

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

YEARS ENDED JUNE 30, 2013 AND 2012



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

YEARS ENDED JUNE 30, 2013 AND 2012

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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 year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the 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.

A Limited Liability Partnership

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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, a component unit of the State of Rhode Island, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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 to fund its operating expenses and debt service on its outstanding bonds.

As discussed in Note 1 to the financial statements, prior to the year ended June 30, 2013, the Commission was a component unit of the Rhode Island Economic Development Corporation for financial reporting purposes. Based on the application of amended accounting guidance, the Commission is reported as a component unit of the State of Rhode Island as of and for the year ended June 30, 2013.

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 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent Auditors' Report (Continued)

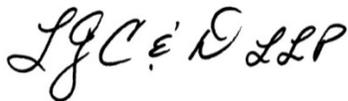
Board of Directors
I-195 Redevelopment District Commission

Other Matters (Continued)

The financial statements of the I-195 Redevelopment District Commission as of and for the year ended June 30, 2012 were included as a discretely presented component unit within the financial statements of the Rhode Island Economic Development Corporation as of and for the year ended June 30, 2012, which were audited by other auditors whose report, dated October 22, 2012, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2013 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 the 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.



Providence, Rhode Island
November 18, 2013

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, 2013 and June 30, 2012. 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, 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. 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 Economic Development Corporation (RIEDC), 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.

Prior to the year ended June 30, 2013, the Commission was a component unit of RIEDC for financial reporting purposes. Based on the application of amended accounting guidance, the Commission is reported as a component unit of the State as of and for the year ended June 30, 2013.

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, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

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.

2013 Financial Highlights

Total liabilities exceeded total assets by \$36,859,234 (net deficit position) at June 30, 2013, which is unrestricted.

Operating loss for 2013 was \$681,654, an increase of \$497,781 when compared to the loss for 2012.

Nonoperating State appropriation revenues, net of interest expense, totaled \$432,216 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 increased by \$36,675,361 in 2013, principally due to the transfer of bond proceeds to the State.

2012 Financial Highlights

Total liabilities exceeded total assets by \$183,873 (net deficit position) at June 30, 2012, which is unrestricted.

The operating loss and increase in net deficit position for 2012 was \$183,873.

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, as required by GASB No. 34 (in thousands):

	2013	2012	2011	Increase (decrease)	
				2013 v 2012	2012 v 2011
Net position:					
Current assets	\$ 210	\$ 100	\$ -	\$ 110	\$ 100
Noncurrent assets	1,492	-	-	1,492	-
Total assets	1,702	100	-	1,602	100
Current liabilities	161	284	-	(123)	284
Noncurrent liabilities	38,400	-	-	38,400	-
Total liabilities	38,561	284	-	38,277	284
Net deficit position, unrestricted	<u>\$ (36,859)</u>	<u>\$ (184)</u>	<u>\$ -</u>	<u>\$ (36,675)</u>	<u>\$ (184)</u>
Changes in net deficit position:					
Operating revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses	682	184	-	498	184
Operating loss	(682)	(184)	-	(498)	(184)
Nonoperating revenues	432	-	-	432	-
Contributions and transfers	(36,425)	-	-	(36,425)	-
Change in net deficit position	<u>\$ (36,675)</u>	<u>\$ (184)</u>	<u>\$ -</u>	<u>\$ (36,491)</u>	<u>\$ (184)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

2013 Financial Analysis

Total assets of the Commission increased approximately \$1,602,000 during 2013, due principally to bond issuance costs and other 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 RIEDC, 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 \$498,000 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.

As a result of the above, the operating loss to the Commission was approximately \$682,000 in 2013 compared to approximately \$184,000 in 2012.

2012 Financial Analysis

Total assets of the Commission increased by approximately \$100,000 during 2012, consisting of cash, in the Commission's first year of operation.

Total liabilities of the Commission increased by approximately \$284,000 during 2012, consisting of amounts owed to RIEDC and accrued expenses pertaining to operating expenses in the Commission's first year of operation.

2012 Operating Activity

The Commission had no operating revenues for the year ended June 30, 2012.

Total operating expenses increased approximately \$184,000 during 2012, due principally to engineering and consulting fees.

As a result of the above, the operating loss of the Commission was 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, 2013 AND 2012

	2013	2012
ASSETS:		
Current assets:		
Cash	\$ 165,996	\$ 100,341
Prepaid expenses	44,041	-
	210,037	100,341
Total current assets		
Noncurrent assets:		
Land held for sale	7,203	
Financing fees, net of accumulated amortization of \$13,144	1,484,687	
	1,491,890	
Total noncurrent assets		
Total assets	1,701,927	100,341
LIABILITIES:		
Current liabilities:		
Accounts payable	42,858	34,214
Accrued expenses	118,303	
Due to Rhode Island Economic Development Corporation (RIEDC)		250,000
	161,161	284,214
Total current liabilities		
Noncurrent liabilities, bonds payable	38,400,000	
Total liabilities	38,561,161	284,214
Commitments and contingencies (Note 9)		
NET (DEFICIT) POSITION, UNRESTRICTED	\$ (36,859,234)	\$ (183,873)

**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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Operating expenses:		
Contractual services	\$ 614,151	\$ 175,412
Personnel services	24,804	
Insurance	19,520	8,095
Amortization	13,144	
Other expense	10,035	366
	<u>681,654</u>	<u>183,873</u>
Total operating expenses		
Operating loss	<u>(681,654)</u>	<u>(183,873)</u>
Nonoperating revenues (expenses):		
State appropriations	527,659	
Interest expense	(95,443)	
	<u>432,216</u>	<u> </u>
Total nonoperating revenues, net		
Loss before capital contribution and transfers	<u>(249,438)</u>	<u>(183,873)</u>
Capital contribution, land	<u>7,203</u>	<u> </u>
Transfers:		
Transfer to State, bond proceeds	(38,400,000)	
Transfer from State	1,966,874	
	<u>(36,433,126)</u>	<u> </u>
Total transfers		
Change in net deficit position	(36,675,361)	(183,873)
Total net deficit position, beginning of year	<u>(183,873)</u>	<u>-</u>
Total net deficit position, end of year	<u><u>\$ (36,859,234)</u></u>	<u><u>\$ (183,873)</u></u>

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Payments to suppliers	\$ (437,200)	\$ (149,659)
Payments to employees	(24,804)	
	(462,004)	(149,659)
Cash used in operating activities		
Cash provided by noncapital financing activities, operating transfer from State	527,659	250,000
Net increase in cash	65,655	100,341
Cash, beginning of year	100,341	-
Cash, end of year	\$ 165,996	\$ 100,341
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (681,654)	\$ (183,873)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Amortization	13,144	
Expenses incurred and transferred from State	222,367	
Changes in assets and liabilities:		
Prepaid expenses	(44,041)	
Accounts payable and accrued expenses	28,180	34,214
	(462,004)	(149,659)
Net cash used in operating activities	\$ (462,004)	\$ (149,659)
Supplemental disclosures, noncash capital and related financing activities:		
Bond proceeds transferred to State	\$ 38,400,000	
Financing fees transferred from State	1,494,507	
Due to RIEDC 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, 2013 AND 2012

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.

As of and for the year ended June 30, 2012, the Commission was a component unit of the Rhode Island Economic Development Corporation (RIEDC), a component unit of the State, for financial reporting purposes. Based on the application of Governmental Accounting Standards Board Statement No. 61 criteria, the Commission is reported as a component unit of the State as of and for the year ended June 30, 2013.

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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

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 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, 2013, the Commission adopted Statement No. 63 of the Governmental Accounting Standards Board, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). Deferred outflows of resources represent the consumption of the Commission's 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. GASB 63 prescribes the reporting requirements for those two elements and requires that the statement of net assets title be changed to statement of net position. The Commission had no deferred inflows or outflows of resources at June 30, 2013 or 2012.

Effective for the fiscal year ending June 30, 2014, the Commission will adopt 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. Effective July 1, 2013, the Commission will be required to expense its deferred financing costs as incurred. In addition, GASB 65 requires that certain items previously reported as assets or liabilities be reported as deferred inflows or outflows of resources. As a result of adopting GASB 65, the Commission will be required to restate its 2013 financial statements and estimates that net deficit position as of July 1, 2013 will increase by approximately \$1,485,000.

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, 2013 or 2012.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

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

Financing fees:

For the year ended June 30, 2013, financing fees were amortized using the straight-line method and were based on the maturity date of the respective bond's principal balance outstanding. As described previously in these financial statements, effective July 1, 2013, the Commission will expense financing costs as incurred, as required by GASB 65.

Reclassifications:

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

2. Cash:

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

	<u>2013</u>	<u>2012</u>
Checking account	\$ 212,221	\$ 171,186
Insured by federal depository insurance	<u>212,221</u>	<u>171,186</u>
Uninsured and uncollateralized	<u><u>\$ -</u></u>	<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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

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.

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 was reported as a capital contribution at the State's historical cost of \$343 per acre.

	Balance, July 1, 2012	Increases	Decreases	Balance, June 30, 2013
Land held for sale	\$ -	\$ 7,203	\$ -	\$ 7,203

4. Financing fees:

In April 2013, RIEDC issued conduit debt obligations on behalf of the Commission totaling \$38,400,000. In connection with the issuance of the bonds, the Commission incurred financing fees of \$1,494,507, which were paid principally by the State on behalf of the Commission and were reported as a transfer from the State in the accompanying 2013 statement of revenues, expenses, and changes in net position.

5. Due to RIEDC:

During the year ended June 30, 2012, RIEDC loaned the Commission \$250,000 to pay initial operating expenses and other costs. The State paid this amount to RIEDC 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 statement of revenues, expenses, and changes in net position.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

6. Bonds payable:

The Commission's bond indebtedness at June 30, 2013 is as follows:

Economic Development Revenue Bonds:		
2013 Series A	\$	37,440,000
2013 Series B		960,000
		38,400,000
Current portion		-
Noncurrent bonds payable	\$	38,400,000

In April 2013, RIEDC 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) (0.20% at June 30, 2013) plus applicable margin, or 7.75%. Applicable margin is the rate that corresponds to the lesser of the two long-term 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
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

6. Bonds payable (continued):

The State's bonds were rated AA- and Aa3 by S&P and Moody's, respectively, as of March 2013, which is the most recent date for which bond rating information is available. As such, at June 30, 2013, the 2013 Series A bonds bore interest at 1.37%.

Concurrent with the issuance of the 2013 Series A Bonds, RIEDC 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 2013 bonds bear interest at the lesser of the 30-Day LIBOR (0.20% at June 30, 2013) 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 1.52% at June 30, 2013.

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, RIEDC, and the bank entered into a bond purchase agreement under the terms of which the 2013 Series A and B Bonds were purchased by Sovereign Bank (the Bank). The Bank holds a mandatory tender option to sell the bonds to RIEDC on either April 1, 2023 or April 1, 2028.

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

YEARS ENDED JUNE 30, 2013 AND 2012

6. Bonds payable (continued):

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 financing fees in the accompanying financial statements (see Note 4). In exchange, the Bank agreed to pay the State interest on a monthly basis at 30-Day LIBOR (0.20% at June 30, 2013), 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 (0.20% at June 30, 2013), 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, 2013, the fair value of the 2013 Series A and B Rate Cap Agreements was \$635,834 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 RIEDC 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, 2013 AND 2012

6. Bonds payable (continued):

At June 30, 2013, aggregate scheduled principal and interest payments due on the Commission's bonds, based on rates in effect as of June 30, 2013 and as if the Bank waives its mandatory tender options, are as follows:

Year ending June 30,	Principal	Interest
2014		\$ 498,410
2015		534,847
2016		536,312
2017		534,847
2018		534,847
2019-2023	\$ 8,345,000	2,426,833
2024-2028	12,205,000	1,734,348
2029-2033	17,850,000	720,921
	\$ 38,400,000	\$ 7,521,365

Changes in bonds payable during the year ended June 30, 2013 were as follows:

	Balance, July 1, 2012	Additions	Reductions	Balance, June 30, 2013	Amounts due within one year
Bonds payable, economic development revenue bonds	\$ -	\$38,400,000	\$ -	\$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, 2013 AND 2012

7. Contractual services:

Contractual services by category for the years ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Consulting	\$ 284,615	\$ 175,412
Legal	252,981	
Executive search	61,755	
Maintenance	<u>14,800</u>	
	<u>\$ 614,151</u>	<u>\$ 175,412</u>

8. State appropriations:

During the year ended June 30, 2013, the Commission received \$527,659 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 and debt service on its outstanding bonds.

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 from the most recent studies was compiled with historical data from previous studies in a comprehensive report, which was submitted to and approved by the Rhode Island Department of Environmental Management (RIDEM) on October 8, 2013. Remediation measures identified in the report will consist of capping existing soil with clean fill or structures and the completion of a vapor barrier below habitable structures to be constructed at specific parcels. These measures will be implemented concurrent with the development of individual parcels within the District. Thus, 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

9. Commitments and contingencies (continued):

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.

10. Subsequent event:

On September 5, 2013, the Commission entered into an agreement with an abutter to the I-195 land, which expires in December 31, 2013. Under the terms of the agreement, the abutter was granted a temporary easement to the I-195 land. In exchange, the Commission received a one-time fee of \$2,500.



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 2013 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 2013 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
November 18, 2013

A Limited Liability Partnership

10 Weybosset Street, Suite 700, Providence, RI 02903 • (p) 401.421.4800 • 1.800.927.LGCD • (f) 401.421.0643 • www.lgcd.com

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013

<u>Statement of Net Position</u>	<u>Attachment B</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 165,996
Investments	
Receivables (net)	
Restricted assets:	
Cash and cash equivalents	
Investments	
Receivables (net)	
Other assets	
Due from primary government	
Due from other component units	
Due from other governments	
Inventories	
Other assets	44,041
	<hr/>
Total current assets	210,037
	<hr/>
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	7,203
Capital assets - depreciable (net)	
Other assets, net of amortization	1,484,687
	<hr/>
Total noncurrent assets	1,491,890
	<hr/>
Total assets	1,701,927
	<hr/>
Deferred outflows of resources,	
Accumulated decrease in fair value of hedging derivatives	<hr/>

(continued)

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013

<u>Statement of Net Position (Continued)</u>	<u>Attachment B</u>
Liabilities	
Current liabilities:	
Cash overdraft	
Accounts payable	\$ 42,858
Due to primary government	
Due to other component units	
Due to other governments	
Unearned revenue	
Other liabilities	118,303
Current portion of long-term debt	
	<hr/>
Total current liabilities	161,161
	<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	38,561,161
	<hr/>
Deferred inflows of resources:	
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, 2013

Statement of Net Position (Continued)

Attachment B

Net (deficit) position, unrestricted

Investment in capital assets

Restricted for:

Debt

Other

Other nonexpendable

Unrestricted

\$ (36,859,234)

Net (deficit) position, unrestricted

\$ (36,859,234)

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013

<u>Statement of Activities</u>	<u>Attachment C</u>
Expenses	<u>\$ 777,097</u>
Program revenues:	
Charges for services	2,494,533
Operating grants and contributions	7,203
Capital grants and contributions	<u>7,203</u>
Total program revenues	<u>2,501,736</u>
Net (expenses) revenues	<u>1,724,639</u>
General revenues:	
Interest and investment earnings	
Miscellaneous revenue	<u> </u>
Total general revenues	<u>-</u>
Income before contributions, transfers, and special and extraordinary items	<u>1,724,639</u>
Transfers to State, bond proceeds	(38,400,000)
Special items	
Extraordinary items	<u> </u>
Total contributions and transfers	<u>(38,400,000)</u>
Change in net deficit position	(36,675,361)
Total net deficit position - beginning	<u>(183,873)</u>
Total net deficit position - ending	<u><u>\$ (36,859,234)</u></u>

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013

Bonds Payable	Attachment D	
Fiscal Year Ending June 30,	Principal	Interest
2014		\$ 498,410
2015		534,847
2016		536,312
2017		534,847
2018		534,847
2019 - 2023	\$ 8,345,000	2,426,833
2024 - 2028	12,205,000	1,734,348
2029 - 2033	17,850,000	720,921
	\$ 38,400,000	\$ 7,521,365

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

STATE OF RHODE ISLAND REQUIRED FORMAT

JUNE 30, 2013

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	\$ 250,000		\$ (250,000)	\$ -		
Other liabilities						
	<u>\$ 250,000</u>	<u>\$ 38,400,000</u>	<u>\$ (250,000)</u>	<u>\$ 38,400,000</u>	<u>\$ -</u>	<u>\$ 38,400,000</u>

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Board of 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, which comprise the statement of net position as of June 30, 2013, the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2013.

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.

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. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as Item 2013-1 to be a material weakness.

**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.

The Commission's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 & E LLP

Providence, Rhode Island
November 18, 2013

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

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2013

We consider the following deficiency in the Commission's internal control to be a material weakness:

2013-1 Recording of Financial Transactions

Observations:

Certain transactions were not recorded in the Commission's books and records in the period in which the underlying transaction occurred, consistent with the financial elements of the underlying transactions, or on the accrual basis of accounting. As a result, significant audit adjustments were required to record such transactions and adjust previously recorded amounts.

Recommendations:

We recommend that management design and implement a process which (i) incorporates the review of the various existing contracts and agreements to which the Commission is a party, and incorporates the timely review of such agreements entered into in the future in order to identify and record transactions in the period during which they occur based on the economic substance of the transaction; (ii) includes a review of transactions occurring shortly after each reporting period to determine whether all transactions were recorded in the proper period and to adjust previously recorded transactions based on the most recent information available; and (iii) if information required to record certain transactions is required from the State Controller's office, to initiate communication with the State Controller's office when known transactions are expected to occur to obtain information required to record such transactions in the period during which they occur.

We also recommend that a person independent of the person responsible for identifying and recording such transactions review available financial information and approve recorded transactions to determine whether all transactions were properly recorded during the period to which they relate based on the substance of the underlying transaction.

Management's Response:

The referenced findings generally include non-recurring transactions (e.g., reconciling inter-agency balances with State Controller's office related to closing of bond transactions associated with the land transfer) and were subsequently recorded based on information provided by the State Controller's office.

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

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

YEAR ENDED JUNE 30, 2013

2013-1 Recording of Financial Transactions (Continued)

Management's Response (Continued):

Management has already begun implementing procedures to (1) incorporate the timely review of existing and future contracts, grants and agreements to ensure that transactions are identified and recorded accurately and within the proper reporting period; (2) review transactions occurring shortly after each reporting period to determine whether all transactions were recorded in the proper period and make the necessary adjustments to previously recorded transactions shortly after each reporting period based on the most recent information available; and (3) initiate communication with the State Controller's office when known transactions are expected to occur to obtain information required to record such transactions in the period during which they occur. Additionally, management has designated an independent individual to review available financial information and approve recorded transactions to ensure that all transactions are properly recorded during the appropriate period based on the substance of the underlying transaction.