

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

**YEARS ENDED JUNE 30, 2014 AND 2013**



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

YEARS ENDED JUNE 30, 2014 AND 2013

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## **Independent Auditors' Report**

Board of Directors  
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 (the Commission), a component unit of the State of Rhode Island, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the 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 an opinion 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 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.

## **Independent Auditors' Report (Continued)**

Board of Directors  
I-195 Redevelopment District Commission

### ***Auditors' Responsibility (Continued)***

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, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in Note 1 to the financial statements, for the year ended June 30, 2014 the Commission adopted new accounting guidance affecting the accounting for bond issuance costs. Due to the adoption of this guidance, the Commission restated its 2013 financial statements, resulting in an increase in net deficit position of \$1,484,687 for the year ended June 30, 2013.

As discussed in Note 8 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 these matters.

### ***Other Matters***

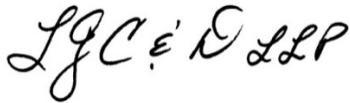
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

**Independent Auditors' Report (Continued)**

Board of Directors  
I-195 Redevelopment District Commission

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2014 on our consideration of the 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 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 Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "LGC & D LLP". The letters are stylized and cursive.

Providence, Rhode Island  
September 24, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014 and June 30, 2013. 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) (formerly the Rhode Island Economic Development 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.

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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Overview of the Financial Statements (Continued)

Effective July 1, 2013, the Commission adopted the provisions of Statement No. 65 of the Governmental Accounting Standards Board, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 requires that certain items no longer be reported in statements of net position since they do not meet the definition of either assets, liabilities, deferred outflows of resources, or deferred inflows of resources. In addition, GASB 65 requires that certain items previously reported as assets or liabilities be reported as deferred inflows or outflows of resources. As required by GASB 65, effective July 1, 2013, financing costs are expensed as incurred; previously, financing costs were deferred and amortized using the straight-line method over the life of the related debt. Due to the adoption of GASB 65, the Commission has restated its 2013 financial statements, resulting in a \$1,484,687 increase in net deficit position at June 30, 2013 due to a \$13,144 decrease in amortization expense and a \$1,497,831 increase in interest expense for the fiscal year ended June 30, 2013.

### 2014 Financial Highlights

Total liabilities exceeded total assets by \$38,223,204 (net deficit position) at June 30, 2014, which is unrestricted.

Operating loss for 2014 was \$751,307, an increase of \$82,847 when compared to the operating loss for 2013.

Nonoperating State appropriations revenue totaled \$840,590 in 2014, an increase of \$312,931 when compared to 2013.

Net nonoperating revenue for 2014 totaled approximately \$448,000, compared to net nonoperating expense of approximately \$1,593,000 for 2013. This change results principally from interest expense in 2013 relating to financing fees incurred on bond obligations. Transfers from the State for interest due on the Commission's bonds in 2014 were \$424,533, a decrease of \$1,542,341 when compared to 2013.

Net deficit position increased by \$120,717 in 2014, principally due to an increase in State appropriations for operations and reduced legal expenses.

### 2013 Financial Highlights

Total liabilities exceeded total assets by \$38,343,921 (net deficit position, as restated) at June 30, 2013, which is unrestricted.

Operating loss for 2013, as restated, was \$668,510, an increase of \$484,637 when compared to the operating loss for 2012.

Nonoperating interest expense, net of State appropriation revenues, as restated, totaled \$1,065,615 in 2013; no such amounts were reported in 2012.

Bond proceeds transferred to the State, net of transfers from the State, totaled \$36,433,126; no such amounts were reported in 2012.

Net deficit position, as restated, increased by \$38,160,048 in 2013, principally due to the transfer of bond proceeds to the State in 2013.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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):

	2014	2013 (Restated)	2012	Increase (decrease)	
				2014 v 2013	2013 v 2012
Net position:					
Current assets	\$ 215	\$ 210	\$ 100	\$ 5	\$ 110
Noncurrent assets	214	7		207	7
Total assets	429	217	100	212	117
Current liabilities	252	161	284	91	(123)
Noncurrent liabilities	38,400	38,400		-	38,400
Total liabilities	38,652	38,561	284	91	38,277
Net deficit position, unrestricted	<u>\$ (38,223)</u>	<u>\$ (38,344)</u>	<u>\$ (184)</u>	<u>\$ 121</u>	<u>\$ (38,160)</u>
Changes in net deficit position:					
Operating revenues	\$ 13	\$ -	\$ -	\$ 13	\$ -
Operating expenses	765	669	184	96	485
Operating loss	(752)	(669)	(184)	(83)	(485)
Nonoperating revenues (expenses)	448	(1,065)		1,513	(1,065)
Contributions and transfers	425	(36,426)		36,851	(36,426)
Change in net deficit position	<u>\$ 121</u>	<u>\$ (38,160)</u>	<u>\$ (184)</u>	<u>\$ 38,281</u>	<u>\$ (37,976)</u>



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### 2014 Financial Analysis

Total assets of the Commission increased approximately \$212,000 during 2014, due principally to costs capitalized related to land held for sale.

Total liabilities increased approximately \$91,000 due to increases in accounts payable and accrued expenses.

### 2014 Operating Activity

The Commission had operating revenues of approximately \$13,000 for the year ended June 30, 2014.

Total operating expenses increased approximately \$96,000 during 2014, due principally to a full year of personnel expenses, offset by decreases in legal fees.

The operating loss to the Commission was approximately \$752,000 in 2014 compared to approximately \$669,000 in 2013.

In December 2013, the Commission's environmental engineer conducted limited design investigation activities at select parcels within the District to refine the technical designs for the pending remediation of the District parcels. The results of this work were presented to Rhode Island Department of Environmental Management (RIDEM) in June 2014. Additionally, a Remedial Action Work Plan (RAWP) was prepared by the environmental engineer and submitted to RIDEM on July 1, 2014, as requested by RIDEM. The RAWP included the detailed designs which will be implemented to remediate the parcels within the District, in accordance with the previously approved remedial strategy summarized above. An approval of the RAWP from RIDEM is currently pending.

### 2013 Financial Analysis

Total assets of the Commission increased approximately \$117,000 during 2013, due principally to increases in cash and prepaid expenses.

Total liabilities increased approximately \$38,277,000, due principally to the issuance of bonds, other increases in accounts payable and accrued expenses, net of a decrease in the amount owed to Commerce RI, a component unit of the State.

### 2013 Operating Activity

The Commission had no operating revenues for the year ended June 30, 2013.

Total operating expenses increased approximately \$485,000 during 2013, due principally to legal and consulting fees pertaining to engineering, stormwater management, and environmental studies related to the acquisition of the I-195 land from the State.

The operating loss to the Commission was approximately \$669,000 in 2013 compared to approximately \$184,000 in 2012.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### 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**

**JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>ASSETS:</b>		(Restated)
Current assets:		
Cash	\$ 76,536	\$ 165,996
Prepaid expenses	44,114	44,041
Due from State	94,385	-
	215,035	210,037
Noncurrent assets, land held for sale	213,710	7,203
Total assets	428,745	217,240
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	104,442	42,858
Accrued expenses	147,507	118,303
	251,949	161,161
Noncurrent liabilities, bonds payable	38,400,000	38,400,000
Total liabilities	38,651,949	38,561,161
Commitments and contingencies (Note 9)		
<b>NET DEFICIT POSITION, UNRESTRICTED</b>	<b>\$ (38,223,204)</b>	<b>\$ (38,343,921)</b>

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

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**YEARS ENDED JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b> (Restated)
Operating revenues	\$ 13,243	\$ -
Operating expenses:		
Contractual services	410,827	614,151
Personnel services	279,603	24,804
Insurance	50,741	19,520
Other	23,429	10,035
Total operating expenses	764,600	668,510
Operating loss	(751,357)	(668,510)
Nonoperating revenues (expenses):		
State appropriations	840,590	527,659
Grant income	57,000	
Grant expenses	(10,173)	
Interest expense, including financing fees in 2013	(439,876)	(1,593,274)
Total nonoperating revenues (expenses), net	447,541	(1,065,615)
Loss before capital contribution and transfers	(303,816)	(1,734,125)
Capital contribution, land	-	7,203
Transfers:		
Transfer to State, bond proceeds	-	(38,400,000)
Transfer from State	424,533	1,966,874
Total transfers	424,533	(36,433,126)
Change in net deficit position	120,717	(38,160,048)
Total net deficit position, beginning of year	(38,343,921)	(183,873)
Total net deficit position, end of year	\$ (38,223,204)	\$ (38,343,921)

See notes to financial statements.

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

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
		(Restated)
Cash flows from operating activities:		
Receipts from customers	\$ 13,243	
Payments to suppliers	(454,063)	\$ (441,723)
Payments to employees	(250,778)	(20,281)
	(691,598)	(462,004)
Net cash used in operating activities		
Cash flows from noncapital financing activities:		
State appropriations	746,205	527,659
Grants received	57,000	
Grant expenditures	(10,173)	
	793,032	527,659
Net cash provided by noncapital financing activities		
Cash used in capital and related financing activities, payments for land held for sale	(190,894)	-
Net increase (decrease) in cash	(89,460)	65,655
Cash, beginning of year	165,996	100,341
Cash, end of year	\$ 76,536	\$ 165,996
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (751,357)	\$ (668,510)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Expenses incurred and transferred from State		222,367
Changes in assets and liabilities:		
Prepaid expenses	(73)	(44,041)
Accounts payable and accrued expenses	59,832	28,180
	(691,598)	(462,004)
Net cash used in operating activities		
Supplemental disclosures, noncash capital and related financing activities:		
Bond proceeds transferred to State		\$ 38,400,000
Interest payments transferred from State	\$ 424,533	1,494,507
Due to CommerceRI assumed by State	-	250,000
Land contributed from State	-	7,203

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013

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, administrative expenses, and amortization expense. All other revenues and expenses are reported as nonoperating revenues and expenses.

*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, 2014 or 2013.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

1. Description of business and summary of significant accounting policies (continued):

*Use of estimates:*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

*Recent accounting pronouncements:*

Effective for the fiscal year ended June 30, 2014, the Commission adopted the provisions of Statement No. 65 of the Governmental Accounting Standards Board, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 requires that certain items no longer be reported in statements of net position since they do not meet the definition of either assets, liabilities, deferred outflows of resources, or deferred inflows of resources. In addition, GASB 65 requires that certain items previously reported as assets or liabilities be reported as deferred inflows or outflows of resources. As required by GASB 65, effective July 1, 2013, financing costs are expensed as incurred; previously, financing costs were deferred and amortized using the straight-line method over the life of the related debt. Due to the adoption of GASB 65, the Commission has restated its 2013 financial statements, resulting in a \$1,484,687 increase in net deficit position at June 30, 2013. The restatement resulted in a \$1,484,687 decrease in noncurrent assets, a \$13,144 decrease in amortization expense and a \$1,497,831 increase in interest expense (financing costs expensed are reported as interest expense in the statement of revenues, expenses, and changes in net position) for the fiscal year ended June 30, 2013. Absent the adoption of GASB 65, \$78,863 of amortization expense would have been recorded in 2014. The adoption of GASB 65 had no effect on net deficit position at July 1, 2012.

*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, 2014 or 2013.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

2. Cash:

Bank balances of the Commission's cash consist of the following:

	<u>2014</u>	<u>2013</u>
Checking account	\$ 76,578	\$ 212,221
Insured by federal depository insurance	<u>76,578</u>	<u>212,221</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>

The Commission assumes levels of custodial credit risk for its cash. Custodial credit risk is the risk that in the event of a financial institution failure, the Commission's deposits may not be recovered. The Commission is authorized to invest excess funds by the provisions of the General Laws of the State, Chapter 37, Section 45-37.1-6, in obligations of the State and of the United States Government or certain agencies thereof, and in certificates of deposit. The Commission also is authorized to enter into repurchase agreements.

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

3. Land held for sale:

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



I-195 REDEVELOPMENT DISTRICT COMMISSION  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

3. Land held for sale (continued):

In accordance with U.S. GAAP, during the year ended June 30, 2014, the Commission capitalized costs incurred for the development of a sales tool and site-specific environmental expenses related to the Remedial Action Work Plan (RAWP) (see Note 9).

Changes in land held for sale were as follows:

Balance, July 1, 2012	\$ -
Addition, transfer from State	<u>7,203</u>
Balance, June 30, 2013	7,203
Additions, capitalized costs	<u>206,507</u>
Balance, June 30, 2014	<u><u>\$ 213,710</u></u>

4. Financing fees:

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 (see Note 6). In connection with the issuance of the bonds, the Commission incurred financing fees of \$1,497,831, which were paid principally by the State on behalf of the Commission and were reported as a transfer from the State and interest expense in the accompanying 2013 financial statements.

5. Due to Commerce RI:

During the year ended June 30, 2012, Commerce RI loaned the Commission \$250,000 to pay initial operating expenses and other costs. The State paid this amount to Commerce RI on the Commission's behalf during the year ended June 30, 2013. The Commission reported the relief of indebtedness as a transfer from the State in the accompanying 2013 financial statements.

I-195 REDEVELOPMENT DISTRICT COMMISSION  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

6. Bonds payable:

The Commission's bond indebtedness is as follows:

Economic Development Revenue Bonds:	
2013 Series A	\$ 37,440,000
2013 Series B	960,000
	\$ 38,440,000

In April 2013, 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. Through April 30, 2013, the 2013 Series A Bonds bore interest at 1.1717%; thereafter, the bonds bear interest at the lesser of the 30-Day London InterBank Offered Rate (LIBOR) (0.15% at June 30, 2014) plus applicable margin, or 7.75%. Applicable margin is the rate that corresponds to the lesser of the two long-term general obligation bond ratings of the State from Moody's Investors Service (Moody's) and Standard & Poor's (S&P) in the following table:

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

I-195 REDEVELOPMENT DISTRICT COMMISSION  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

6. Bonds payable (continued):

The State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively, as of October 2013, which is the most recent date for which bond rating information is available. As such, at June 30, 2014, the 2013 Series A Bonds bore interest at 1.15%.

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. Through April 30, 2013, the 2013 Series B Bonds bore interest at 1.3217%; thereafter, the bonds bear interest at the lesser of the 30-Day LIBOR (0.15% at June 30, 2014) 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 taxable margin
<hr/>	<hr/>
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 1.30% and at June 30, 2014.

Proceeds from the 2013 Series A and B Bonds were transferred by the Commission to the State.

I-195 REDEVELOPMENT DISTRICT COMMISSION  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

6. Bonds payable (continued):

Simultaneous with the issuance of the 2013 Series A and B Bonds, the Commission, Commerce RI, and Sovereign 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, which is included in interest expense in the accompanying 2013 financial statements (see Note 4). In exchange, the Bank agreed to pay the State interest on a monthly basis at 30-Day LIBOR (0.15% at June 30, 2014), 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 (0.15% at June 30, 2014), 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, 2014 and 2013, the fair value of the 2013 Series A and B Rate Cap Agreements was \$342,635 and \$635,584, 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.

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 (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

6. Bonds payable (continued):

At June 30, 2014, aggregate scheduled principal and interest payments due on the Commission's bonds, based on rates in effect as of June 30, 2014 and as if the Bank waives its mandatory tender options, are as follows:

Year ending June 30,	Principal	Interest
2015		\$ 443,155
2016		443,155
2017		443,155
2018		443,155
2019	\$ 1,420,000	438,637
2020-2024	9,010,000	1,909,872
2025-2029	13,170,000	1,291,557
2030-2033	14,800,000	399,959
	\$ 38,400,000	\$ 5,812,645

Changes in bonds payable during the years ended June 30, 2014 and 2013 were as follows:

	Total	Amount due within one year
Balance, July 1, 2012	\$ -	\$ -
Additions	38,400,000	
Reductions	-	
Balance, June 30, 2013	38,400,000	-
Additions	-	
Reductions	-	
Balance, June 30, 2014	\$ 38,400,000	\$ -

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

7. Contractual services:

Contractual services by category for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Consulting	\$ 197,026	\$ 284,615
Professional	136,699	252,981
Executive search		61,755
Maintenance	<u>77,102</u>	<u>14,800</u>
	<u>\$ 410,827</u>	<u>\$ 614,151</u>

8. State appropriations and transfers from State:

During the years ended June 30, 2014 and 2013, the Commission received \$840,590 and \$527,659, 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, 2014 and 2013, the Commission received \$424,533 and \$1,966,874, respectively, in transfers from the State to fund debt service for the year ended June 30, 2014 and to pay legal invoices and financing costs, and repay advances from Commerce RI for the year ended June 30, 2013. 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 (CONTINUED)

YEARS ENDED JUNE 30, 2014 AND 2013

9. 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 the parcels within the District, in accordance with the previously approved remedial strategy summarized above. An approval of the RAWP from RIDEM is currently pending.

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.



**Independent Auditors' Report on Accompanying Information**

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

Our audit was performed for the purpose of forming an opinion on the 2014 basic financial statements of the I-195 Redevelopment District Commission, a component unit of the State of Rhode Island, taken as a whole. The accompanying supplementary information on pages 23 through 28 is presented for purposes of additional analysis and is not a required part of the 2014 financial statements. Such 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. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Providence, Rhode Island  
September 24, 2014

*A Limited Liability Partnership*

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**I-195 REDEVELOPMENT DISTRICT COMMISSION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2014**

Federal Grantor/Program Title/ Pass-through grantor	Federal CFDA Number	Federal Expenditures
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY:</b>		
Pass-through program from RI Department of Environmental Management Brownfields Response Program	66.817	<u>\$ 25,000</u>
<b>Total expenditures of federal awards</b>		<b><u><u>\$ 25,000</u></u></b>

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2014

<u>Statement of Net Position</u>	<u>Attachment B</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 76,536
Investments	
Receivables (net)	
Restricted assets:	
Cash and cash equivalents	
Investments	
Receivables (net)	
Other assets	
Due from primary government	94,385
Due from other component units	
Due from other governments	
Inventories	
Other assets	<u>44,114</u>
Total current assets	<u>215,035</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	213,710
Capital assets - depreciable (net)	
Other assets, net of amortization	<u>-</u>
Total noncurrent assets	<u>213,710</u>
Total assets	<u>428,745</u>
<b>Deferred outflows of resources,</b>	
Accumulated decrease in fair value of hedging derivatives	<u></u>

(continued)

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2014

<u>Statement of Net Position (Continued)</u>	<u>Attachment B</u>
<b>Liabilities</b>	
Current liabilities:	
Cash overdraft	
Accounts payable	\$ 104,442
Due to primary government	
Due to other component units	
Due to other governments	
Unearned revenue	
Other liabilities	147,507
Current portion of long-term debt	
	<hr/>
Total current liabilities	251,949
	<hr/>
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	38,400,000
	<hr/>
Total noncurrent liabilities	38,400,000
	<hr/>
Total liabilities	38,651,949
	<hr/>
<b>Deferred inflows of resources</b>	
Accumulated increase in fair value of hedging derivatives	
Deferred service concession agreement receipts	
	<hr/>
Total deferred inflows of resources	<hr/>

(continued)

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2014

**Statement of Net Position (Continued)**

**Attachment B**

**Net (deficit) position, unrestricted**

Investment in capital assets

Restricted for:

Debt

Other

Other nonexpendable

Unrestricted

\$ (38,223,204)

**Net (deficit) position, unrestricted**

\$ (38,223,204)

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

STATE OF RHODE ISLAND REQUIRED FORMAT

YEAR ENDED JUNE 30, 2014

<u>Statement of Activities</u>	<u>Attachment C</u>
<b>Expenses</b>	<u>\$ 1,214,649</u>
<b>Program revenues:</b>	
Charges for services	13,243
Operating grants and contributions	1,322,123
Capital grants and contributions	-
Total program revenues	<u>1,335,366</u>
Net (expenses) revenues	<u>120,717</u>
<b>General revenues:</b>	
Interest and investment earnings	
Miscellaneous revenue	
Total general revenues	<u>-</u>
Income before contributions, transfers, and special and extraordinary items	<u>120,717</u>
Transfers to State, bond proceeds	
Special items	
Extraordinary items	
Total contributions and transfers	<u>-</u>
Change in net deficit position	120,717
Total net deficit position - beginning, as originally reported	(36,859,234)
Restatement	<u>(1,484,687)</u>
Total net deficit position - ending	<u><u>\$ (38,223,204)</u></u>

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2014

	<u><b>Bonds Payable</b></u>	<u><b>Attachment D</b></u>
<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015		\$ 443,155
2016		443,155
2017		443,155
2018		443,155
2019	\$ 1,420,000	438,637
2020-2024	9,010,000	1,909,872
2025-2029	13,170,000	1,291,557
2030-2033	14,800,000	399,959
	<u>\$ 38,400,000</u>	<u>\$ 5,812,645</u>

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2014

Attachment E

Schedule of Changes in Long-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	\$ 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						
Due to other governments and agencies						
Unearned revenue						
Due to other State component units						
Other liabilities						
	\$ 38,400,000	\$ -	\$ -	\$ 38,400,000	\$ -	\$ 38,400,000

**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 Directors  
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 (the Commission), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's financial statements, and have issued our report thereon dated September 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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.



**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 (Continued)**

Board of Directors  
I-195 Redevelopment District Commission

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*LJC & D LLP*

Providence, Rhode Island  
September 24, 2014