800</u>	<u>278</u>	<u>(83)</u>
Net Deficit Position	<u>\$ (14,102)</u>	<u>\$ (13,066)</u>	<u>\$ (38,046)</u>	<u>\$ (1,037)</u>	<u>\$ 24,980</u>
Changes in net deficit position:					
Operating revenues	\$ 28	\$ 83	\$ 23	\$ (55)	\$ 60
Operating expenses	<u>2,233</u>	<u>1,205</u>	<u>931</u>	<u>1,028</u>	<u>274</u>
Operating loss	(2,205)	(1,122)	(908)	(1,084)	(213)
Nonoperating revenues (expenses)	564	25,619	639	(25,055)	24,980
Contributions and transfers	<u>604</u>	<u>483</u>	<u>446</u>	<u>121</u>	<u>37</u>
Change in Net Deficit Position	<u>\$ (1,037)</u>	<u>\$ 24,980</u>	<u>\$ 177</u>	<u>\$ (26,018)</u>	<u>\$ 24,804</u>

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.

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

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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.

2016 Financial Analysis

Total assets of the Commission increased \$24,897,455 during 2016, due principally to an increase in "Due from State-restricted" for economic development incentives (I-195 Development fund).

Total liabilities increased \$24,916,865 due to increase in unearned revenue, restricted for the above-mentioned economic development incentives.

2016 Operating Activity

The Commission had operating revenues of approximately \$83,268 for the year ended June 30, 2016.

Total operating expenses increased approximately \$274,185 during 2016, due principally to increased legal fees related to pending purchase and sale agreements.

The operating loss of the Commission was approximately \$1,121,480 in 2016 compared to \$907,767 in 2015.

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.

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, 2017 AND 2016**

	2017			2016		
	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	\$ 186,612	\$	\$ 186,612	\$ 186,922	\$	\$ 186,922
Cash, restricted	25,000	24,295,855	24,320,855	56,349		56,349
Grants receivable	29,115		29,115	18,345		18,345
Prepaid expenses	45,634		45,634	46,040		46,040
Due from State				56,062		56,062
Due from State, restricted					25,000,000	25,000,000
Total current assets	<u>286,361</u>	<u>24,295,855</u>	<u>24,582,216</u>	<u>363,718</u>	<u>25,000,000</u>	<u>25,363,718</u>
Noncurrent Assets:						
Land held for sale	<u>310,814</u>		<u>310,814</u>	<u>287,351</u>		<u>287,351</u>
Total assets	<u>597,175</u>	<u>24,295,855</u>	<u>24,893,030</u>	<u>651,069</u>	<u>25,000,000</u>	<u>25,651,069</u>
LIABILITIES						
Current Liabilities:						
Accounts payable	212,914	114,213	327,127	109,580		109,580
Due to State	15,540		15,540			
Accrued expenses	223,215	4,463	227,678	151,160		151,160
Unearned revenue, restricted	25,000		25,000	56,349		56,349
Total current liabilities	<u>476,669</u>	<u>118,676</u>	<u>595,345</u>	<u>317,089</u>	<u>-</u>	<u>317,089</u>
Noncurrent Liabilities:						
Bonds payable	<u>38,400,000</u>		<u>38,400,000</u>	<u>38,400,000</u>		<u>38,400,000</u>
Total liabilities	<u>38,876,669</u>	<u>118,676</u>	<u>38,995,345</u>	<u>38,717,089</u>	<u>-</u>	<u>38,717,089</u>
Net Position:						
Restricted for other programs		24,177,179	24,177,179		25,000,000	25,000,000
Unrestricted (deficit)	<u>(38,279,494)</u>		<u>(38,279,494)</u>	<u>(38,066,020)</u>		<u>(38,066,020)</u>
Net Position	<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>

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, 2017 AND 2016**

	2017			2016		
	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	\$ 26,703	\$ 1,000	\$ 27,703	\$ 83,268	\$ -	\$ 83,268
Operating Expenses:						
Contractual services	927,807	853,778	1,781,585	714,614		714,614
Personnel services	383,355		383,355	420,817		420,817
Insurance	50,820		50,820	50,846		50,846
Other	16,772		16,772	18,471		18,471
Total operating expenses	<u>1,378,754</u>	<u>853,778</u>	<u>2,232,532</u>	<u>1,204,748</u>	<u>-</u>	<u>1,204,748</u>
Operating Loss	<u>(1,352,051)</u>	<u>(852,778)</u>	<u>(2,204,829)</u>	<u>(1,121,480)</u>	<u>-</u>	<u>(1,121,480)</u>
Nonoperating Revenues (Expenses):						
State appropriations	1,169,063		1,169,063	1,104,325	25,000,000	26,104,325
Grant income	202,632		202,632	121,704		121,704
Grant expenses	(179,168)		(179,168)	(98,524)		(98,524)
Interest expense	(657,985)		(657,985)	(508,198)		(508,198)
Interest income		29,957	29,957			
Total nonoperating revenues, net	<u>534,542</u>	<u>29,957</u>	<u>564,499</u>	<u>619,307</u>	<u>25,000,000</u>	<u>25,619,307</u>
Income (Loss) before Transfers	(817,509)	(822,821)	(1,640,330)	(502,173)	25,000,000	24,497,827
Transfer from State	<u>604,035</u>		<u>604,035</u>	<u>482,763</u>		<u>482,763</u>
Change in Net Position	(213,474)	(822,821)	(1,036,295)	(19,410)	25,000,000	24,980,590
Total Net Position, Beginning of Year	<u>(38,066,020)</u>	<u>25,000,000</u>	<u>(13,066,020)</u>	<u>(38,046,610)</u>	<u>-</u>	<u>(38,046,610)</u>
Total Net Position, End 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>

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, 2017 AND 2016**

	2017			2016		
	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	\$ (4,646)	\$ 1,000	\$ (3,646)	\$ 11,473	\$ -	\$ 11,473
Payments to suppliers	(882,643)	(735,102)	(1,617,745)	(797,035)	-	(797,035)
Payments to employees	(365,250)	-	(365,250)	(436,551)	-	(436,551)
Net cash used in operating activities	<u>(1,252,539)</u>	<u>(734,102)</u>	<u>(1,986,641)</u>	<u>(1,222,113)</u>	<u>-</u>	<u>(1,222,113)</u>
Cash Flows from Noncapital Financing Activities:						
State appropriations	1,169,063	25,000,000	26,169,063	1,104,325	-	1,104,325
Grants received	191,862	-	191,862	150,418	-	150,418
Interest Income	-	29,957	29,957	-	-	-
Grant expenditures	(123,106)	-	(123,106)	(44,076)	-	(44,076)
Net cash provided by noncapital financing activities	<u>1,237,819</u>	<u>25,029,957</u>	<u>26,267,776</u>	<u>1,210,667</u>	<u>-</u>	<u>1,210,667</u>
Cash Flows from Capital and Related Financing Activities:						
Payments for land held for sale	(16,939)	-	(16,939)	(34,426)	-	(34,426)
Net Increase (Decrease) in Cash	(31,659)	24,295,855	24,264,196	(45,872)	-	(45,872)
Cash, Beginning of Year	<u>243,271</u>	<u>-</u>	<u>243,271</u>	<u>289,143</u>	<u>-</u>	<u>289,143</u>
Cash, End of Year	<u>\$ 211,612</u>	<u>\$ 24,295,855</u>	<u>\$ 24,507,467</u>	<u>\$ 243,271</u>	<u>\$ -</u>	<u>\$ 243,271</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, 2017 AND 2016**

	2017			2016		
	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	\$ (1,352,051)	\$ (852,778)	\$ (2,204,829)	\$ (1,121,480)		\$ (1,121,480)
Adjustments to reconcile operating loss to net cash used in operating activities:						
Prepaid expenses	406		406	(1,103)		(1,103)
Accounts payable and accrued expenses	130,455	118,676	249,131	(27,735)		(27,735)
Unearned revenue, restricted	(31,349)		(31,349)	(71,795)		(71,795)
Net Cash Used in Operating Activities	<u>\$ (1,252,539)</u>	<u>\$ (734,102)</u>	<u>\$ (1,986,641)</u>	<u>\$ (1,222,113)</u>	<u>\$ -</u>	<u>\$ (1,222,113)</u>
Supplemental Disclosure:						
Noncash capital and related financing activities:						
Interest payments transferred from State	<u>\$ 604,035</u>	<u>\$ -</u>	<u>\$ 604,035</u>	<u>\$ 482,763</u>	<u>\$ -</u>	<u>\$ 482,763</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, 2017 AND 2016**

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, 2017 AND 2016**

Reclassifications

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

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, 2017 and 2016.

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.

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, 2017 and 2016.

2. CASH

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

	<u>2017</u>	<u>2016</u>
Bank balance in checking account	\$ 24,507,467	\$ 243,271
Insured by federal depository insurance	<u>250,000</u>	<u>243,271</u>
Bank balance uninsured	24,257,467	-
Collateralized - collateral held by third-party custodian in the Commission’s name	<u>24,257,467</u>	<u>-</u>
Uninsured and Uncollateralized	<u>\$ -</u>	<u>\$ -</u>

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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 100% 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 100% 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, 2017 and 2016, 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, 2015	\$ 261,965
Additions, capitalized costs	<u>25,386</u>
Balance, June 30, 2016	287,351
Additions, capitalized costs	<u>23,463</u>
Balance, June 30, 2017	<u><u>\$ 310,814</u></u>

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><u>\$ 38,400,000</u></u>

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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) (1.05050% at June 30, 2017) 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, 2017, the State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively. As such, at June 30, 2017, the 2013 Series A Bonds bore interest at 2.05050%.

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 (1.05050% at June 30, 2017) 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 2.2005% at June 30, 2017.

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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 (1.05050% at June 30, 2017), 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, 2017 and 2016, the fair value of the 2013 Series A and B Rate Cap Agreements was \$46,593 and \$57,075, 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.

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.

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

At June 30, 2017, 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>
2018	\$	\$ 788,832
2019	1,420,000	781,185
2020	1,540,000	750,534
2021	1,660,000	718,341
2022	1,790,000	683,637
2023-2027	11,315,000	2,793,858
2028-2032	16,545,000	1,409,462
2033-2037	4,130,000	63,924
	<u>\$ 38,400,000</u>	<u>\$ 7,989,773</u>

There were no additions to or reductions of bonds payable during the years ended June 30, 2017 or 2016.

5. CONTRACTUAL SERVICES

Contractual services by category for the years ended June 30, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Consulting	\$ 1,162,452	\$ 192,810
Professional	456,957	376,919
Maintenance	124,165	109,098
Interim use	38,011	35,787
	<u>\$ 1,781,585</u>	<u>\$ 714,614</u>

6. STATE APPROPRIATIONS AND TRANSFERS FROM STATE

During the years ended June 30, 2017 and 2016, the Commission received \$1,169,063 and \$1,104,325, 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, 2017 and 2016, the Commission received \$604,035 and \$482,763, respectively, in transfers from the State to fund debt service for the years ended June 30, 2017 and 2016. The Commission is dependent upon such transfers to fund its debt service on its outstanding bonds.

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

The I-195 Redevelopment Project Fund was established through legislative action under the jurisdiction of and to be administered by the Commission in order 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 in order to enhance Rhode Island's economic vitality. The Commission recognized the appropriation of \$25,000,000 into revenue in 2016, expenditures in 2017 totaled \$853,778 and interest earned totaled \$29,957, for a net decrease in net position of \$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 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 2017 financial statements include \$202,632 in grant income based on expending approximately \$202,632 of the USEPA grant awards, \$179,168 as grant expenses and \$23,464 in costs related to land held for sale. For 2016, grant income was \$121,704 based on \$98,524 in grant expenses and \$23,180 in costs related to land held for sale.

**I-195 REDEVELOPMENT DISTRICT COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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.

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.

8. SUBSEQUENT EVENTS

On September 22, 2017, the Commission entered into an agreement with the Rhode Island Commerce Corporation and Providence Innovation District Phase I Owner, LLC, for office building incentives in the amount of \$19.8 million under the I-195 Redevelopment Project Fund Act, Chapter 64.24 of Title 42 of the Rhode Island General Laws. This incentive is to be used for the construction of an approximately 196,000 square foot innovation center/office building to be constructed on Parcels 22 and 25 and for tenant inducements for the Cambridge Innovation Center, one of the building's anchor tenants. Included in the agreement is a \$1 million request for tenant improvements at One Ship Street, space to be used for interim occupancy during the construction phase of the project. In addition to the incentives through the I-195 Redevelopment fund, Providence Innovation District Phase I Owner, LLC received Rebuild Rhode Island Tax Credit Incentives and Sales and Use Tax Rebates in separate and distinct transactions with the Rhode Island Commerce Corporation.

**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, 2017**

Federal Grantor/Program Title Pass-Through Grantor	Federal CFDA Number	Federal Expenditures
U.S. Environmental Protection Agency		
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	\$ <u>179,168</u>
Total Expenditures of Federal Awards		\$ <u><u>179,168</u></u>

The accompanying notes are an integral part of this schedule

**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, 2017**

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, 2017. The information on this 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, 2017.

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, 2017.

5. PASSED THROUGH TO SUBRECIPIENTS

The Commission did not pass through any federal awards to subrecipients during the State fiscal year ended June 30, 2017.

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, 2017**

Attachment B

Assets

Current assets:

Cash and cash equivalents	\$ 186,612
Investments	
Receivables (net)	
Restricted assets:	
Cash and cash equivalents	24,320,855
Investments	
Receivables (net)	
Other assets	
Due from primary government	
Due from other component units	
Due from other governments	29,115
Inventories	
Other assets	45,634
Total current assets	<u>24,582,216</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	310,814
Capital assets - depreciable (net)	
Other assets, net of amortization	
Total noncurrent assets	<u>310,814</u>

Total assets	<u>24,893,030</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, 2017**

Attachment B

Liabilities

Current liabilities:

Cash overdraft	
Accounts payable	\$ 327,127
Due to primary government	15,540
Due to other component units	
Due to other governments	
Unearned revenue, restricted	25,000
Other liabilities	227,678
Current portion of long-term debt	
Total current liabilities	<u>595,345</u>

Noncurrent liabilities:

Due to primary government	
Due to other governments	
Due to other component units	
Unearned revenue	
Notes payable	
Loans payable	
Obligations under capital leases	
Other liabilities	
Compensated absences	
Bonds payable	<u>38,400,000</u>
Total noncurrent liabilities	<u>38,400,000</u>

Total liabilities	<u>38,995,345</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	24,177,179
Other nonexpendable	
Unrestricted	<u>(38,279,494)</u>

Net (deficit) position	<u>\$ (14,102,315)</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
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Attachment C</u>
Expenses	\$ <u>3,069,685</u>
Program revenues:	
Charges for services	27,703
Operating grants and contributions	1,975,730
Capital grants and contributions	
Total program revenues	<u>2,003,433</u>
Net (expenses) revenues	<u>(1,066,252)</u>
General revenues:	
Interest and investment earnings	29,957
Miscellaneous revenue	
Total general revenues	<u>29,957</u>
Income before contributions, transfers, and special and extraordinary items	<u>(1,036,295)</u>
Transfers to State, bond proceeds	
Special items	
Extraordinary items	
Total contributions and transfers	<u>-</u>
Change in net deficit position	(1,036,295)
Total net position - beginning	<u>(13,066,020)</u>
Total net position - ending	\$ <u><u>(14,102,315)</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, 2017**

<u>Bonds Payable</u>		<u>Attachment D</u>
<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018		\$ 788,832
2019	\$ 1,420,000	781,185
2020	1,540,000	750,534
2021	1,660,000	718,341
2022	1,790,000	683,637
2023-2027	11,315,000	2,793,858
2028-2032	16,545,000	1,409,462
2033-2037	4,130,000	63,924
	<u>\$ 38,400,000</u>	<u>\$ 7,989,773</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, 2017**

	Attachment E					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due Thereafter</u>
Bonds payable	\$ 38,400,000	\$	\$	\$ 38,400,000	\$	\$ 38,400,000
Net unamortized premium/discount						
Deferred amount on refunding						
Bonds payable	38,400,000			38,400,000		38,400,000
Obligations under capital leases						
Net OPEB obligation						
Compensated absences						
Loans payable						
Notes payable						
Due to primary government		15,540		15,540	15,540	
Due to other governments and agencies						
Unearned revenue	56,349		(31,349)	25,000	25,000	
Due to other State component units						
Other liabilities						
	<u>\$ 38,456,349</u>	<u>\$ 15,540</u>	<u>\$ (31,349)</u>	<u>\$ 38,440,540</u>	<u>\$ 40,540</u>	<u>\$ 38,400,000</u>



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**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, 2017, and the related notes to the financial statements, which collectively comprise the Commission's financial statements, and have issued our report thereon dated September 26, 2017.

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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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
September 26, 2017