

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018



**I-195 REDEVELOPMENT DISTRICT COMMISSION
(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 Commission

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 year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the I-195 Redevelopment District Commission'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 audit. 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 I-195 Redevelopment District Commission as of June 30, 2019, 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 6 to the financial statements, the I-195 Redevelopment District Commission is dependent upon annual appropriations by the General Assembly of the State of Rhode Island and transfers from the State 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.

Prior Period Financial Statements

The financial statements of the I-195 Redevelopment District Commission as of and for the year ended June 30, 2018 were audited by other auditors whose report dated November 5, 2018 expressed an unmodified opinion on those financial statements.

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 4-7 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 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

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 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 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 October 31, 2019 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, 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 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 I-195 Redevelopment District Commission's internal control over financial reporting and compliance.

Marcum LLP

Providence, RI
October 31, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019 and 2018 and 2018. 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, 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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.

2019 FINANCIAL HIGHLIGHTS

Total liabilities exceeded total assets by \$20,632,233 (net deficit position) at June 30, 2019, of which \$16,305,863 is restricted for the I-195 Redevelopment Project Fund, \$212,643 is restricted for the City of Providence and \$37,150,739 is the unrestricted net deficit of the I-195 Redevelopment District Commission Operating Fund. The current year net deficit position is primarily due to \$36,980,000 in bonded debt.

Total operating loss for 2019 was \$9,436,137, an increase of \$5,447,840 when compared to the operating loss for 2018. The operating fund accounted for \$490,951 of the total loss whereas the remaining loss was from the project fund in the amount of \$8,945,186.

Total non-operating State appropriations revenue totaled \$2,186,000 in 2019, a decrease of \$1,495,658 when compared to 2018. The decrease is primarily due to \$1,000,000 appropriated under RIGL 42-64.24 for the I-195 Redevelopment Project Fund in 2019, \$1,000,000 less than the funding provided in 2018 for capital investment requirements or filling project financing gaps for real estate projects for development in the I-195 Redevelopment District. The remainder of the year over year decrease is due to additional RICAP funding in 2018 for the construction of a temporary parking lot for use during the construction phase of a new parking garage.

Total net non-operating revenue for 2019 totaled \$1,235,868 compared to net non-operating revenue of \$2,854,909 for 2018. This change results from the \$1,000,000 decrease in 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 Commission's bonds in 2019 were \$1,926,138, an increase of \$1,048,537 when compared to 2018. This increase is attributed to the start of principal payments on Bond Series A.

The total net position decreased by \$6,274,131 due to the Project fund contractual expenditures in fiscal year 2019 of \$8,947,187, being offset partially by a \$1,000,000 appropriation and \$301,194 interest income.

2018 FINANCIAL HIGHLIGHTS

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

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

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

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

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

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

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

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):

	2019	2018	2017	Increase (Decrease)	
				2019 v 2018	2018 v 2017
Net Position					
Current Assets	\$ 16,819	\$ 25,522	\$ 24,582	\$ (8,703)	\$ 940
Noncurrent assets	<u>285</u>	<u>319</u>	<u>311</u>	<u>(34)</u>	<u>8</u>
Total Assets	<u>17,104</u>	<u>25,841</u>	<u>24,893</u>	<u>(8,737)</u>	<u>948</u>
Current Liabilities	2,296	3,219	595	(923)	2,624
Noncurrent liabilities	<u>35,440</u>	<u>36,980</u>	<u>38,400</u>	<u>(1,540)</u>	<u>(1,420)</u>
Total Liabilities	<u>37,736</u>	<u>40,199</u>	<u>38,995</u>	<u>(2,463)</u>	<u>1,204</u>
Net Deficit Position	<u>\$ (20,632)</u>	<u>\$ (14,358)</u>	<u>\$ (14,102)</u>	<u>\$ (6,274)</u>	<u>\$ (256)</u>

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FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018	2017	Increase (Decrease)	
				2019 v 2018	2018 v 2017
Changes in Net					
Deficit Position					
Operating revenues	\$ 377	\$ 412	\$ 28	\$ (35)	\$ 384
Operating expenses	<u>10,486</u>	<u>4,400</u>	<u>2,233</u>	<u>6,086</u>	<u>2,167</u>
Operating Loss	(10,109)	(3,988)	(2,205)	(6,121)	(1,783)
Nonoperating Revenues					
(Expenses)	1,236	2,855	564	(1,619)	2,291
Contributions and					
Transfers	<u>1,926</u>	<u>878</u>	<u>604</u>	<u>1,048</u>	<u>274</u>
Change in Net					
Deficit Position	<u>\$ (6,947)</u>	<u>\$ (255)</u>	<u>\$ (1,037)</u>	<u>\$ (6,692)</u>	<u>\$ 782</u>

2019 FINANCIAL ANALYSIS

Total assets of the Commission decreased \$8,737,140 during 2019. This decrease is due to an increase in contractual expenses of \$5,931,338 related to on-going projects.

Total liabilities decreased \$2,463,009 due to principal payments made on outstanding bonds payable, a decrease in accrued expenses for payments made of \$503,094 to the City of Providence for permitting fees, and a reduction in accounts payable at year-end.

2019 OPERATING ACTIVITY

The Commission had operating revenues of \$376,654 for the year ended June 30, 2019, compared to \$411,959 in year ended June 30, 2018.

Total operating expenses increased \$6,085,937 during 2019 primarily due to an increase year over year in contractual services and incentive payments for project fund of \$5,931,338 offset by a decrease in other operating expenses of \$402,606.

The operating loss of the Commission was \$9,436,137 in 2019 as compared to \$3,988,297 in 2018. The increase year over year in project fund contractual services and incentive payments of \$5,931,338 is due to on-going land purchase and development net with gains on the sale of property of \$673,402.

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

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

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

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

On September 21, 2017, the Commission sold Lot 1 (formerly part of Parcels 22 and 25) to Providence Innovation District Phase 1 Owner, LLC, an entity of Wexford Science and Technology ("Wexford"), for \$1.00 as part of a three-phase development. Wexford broke ground on an approximately 200,000-SF commercial building on the site shortly thereafter. The development was supported by incentives from the I-195 Project Fund totaling \$18.8 million. The project was completed in summer 2019.

On July 26, 2018, the Commission sold Parcel 30 to Waldorf Capital Management, LLC for \$751,838 with a credit at Closing of \$45,000. The developer broke ground on an approximately 100,000-SF multifamily apartment building shortly thereafter.

2018 FINANCIAL ANALYSIS

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

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

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

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

2018 OPERATING ACTIVITY

The Commission had operating revenues of \$411,959 for the year ended June 30, 2019, compared to \$27,703 in 2017. The significant increase in revenues is directly \$300,000 reimbursement for legal and engineering costs.

Total operating expenses increased \$2,167,724 during 2018 primarily due to an increase year over year in contractual services for project fund of \$2,061,331.

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

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

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

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

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

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

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

REQUESTS FOR INFORMATION

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

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

STATEMENTS OF NET POSITION

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Operating Fund	Project Fund	Total	Operating Fund	Project Fund	Total
Assets						
Current Assets						
Cash	\$ 61,958	\$ --	\$ 61,958	\$ 43,597	\$ --	\$ 43,597
Cash, restricted	272,633	15,357,558	15,630,191	133,363	23,702,408	23,835,771
Accounts receivable	43,949	--	43,949	15,000	--	15,000
Prepaid expenses	57,046	--	57,046	50,995	--	50,995
Due from State	25,572	1,000,000	1,025,572	603,031	470,677	1,073,708
Due from State, restricted	--	--	--	503,349	--	503,349
Total Current Assets	<u>461,158</u>	<u>16,357,558</u>	<u>16,818,716</u>	<u>1,349,335</u>	<u>24,173,085</u>	<u>25,522,420</u>
Noncurrent Assets						
Land held for sale	285,394	--	285,394	318,830	--	318,830
Total Assets	<u>\$ 746,552</u>	<u>\$ 16,357,558</u>	<u>\$ 17,104,110</u>	<u>\$ 1,668,165</u>	<u>\$ 24,173,085</u>	<u>\$ 25,841,250</u>
Liabilities						
Current Liabilities						
Current portion, long term debt	\$ 1,540,000	\$ --	\$ 1,540,000	\$ 1,420,000	\$ --	\$ 1,420,000
Accounts payable	36,656	51,695	88,351	153,709	129,929	283,638
Accrued expenses	608,002	--	608,002	1,289,050	93,301	1,382,351
Unearned revenue, restricted	59,990	--	59,990	133,363	--	133,363
Total Current Liabilities	<u>2,244,648</u>	<u>51,695</u>	<u>2,296,343</u>	<u>2,996,122</u>	<u>223,230</u>	<u>3,219,352</u>
Noncurrent Liabilities						
Bonds payable	35,440,000	--	35,440,000	36,980,000	--	36,980,000
Total Noncurrent Liabilities	<u>35,440,000</u>	<u>--</u>	<u>35,440,000</u>	<u>36,980,000</u>	<u>--</u>	<u>36,980,000</u>
Total Liabilities	<u>37,684,648</u>	<u>51,695</u>	<u>37,736,343</u>	<u>39,976,122</u>	<u>223,230</u>	<u>40,199,352</u>
Net Position						
Restricted for other programs	212,643	16,305,863	16,518,506	503,349	23,949,855	24,453,204
Unrestricted (deficit)	(37,150,739)	--	(37,150,739)	(38,811,306)	--	(38,811,306)
Net Position	<u>\$(36,938,096)</u>	<u>\$ 16,305,863</u>	<u>\$(20,632,233)</u>	<u>\$(38,307,957)</u>	<u>\$ 23,949,855</u>	<u>\$(14,358,102)</u>

The accompanying notes are an integral part of these 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, 2019 AND 2018

	2019			2018		
	Operating Fund	Project Fund	Total	Operating Fund	Project Fund	Total
Operating Revenues	<u>\$ 374,654</u>	<u>\$ 2,000</u>	<u>\$ 376,654</u>	<u>\$ 409,959</u>	<u>\$ 2,000</u>	<u>\$ 411,959</u>
Operating Expenses						
Contractual services	827,068	8,947,186	9,774,254	1,482,817	2,360,099	3,842,916
Personnel services	490,104	--	490,104	437,181	--	437,181
Insurance	57,788	--	57,788	52,261	--	52,261
Other	<u>164,047</u>	<u>--</u>	<u>164,047</u>	<u>67,898</u>	<u>--</u>	<u>67,898</u>
Total Operating Expenses	<u>1,539,007</u>	<u>8,947,186</u>	<u>10,486,193</u>	<u>2,040,157</u>	<u>2,360,099</u>	<u>4,400,256</u>
Gain on Sale of Property	<u>673,402</u>	<u>--</u>	<u>673,402</u>	<u>--</u>	<u>--</u>	<u>--</u>
Operating Loss	<u>(490,951)</u>	<u>(8,945,186)</u>	<u>(9,436,137)</u>	<u>(1,630,198)</u>	<u>(2,358,099)</u>	<u>(3,988,297)</u>
Nonoperating Revenues (Expenses)						
State appropriations - operations	1,186,000	1,000,000	2,186,000	1,681,658	2,000,000	3,681,658
Grant income	--	--	--	140,455	--	140,455
Interest income	8,055	301,194	309,249	--	130,775	130,775
Grant expenses	--	--	--	(132,439)	--	(132,439)
Interest expense	<u>(1,259,381)</u>	<u>--</u>	<u>(1,259,381)</u>	<u>(965,540)</u>	<u>--</u>	<u>(965,540)</u>
Total Nonoperating Revenues, Net	<u>(65,326)</u>	<u>1,301,194</u>	<u>1,235,868</u>	<u>724,134</u>	<u>2,130,775</u>	<u>2,854,909</u>
Income (Loss) Before Transfers	<u>(556,277)</u>	<u>(7,643,992)</u>	<u>(8,200,269)</u>	<u>(906,064)</u>	<u>(227,324)</u>	<u>(1,133,388)</u>
State Appropriation - Debt Service	<u>1,926,138</u>	<u>--</u>	<u>1,926,138</u>	<u>877,601</u>	<u>--</u>	<u>877,601</u>
Change in Net Position	<u>1,369,861</u>	<u>(7,643,992)</u>	<u>(6,274,131)</u>	<u>(28,463)</u>	<u>(227,324)</u>	<u>(255,787)</u>
Total Net Position - Beginning of Year	<u>(38,307,957)</u>	<u>23,949,855</u>	<u>(14,358,102)</u>	<u>(38,279,494)</u>	<u>24,177,179</u>	<u>(14,102,315)</u>
Total Net Position - End of Year	<u>\$ (36,938,096)</u>	<u>\$ 16,305,863</u>	<u>\$ (20,632,233)</u>	<u>\$ (38,307,957)</u>	<u>\$ 23,949,855</u>	<u>\$ (14,358,102)</u>

The accompanying notes are an integral part of these 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, 2019 AND 2018

	2019			2018		
	Operating Fund	Project Fund	Total	Operating Fund	Project Fund	Total
Cash Flows from Operating Activities						
Receipts from customers	\$ 301,281	\$ 2,000	\$ 303,281	\$ 1,021,416	\$ 2,000	\$ 1,023,416
Payments to suppliers	(1,893,975)	(9,118,721)	(11,012,696)	(1,204,708)	(2,255,545)	(3,460,253)
Payments to employees	(487,534)	--	(487,534)	(440,753)	--	(440,753)
	<u>(2,080,228)</u>	<u>(9,116,721)</u>	<u>(11,196,949)</u>	<u>(624,045)</u>	<u>(2,253,545)</u>	<u>(2,877,590)</u>
Net Cash Used in Operating Activities						
Cash Flows from Noncapital Financing Activities						
State appropriations	340,670	470,677	811,347	575,278	1,529,323	2,104,601
Grants received	(28,949)	--	(28,949)	154,570	--	154,570
Interest Income	--	301,194	301,194	--	130,775	130,775
Grant expenditures	--	--	--	(132,439)	--	(132,439)
	<u>311,721</u>	<u>771,871</u>	<u>1,083,592</u>	<u>597,409</u>	<u>1,660,098</u>	<u>2,257,507</u>
Net Cash Provided by Noncapital Financing Activities						
Cash Flows from Capital and Related Financing Activities						
Payments for land held for sale	--	--	--	(8,016)	--	(8,016)
	<u>(1,768,507)</u>	<u>(8,344,850)</u>	<u>(10,113,357)</u>	<u>(34,652)</u>	<u>(593,447)</u>	<u>(628,099)</u>
Net Decrease in Cash						
Cash, Beginning of Year	<u>176,960</u>	<u>23,702,408</u>	<u>23,879,368</u>	<u>211,612</u>	<u>24,295,855</u>	<u>24,507,467</u>
Cash, End of Year	<u>\$ (1,591,547)</u>	<u>\$ 15,357,558</u>	<u>\$ 13,766,011</u>	<u>\$ 176,960</u>	<u>\$ 23,702,408</u>	<u>\$ 23,879,368</u>

The accompanying notes are an integral part of these 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, 2019 AND 2018

	2019			2018		
	Operating Fund	Project Fund	Total	Operating Fund	Project Fund	Total
Reconciliation of Operating Loss to Net Cash Used in Operating						
Operating loss	\$ (490,951)	\$ (8,945,186)	\$ (9,436,137)	\$ (1,630,198)	\$ (2,358,099)	\$ (3,988,297)
Adjustments to reconcile operating loss to net cash used in operating activities:						
Noncash gain on property	(673,402)	--	(673,402)	--	--	--
Prepaid expenses	(6,051)	--	(6,051)	(5,361)	--	(5,361)
Accounts payable and accrued expenses	(836,451)	(171,535)	(1,007,986)	903,151	104,554	1,007,705
Unearned Revenue, Restricted	<u>(73,373)</u>	<u>--</u>	<u>(73,373)</u>	<u>108,363</u>	<u>--</u>	<u>108,363</u>
Net Cash Used in Operating Activities	<u>\$ (2,080,228)</u>	<u>\$ (9,116,721)</u>	<u>\$ (11,196,949)</u>	<u>\$ (624,045)</u>	<u>\$ (2,253,545)</u>	<u>\$ (2,877,590)</u>
Supplemental Disclosure						
Noncash capital and related financing activities:						
Interest payments transferred from State	<u>\$ 1,926,138</u>	<u>\$ --</u>	<u>\$ 1,926,138</u>	<u>\$ 877,601</u>	<u>\$ --</u>	<u>\$ 877,601</u>

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 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. 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 Commission distinguishes between operating and non-operating 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.

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

The Commission reports the following major business-type funds:

The I-195 Redevelopment District Commission Operating Fund ("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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

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

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, 2019 and 2018, the Commission had \$15,357,558 and \$23,702,408 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.

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, 2019 and 2018.

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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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

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.

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, 2019 and 2018.

RECLASSIFICATIONS

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

NOTE 2 - CASH

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

	2019	2018
Bank balance in checking account	\$ 15,724,567	\$ 23,991,879
Insured by federal depository insurance	250,000	250,000
Bank balance uninsured	15,474,567	23,741,879
Collateralized - collateral held by third-party custodian in the Commission's name	15,474,567	23,741,879
Uninsured and Uncollateralized	\$ --	\$ --

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 2 - CASH (CONTINUED)

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

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 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 year ended June 30, 2019, 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, 2017	\$ 310,814
Additions, capitalized costs	<u>8,016</u>
Balance, June 30, 2018	318,830
Less, sale of land (Lot 1 of Parcels 22 and 25, and Parcel 30)	<u>(33,436)</u>
Balance, June 30, 2019	<u><u>\$ 285,394</u></u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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 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) (2.38775% at June 30, 2019) 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%

At June 30, 2019, the State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively. As such, at June 30, 2019, the 2013 Series A Bonds bore interest at 3.38775%. The outstanding balance as of 2013 Series A Bonds were \$36,980,000 and \$37,440,000 as of June 30, 2019 and 2018, respectively.

ECONOMIC DEVELOPMENT REVENUE BONDS, 2013 SERIES B

Concurrent with the issuance of the 2013 Series A Bonds, the Rhode Island Commerce Corporation 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 matured in April 2019, prior to maturity they bore interest at the lesser of the 30-Day LIBOR (2.38775% at June 30, 2019) 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:

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 - BONDS PAYABLE (CONTINUED)

ECONOMIC DEVELOPMENT REVENUE BONDS, 2013 SERIES B (CONTINUED)

The 2013 Series B Bonds matured in April 2019. The outstanding balance was \$960,000 as of June 30, 2018.

USE OF PROCEEDS OF BONDS

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.

STATE OF RHODE ISLAND 2013 SERIES A AND B BONDS RATE CAP AGREEMENT

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 (2.38775% at June 30, 2019), 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, 2019 and 2018, the fair value of the 2013 Series A and B Rate Cap Agreements was \$11,659 and \$31,244, respectively, and is estimated as the amount the Bank would receive to terminate the Rate Cap Agreements at the reporting dates, taking into account current interest rates and the current credit worthiness of the counterparties.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 - BONDS PAYABLE (CONTINUED)

REPAYMENT OF 2013 SERIES A AND B BONDS

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 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.

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

At June 30, 2019, aggregate scheduled principal and interest payments due on the Commission's bonds, based on rates in effect as of June 30, 2019 and as if the Bank waives its mandatory tender options, are as follows:

Year Ending June 30,	Principal	Interest
2020	\$ 1,540,000	\$ 1,091,655
2021	1,660,000	1,044,830
2022	1,790,000	994,352
2023	1,935,000	939,922
2024-2028	12,205,000	3,719,724
2029-2033	<u>17,850,000</u>	<u>1,547,077</u>
	<u>\$ 36,980,000</u>	<u>\$ 9,337,560</u>

There were no additions to bonds during the years ended June 30, 2019 and 2018. Bond payments of \$1,420,000 and \$0 for the years ended June 30, 2019 and 2018, 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 COMMISSION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 5 - CONTRACTUAL SERVICES

Contractual services by category for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Consulting	\$ 252,520	\$ 303,930
Project Development	9,062,736	2,830,776
Professional	367,830	568,828
Maintenance	86,829	134,089
Interim use	4,339	5,293
	\$ 9,774,254	\$ 3,842,916

NOTE 6 - WEXFORD AND VENTURE CAFÉ INCENTIVE PROGRAM

Included in project development expenses for the year ended June 30, 2019 is \$8,947,186 relating to the Project Fund, of which \$8,736,429 relate to Providence Innovation District Phase 1 Owner, LLC, an entity of Wexford Science and Technology (Wexford), and \$33,656 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 Commission have entered into following agreements with Wexford and CIC:

	Total Amount Awarded	Paid Through	Remaining
	Through June 30, 2019	June 30, 2019	Commitment
Base Building 195 Incentive	\$ 1,865,000	\$ 1,865,000	\$ --
CIC Tenant Improvements Grant	12,775,000	9,581,538	3,193,462
CIC Operation Grant	1,200,000	--	1,200,000
District Hall Development & Manageme	1,800,000	180,000	1,620,000
District Hall Operation Grant	560,000	560,000	--
District Hall FF&E Grant	200,000	--	200,000
Venture Café Grant	700,000	--	700,000
	\$ 19,100,000	\$ 12,186,538	\$ 6,913,462

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - WEXFORD AND VENTURE CAFÉ INCENTIVE PROGRAM (CONTINUED)

Because Wexford is receiving incentives under the Rebuild Rhode Island Tax Credit Act and the I-195 Redevelopment Project Fund Act, the Commission is requiring Wexford to provide for return to the Commission 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 Commission under such contractual provisions with respect to the project.

NOTE 7 - STATE APPROPRIATIONS AND TRANSFERS FROM STATE

During the years ended June 30, 2019 and 2018, the Commission received \$2,186,000 and \$3,681,658, 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 Commission is dependent upon such annual appropriations to fund its operating expenses.

During the years ended June 30, 2019 and 2018, the Commission received \$1,926,138 and \$877,601, respectively, in transfers from the State to fund debt service. The Commission is dependent upon such transfers to fund its debt service on its outstanding bonds.

The I-195 Redevelopment Project Fund was established through legislative action under the jurisdiction of and to be administered by the Commission to further the goals set forth in Chapter 42-64.14 of the Rhode Island General Laws to promote, among other purposes, the development and attraction of advanced industries and innovation on and near the I-195 land to enhance Rhode Island's economic vitality. Expenditures for the years ended June 30, 2019 and 2018 were \$8,947,186 and \$2,360,099, respectively. Interest earned for the years ended June 30, 2019 and 2018 were \$301,194 and \$130,775, respectively. Net position decreased \$7,643,992 in 2019 and \$227,324 in 2018.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 8 - RELATED PARTY TRANSACTIONS

The Rhode Island Commerce Corporation provides accounting services, administrative support, and office space to the Commission. For the years ended June 30, 2019 and 2018, the Commission 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 and B Bonds, for which the Commission is the obligor.

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

NOTE 9 - COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

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 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 from RIDEM on October 9, 2014. In August 2014, the Commission was awarded a \$200,000 grant from the

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 9 - COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (CONTINUED)

ENVIRONMENTAL REMEDIATION (CONTINUED)

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.

In 2018 grant income totaled \$34,454 based on expending approximately \$34,454 of the USEPA Assessment Grant awards, \$26,439 as grant expenses and \$8,015 in costs related to land held for sale. There were no remaining grant funds in 2019.

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

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 more than stated coverage maximums. The Commission is not aware of any potential claims. Accordingly, the Commission has not recorded a reserve for potential claims.

**I-195 REDEVELOPMENT DISTRICT COMMISSION
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 9 - COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (CONTINUED)

SUBSEQUENT EVENT

On August 21, 2019, the Commission entered into a purchase and sales agreement for Parcel 6 for a purchase price of \$1,000,000 to an unrelated third party buyer. The Commission has received \$50,000 as an initial deposit. As of the issuance of the financial statements, the prospective buyer is conducting due diligence on the property.

On September 12, 2019, the Commission entered into a purchase and sale agreement for Parcel 28 for a purchase price of \$2,000,000 to an unrelated third party buyer.

SUPPLEMENTARY INFORMATION

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

STATEMENT OF NET POSITION

JUNE 30, 2019

	Attachment B
Assets	
Current Assets	
Cash and cash equivalents	\$ 61,958
Investments	--
Receivables (net)	--
Restricted assets	
Cash and cash equivalents	15,630,191
Investments	--
Receivables (net)	--
Other assets	--
Due from primary government	1,025,572
Due from other component units	--
Due from other governments	43,949
Inventories	--
Other assets	57,046
Total Current Assets	16,818,716
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	285,394
Capital assets - depreciable (net)	--
Other assets, net of amortization	--
Total Noncurrent Assets	285,394
Total Assets	\$ 17,104,110
Deferred Outflows of Resources	
Deferred pension amounts	\$ --
Deferred OPEB amounts	--
Other deferred outflows of resources	--
Deferred Outflows of Resources	\$ --

See accompanying notes and independent accountants' review report.

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

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2019

	Attachment B
Liabilities	
Current Liabilities	
Cash overdraft	\$ --
Accounts payable	88,351
Due to primary government	--
Due to other component units	--
Due to other governments	--
Accrued expenses	
Compensated absences	
Unearned revenue	59,990
Other current liabilities	608,002
Current portion of long-term debt	<u>1,540,000</u>
Total Current Liabilities	<u>2,296,343</u>
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	35,440,000
Other liabilities	<u>--</u>
Total Noncurrent Liabilities	<u>35,440,000</u>
Total Liabilities	<u>\$ 37,736,343</u>
Deferred inflows of resources	
Deferred pension amounts	\$ --
Deferred OPEB amounts	--
Other deferred inflows of resources	<u>--</u>
Total Deferred Inflows of Resources	<u>\$ --</u>
Net Position	
Net investment in capital assets	\$ --
Restricted for	
Debt	--
Other	16,518,506
Nonexpendable	--
Capital projects	--
Unrestricted	<u>(37,150,739)</u>
Total net position	<u>\$ (20,632,233)</u>

See accompanying notes and independent accountants' review report.

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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Attachment C</u>
Expenses	\$ 11,745,574
Program Revenues	
Charges for services	1,050,056
Operating grants and contributions	4,112,138
Capital grants and contributions	<u> --</u>
Total Program Revenues	<u>5,162,194</u>
Net (Expenses) Revenues	<u>(6,583,380)</u>
General Revenues	
Interest and investment earnings	309,249
Miscellaneous revenue	<u> --</u>
Total General Revenues	<u>309,249</u>
Special items	--
Extraordinary items	<u> --</u>
Change in Net Deficit Position	(6,274,131)
Total Net Position - Beginning	<u>(14,358,102)</u>
Total Net Position - Ending	<u>\$ (20,632,233)</u>

See accompanying notes and independent accountants' review report.

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

BONDS PAYABLE

JUNE 30, 2019

Attachment D

Fiscal Year Ending June 30	Principal	Interest
2020	\$ 1,540,000	\$ 1,165,063
2021	1,660,000	1,186,814
2022	1,790,000	1,129,476
2023	1,935,000	1,067,649
2024	2,085,000	1,000,826
2025 - 2029	13,170,000	3,803,766
2030 - 2034	<u>14,800,000</u>	<u>1,177,921</u>
	<u>\$ 36,980,000</u>	<u>\$ 10,531,515</u>

See accompanying notes and independent accountants' review report.

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

SCHEDULE OF CHANGES IN LONG-TERM DEBT

FOR THE YEAR ENDED JUNE 30, 2019

	Beginning Balance	Additions	Reductions	Ending Balance	<u>Attachment E</u>	
					Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable	\$ 38,400,000	\$ --	\$ 1,420,000	\$ 36,980,000	\$ 1,540,000	\$ 35,440,000
Net unamortized premium/discount	--	--	--	--	--	--
Bonds Payable	<u>38,400,000</u>	<u>--</u>	<u>1,420,000</u>	<u>36,980,000</u>	<u>1,540,000</u>	<u>35,440,000</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	133,363	--	73,373	59,990	59,990	--
Compensated absences	--	--	--	--	--	--
Arbitrage rebate	--	--	--	--	--	--
Pollution remediation	--	--	--	--	--	--
Funds held for others	--	--	--	--	--	--
Other liabilities	--	--	--	--	--	--
	<u>\$ 38,533,363</u>	<u>\$ --</u>	<u>\$ 1,493,373</u>	<u>\$ 37,039,990</u>	<u>\$ 1,599,990</u>	<u>\$ 35,440,000</u>

See accompanying notes and independent accountants' review report.

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

SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Purpose</u>
7/1/18-6/30/19	Various	\$ 2,722	Less than \$200 travel and entertainment expenses
11/27/2018	Amber Ilcisko	545	Park Visits & Meeting with BRV
11/27/2018	Peter McNally	<u>329</u>	Bisnow Multifamily Annual Conference New England
		<u>\$ 3,596</u>	

See accompanying notes and independent accountants' review 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 Commission

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 Commission as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 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.

Marcum LLP

Providence, RI
October 31, 2019