

***EAST PROVIDENCE WATERFRONT
SPECIAL DEVELOPMENT
DISTRICT COMMISSION***

**Financial Statements
For the Fiscal Year Ended June 30, 2020**

**Including Independent Audit Report of
Certified Public Accountants**

BAXTER, DANSEREAU & ASSOCIATES, LLP

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION
FOR THE FISCAL YEAR ENDED June 30, 2020**

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INTRODUCTORY SECTION

This Section Contains the Following Subsections:

List of Commission Members

EAST PROVIDENCE WATERFRONT SPECIAL DEVELOPMENT DISTRICT COMMISSION

As of June 30, 2020

EXECUTIVE DIRECTOR

Christopher Martin

VOTING MEMBERS

William J. Fazioli – Chairman

Steven Hardcastle – Treasurer

Paul Moura – Secretary

Timothy Conley

Jennifer Griffith

Rick Lawson

Luis Torrado

Peter Wiley

David Sluter

Domenic Pontarelli

EX-OFFICIO MEMBERS

Robert DaSilva, Mayor

Stephen Coutu, Public Works Director, City of East Providence

Michael Walker, Commerce RI (Director's designee)

Terrence Gray, Rhode Island Department of Environmental Management (Director's
designee)

Nicole Pope, RI Department of Transportation (Director's designee)

FINANCIAL SECTION

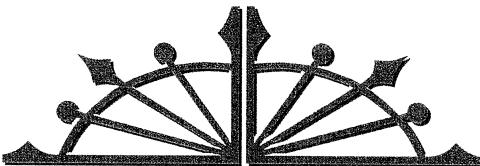
This Section Contains the Following Subsections:

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information



BAXTER DANSEREAU & ASSOCIATES, LLP
Accounting, Consulting & Tax Services

Partners

William J. Baxter, Jr., CPA
Paul L. Dansereau, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the
East Providence Waterfront Special
Development District Commission
East Providence, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the East Providence Waterfront Special Development District Commission (Commission) as of and for the year ended June 30, 2020, 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the East Providence Waterfront Special Development District Commission as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020 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, 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.



Baxter, Dansereau & Associates, LLP

West Warwick, Rhode Island

December 9, 2020

MANAGEMENTS' DISCUSSION AND ANALYSIS

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION**
Management's Discussion and Analysis
For the Year Ended June 30, 2020
(Un-audited)

Our discussion and analysis of the East Providence Waterfront Special Development District Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Commission's financial statements that follow this section.

Financial Highlights

- The Commission's operations include both unrestricted (general operations) and restricted accounts. The Commission does not have discretion over use of \$909,261 in restricted accounts and relies on its general operations account for routine activities.
- The Commission's net position increased \$137,354 as a result of the current year's operations. On a government-wide basis, the assets of the governmental activities of the Commission exceeded its liabilities at June 30, 2020 by \$1,036,137.
- The Commission's Government-wide operating expenses were \$194,745, a \$105,745 increase from the prior year due to the disbursement of affordable housing in-lieu funds during 2020.
- The Commission's Government-wide operating revenues were \$332,099, a \$57,554 increase from the prior year due to receipt of a state grant in fiscal year 2020.
- As of the close of the fiscal year, the Commission's governmental funds reported combined ending fund balances of \$1,036,137; \$126,876 of this amount is unassigned in the General Operating Fund.
- In the Commission's general operating fund, the unassigned fund balance was \$126,876 or 65% of the total general fund expenditures and other uses of funds, \$194,745, for fiscal year 2020. The current fiscal year's revenues and other sources of funds exceeded expenditures and other uses of funds (net change in fund balances) by \$137,354.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. These basic financial statements consist of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

In addition to the basic financial statements, this report also contains other supplementary information.

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION**
Management's Discussion and Analysis
For the Year Ended June 30, 2020
(Un-audited)

The Commission's basic financial statements and other supplementary financial information provide information about all of the Commission's activities. They provide both a short-term and a long-term view of the Commission's financial health.

Government-wide financial statements - are designed to provide readers with a broad overview of the Commission's finances in a manner similar to that of private-sector businesses. They are presented on the accrual basis of accounting where revenues and expenditures are recognized in the period they occur as opposed to the period in which they are collected or paid.

The *Statement of Net Position* presents information on all of the Commission's assets and liabilities with the difference between the two reported as the Commission's net position. Over time, increases or decreases in the net position of the Commission may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *Statement of Activities* presents information, which shows how the Commission's net position changed during the fiscal year. All changes in the net position of the Commission are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

The *Statement of Activities* distinguishes functions of the Commission which are supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges. The Commission's governmental activities include general government and administration, personal services, materials & supplies, general obligations, and interest expenses

The government-wide financial statements are reported on pages 11 through 12.

Fund financial statements - A *fund* is a grouping and self-balancing set of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are governmental funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION**
Management's Discussion and Analysis
For the Year Ended June 30, 2020
(Un-audited)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the government-wide financial statements and the fund financial statements (governmental funds).

Information is presented separately in the *Governmental Fund Balance Sheet* and in the *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances* for the General Fund, and the EDA Grant Fund, which is considered a major fund for financial reporting.

Notes to Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on pages 16 through 22.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information pertinent to the Commission's operations. Required Supplementary information is presented on page 23.

Analysis of the Commission's Net Position

As noted earlier, the Commission's net position may serve, over time, as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. On a government-wide basis, the assets of the Commission exceeded its liabilities at June 30, 2020 by \$1,036,137.

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION**
Management's Discussion and Analysis
For the Year Ended June 30, 2020
(Un-audited)

	Governmental Activities 2020	Governmental Activities 2019
Current and other assets	\$ 1,039,833	900,078
Total assets	<u>1,039,833</u>	<u>900,078</u>
Other liabilities	3,696	1,295
Total liabilities	<u>3,696</u>	<u>1,295</u>
Net Position:		
Restricted for:		
Economic development 10 New Road	3,000	3,000
Small business development programs	66,886	66,886
Workforce or low-income housing development	839,375	743,750
Unrestricted	<u>126,876</u>	<u>85,147</u>
Total Net Position	<u><u>\$ 1,036,137</u></u>	<u><u>\$ 898,783</u></u>

The amount of \$69,886 of the Commission's net position consists of funds restricted for economic and small business development projects. The amount of \$839,375 is in-lieu funds dedicated to providing gap financing for affordable housing projects. Consequently, these assets are not available for future operational spending. The remaining balance of the Commission's unrestricted net position may be used to meet the entity's ongoing obligations.

As of June 30, 2020, the Commission reports positive balances in all categories of Net Position for the governmental entity as a whole.

Analysis of the Commission's Operations

The following analysis provides a summary of the Commission's operations for the year ended June 30, 2020. Governmental activities increased the Commission's net position by \$137,354, or 15.3% for the current period.

Total expenses were \$194,745 for the fiscal year 2020, an increase of \$105,745. This increase from the prior year is mainly due to the disbursement of \$116,600 of affordable housing in-lieu funds back to a contractor for the development of affordable housing in the District.

Total revenues were \$332,099 for the fiscal year ended June 30, 2020, an increase of \$59,554. This increase is mainly due to the Commission receiving a \$50,000 grant from the Rhode Island Commerce Commission.

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION**
Management's Discussion and Analysis
For the Year Ended June 30, 2020
(Un-audited)

	Governmental Activities 2020	Governmental Activities 2019
Revenues:		
Program revenues:		
Rental income	39,419	39,419
Application fees	30,440	41,876
Grants and contributions	50,000	-
General revenues:		
Affordable Housing in-lieu funds	212,225	191,250
Miscellaneous fees	15	-
Total revenues	<u>332,099</u>	<u>272,545</u>
Expenses:		
Personnel services and benefits	57,108	45,747
General operations	21,037	43,253
Non-operating expenses	116,600	-
Total expenses	<u>194,745</u>	<u>89,000</u>
Increase (decrease) in Net Position before	137,354	183,545
Net Position - beginning - restated	898,783	715,238
Net Position - ending	<u>1,036,137</u>	<u>898,783</u>

Financial Analysis of the Commission's Funds

Governmental Funds

The Commission implemented the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) in fiscal year 2013. GASB 54 establishes criteria for classifying fund balances into specifically defined classifications and clarifies the definitions for governmental funds. GASB 54 defines the following five categories of fund balance:

Nonspendable – items that cannot be spent because they are not in a spendable form or legally or contractually required to be maintained intact..

Restricted – items that are restricted by external parties or imposed by grants, laws or legislation.

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION
Management's Discussion and Analysis
For the Year Ended June 30, 2020
(Un-audited)**

Committed – items that have been committed by formal action by the entity's highest level of decision-making authority.

Assigned – items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose.

Unassigned – items that have no restrictions placed on them.

The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the Commission's net resources available for spending at the end of the fiscal year. The Fund Balance section of the Balance Sheet for Governmental Funds is presented in the format required by the Government Accounting Standards Board (GASB) Statement 54.

General Fund

Small business development: The restricted amount of \$66,886 is for the disbursing of funds to approved small businesses within the city to promote growth and employment. The Commission plans to hold these funds for future small business loans.

Workforce or affordable housing development: The restricted amount of \$839,375 is for the future development and construction of affordable housing within the District.

Unassigned

The General Fund Unassigned fund balance in 2020 is \$126,876.

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION**
Management's Discussion and Analysis
For the Year Ended June 30, 2020
(Un-audited)

Financial Highlights

Chevron/ UNOCAL

Positive recommendation was sent to City Council on \$9.73M TIF and TIF Project Plan amendments for the UNOCAL parcels. City Council ordinance Chapter 750 received final passage November 2019.

South Quay

The future off-shore wind port at the South Quay was awarded \$15 million in Rebuild Rhode Island tax credits toward construction.

Residences at Bold Point

Building permit was issued at the end of CY2019. Building has commenced at 30 Veterans Memorial Parkway for 18 one-bedroom and four two-bedroom units ranging from 768 to 981 square feet. In lieu of two units of on-site affordable housing, the applicant purchased a 2-family house at 59 Purchase Street that will be deed restricted for 30 years, monitored by the Community Development office and RI Housing and will utilize \$116,600 in-lieu fee as a municipal subsidy.

Ivy Place

An application is expected for development at 15 Ivy Street for 13 affordable/ workforce units (9 residential townhomes @ 80% AMI and 4 live/work units @ 100% AMI). This project has been approved for \$745,500 of in-lieu funding.

Solar at 7 Dexter Road

Kearsarge Solar, LLC has been approved to build a 2,807 kilowatt direct current solar array system on a 9.3 acre site, which is undergoing active environmental remediation. Construction began in the summer of 2020.

Kettle Point

The Kettle Point Townhomes, by AR Builders, were approved by the Commission in April of 2019.

Construction advanced on condos: To-date, 50 of 62 certificates of occupancy have been issued.

Actual tax revenues generated by the development continue to exceed the annual payments on the TIF bond. This favorable trend has directly benefitted the city's general fund.

COVID Remote Meetings

Due to the COVID-19 Pandemic, the Waterfront Commission staff worked remotely beginning in Mid-March, 2020. They were able to conduct Waterfront Commission meetings and hearings via zoom because of public meetings and public records request executive orders issued and extended by Governor Raimondo.

Change in Executive Directors

Executive Director Pam Sherrill retired from her position, effective June 26, 2020. Waterfront Planner Chris Martin was hired for the Executive Director position.

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION
Management's Discussion and Analysis
For the Year Ended June 30, 2020
(Un-audited)**

Request for Information

The financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the tax dollars received. If you have questions about this report or need additional financial information, contact the City of East Providence City Planner's Office, 145 Taunton Avenue, Room 201, East Providence RI 02914, Telephone number (401) 435-7530.

Christopher Martin
Executive Director

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements include
the Government-Wide Financial Statements,
the Fund Financial Statements and the
Notes to the Financial Statements

Government Wide Financial Statements

The Government Wide Financial Statements include
the Statement of Net Position and the
Statement of Activities

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION**
Statement of Net Position
June 30, 2020

	Governmental Activities
ASSETS	
Cash and Investments	\$ 1,034,735
Accounts receivable	5,098
TOTAL ASSETS	<u>1,039,833</u>
LIABILITIES	
Accounts payable	3,696
TOTAL LIABILITIES	<u>3,696</u>
Net Position	
Restricted for:	
Economic development 10 New Road	3,000
Small business development programs	66,886
Workforce or low-income housing development	839,375
Unrestricted	126,876
TOTAL Net Position	<u>\$ 1,036,137</u>

**See auditor's report and
accompanying notes to these financial statements**

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION**
Statement of Activities
For the Year Fiscal Ended June 30, 2020

		Net (Expense) Revenue and Changes in Net Position		
				Primary Government Activities
Functions/Programs	Primary government	Program revenues		Grants and Contributions
		Expenses	Charges for Services	
Personal services & benefits		\$ 57,108	\$ -	\$ -
General operations		21,037	30,440	50,000
Rental income		-	39,419	-
Non-operating expenses		116,600	-	-
Total governmental activities		\$ 194,745	\$ 69,859	\$ 50,000
General revenues:				
Affordable housing in-lieu payment				212,225
Miscellaneous				15
Total general revenues				212,240
Change in Net Position				137,354
Net Position - beginning of the year				898,783
Net Position - end of the year				\$ 1,036,137

See auditor's report and accompanying notes to these financial statements

FUND FINANCIAL STATEMENTS

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION**
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	EDA Grant Fund	Totals
ASSETS			
Cash and investments	\$ 1,031,735	\$ 3,000	\$ 1,034,735
Accounts receivable	5,098	-	5,098
TOTAL ASSETS	<u>\$ 1,036,833</u>	<u>\$ 3,000</u>	<u>\$ 1,039,833</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 3,696	\$ -	\$ 3,696
TOTAL LIABILITIES	<u>3,696</u>	<u>-</u>	<u>3,696</u>
FUND BALANCES			
<i>Restricted for:</i>			
Economic development 10 New Road	-	3,000	3,000
Small business development programs	66,886	-	66,886
Workforce or low-income housing development	839,375	-	839,375
<i>Unassigned:</i>			
	126,876	-	126,876
TOTAL FUND BALANCES	<u>1,033,137</u>	<u>3,000</u>	<u>1,036,137</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,036,833</u>	<u>\$ 3,000</u>	
Amounts reported for governmental activities in the statement of Net Position are different because:			
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			N/A
Some liabilities, including notes and leases payable, are not due and payable in the current period and therefore are not reported in the funds.			N/A
Net Position of governmental activities			<u>\$ 1,036,137</u>

See auditor's report and
accompanying notes to these financial statements

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION**
**Statement of Revenues, Expenditures
and Changes in Fund Balances**
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General Fund	EDA Grant Fund	Totals
Revenues:			
Development fees	\$ 23,342	\$ -	\$ 23,342
Intergovernmental revenue	50,000	-	50,000
Rental income	39,419	-	39,419
Affordable housing fee	212,225	-	212,225
Program service fees	7,098	-	7,098
Other revenue	15	-	15
Total general revenues	332,099	-	332,099
Expenses:			
Personnel			
Salaries	51,009	-	51,009
Payroll taxes	6,099	-	6,099
General operations	21,037	-	21,037
Total expenses	78,145	-	78,145
Non-operating Expenses:			
Affordable housing municipal subsidy	116,600	-	116,600
Total non-operating expenses	116,600	-	116,600
Excess of revenues over (under) expenditures	137,354	-	137,354
Total fund balances - beginning restated	895,783	3,000	898,783
Total fund balances - end of the year	\$ 1,033,137	\$ 3,000	\$ 1,036,137

See auditor's report and accompanying notes to these financial statements

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION**
**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2020**

Net change in fund balances-total governmental funds \$ 137,354

Per the Government Accounting Standards Board (GASB) issuance of GASB Statement 34 - *Basic Financial Statements - and Managements Discussion* would be presented to reflect the differences of financial statement presentations between the "Government - Wide Financial Statements" and the "Fund Financial Statements which are both discussed in the notes to the financial statements under "Basis of Accounting". For this years financial presentation there are no reconciling items to be recognized so there is no difference in the "Net Change in Fund Balances - Total Governmental Funds" and the "Change in Net Position of Governmental Activities"

Change in Net Position of governmental activities. \$ 137,354

See auditor's report and
accompanying notes to these financial statements

NOTES TO FINANCIAL STATEMENTS

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the East Providence Waterfront Special Development District Commission, (District) (an Independent Rhode Island entity and body corporate), have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental entities. In certain circumstances, summaries of the District's significant accounting policies have been presented throughout the notes to the basic financial statements in conjunction with other disclosures to which they relate.

The District complies with generally accepted accounting principles (GAAP). Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Position and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncements have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

Reporting Entity

The East Providence Waterfront Special Development District Commission was created by Rhode Island State Law Chapter 345 enacted on 7/17/2003. The Commission was created to oversee, plan, implement and administer the development of the areas within the District as outlined in the charter established by the State of Rhode Island and the City of East Providence. The Commission functions and conducts its business and activities in a manner consistent with plans approved for the district by the City and the Commission, and as appropriate or necessary, by Commerce RI.

The Commission is made up of nineteen members as follows: five members appointed by the City Council with a 4 year term; five members appointed by the Governor, one with an expertise in the following areas: architecture, planning, labor, finance, and commercial real estate for a 4 year term; the Mayor and Governor jointly appoint one member who acts as chairperson for a 4 year term; there are six ex officio, non-voting members as follows: the City Manager, the City Planning Director, the Public Works Director, the Executive Director of the RI Economic Development Corp., the Director of the Department of Transportation, the Director of the Department of Environmental Management or an associate director designated by the director. Appointment of members of the Senate and House has not been made in accordance with the 2004 separation of power amendment to the Rhode Island Constitution.

BASIS OF ACCOUNTING

Government – Wide Financial Statements

The statement of net position and statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues but in the case of this entity operational revenues are also realized through developer application fees.

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Commission and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Major and Non-Major Funds

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
-------------	--------------------------

Major:

General: See above for description

Special Revenue: EDA Grant Fund – This fund accounts for the construction and maintenance of the property at 10 New Road for development of business in the Waterfront District.
Revenue Sources: Federal Grant and matching funds

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (continued)

On the government-wide Statement of Net Position and the Statement of Activities governmental activities are presented using the economic resources measurement focus as defined in item (b) below, and utilize the accrual basis of accounting.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Substantially all revenue of the governmental funds is recognized utilizing the modified accrual method of accounting, and as such, it is recognized as earned.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Amounts reported as program revenues include charges to customers or applicants for licenses, fees, goods, services or privileges provided, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based on historical trends and the periodic aging of accounts receivable.

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Allowances for uncollectible receivables are based upon historical trends and the periodic aging of accounts receivable.

Cash Equivalents

Cash and cash equivalents are carried at cost. The District's cash and cash equivalents consist of cash on hand and demand deposits. All of the District's cash and cash equivalents are held in public deposit institutions, which are available on a daily basis.

Investments are stated at fair value. Investment income is recorded in the fund which it was earned.

Revenues and Expenses

Revenues for the Commission are recorded when the application fees are earned. The Grant revenue from the RI Economic Development Corporation is recognized when expenses relating to grant income are incurred. Expenses for the Commission are recorded when the related liability is incurred.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a) Net Investment in capital assets - Consists of capital assets (including restricted capital assets) net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted - Consists of net positions with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c) Unrestricted - All other net positions that do not meet the definition of "restricted" or "Net investment in capital assets".

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (continued)

Fund Financial Statements

The Commission has adopted and implemented the provisions and requirements of the Governmental Accounting Standards Board GASB Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. Acceptance of this statement has changed the District's presentation of the elements of fund balances, a key indicator of inter-period equity. Listed below are the new fund balance categories and their definitions.

- ***Non-spendable*** – are balances that are not in a spendable form or are legally or contractually required to be maintained intact or are permanently precluded from conversion to cash. Examples are prepaid amounts, inventories, endowments and permanent funds.
- ***Restricted*** – requires that inflows and outflows of resources and balances be constrained to a specific purpose of enabling legislation, external parties or constitutional provisions.
- ***Committed*** – are balances with constraints imposed by the government using the highest level of decision-making authority. These constraints can only be removed or changed by the same decision making authority taking the same type of action.
- ***Assigned*** – are balances intended for a specific purpose and are constrained by the government's management but are neither restricted nor committed.
- ***Unassigned*** – is the amount of fund balance in the General Fund that has not been restricted, committed, or assigned to a specific purpose within the General Fund. It includes spendable amounts not subject to any intended use or constraint. It is the residual classification for general fund and is available for any purpose. The balance is not precluded by a management decision, law or constitutional provision in the general fund.

NOTE 2 - CASH DEPOSITS

Deposits are in various financial institutions and are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and Cash Equivalents". A summary of bank balances and carrying amounts is as follows:

	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Insured (Federal depository insurance funds)	\$ 250,000	\$ 250,000
Uninsured or un-collateralized	784,735	784,735
TOTAL DEPOSITS	<u>\$ 1,034,735</u>	<u>\$ 1,034,735</u>

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 - CASH DEPOSITS (continued)

Under Rhode Island general law, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity.

Custodial Credit Risk

Deposits: This is the risk that, in the event of failure of a depository financial institution, the Commission will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2020, \$784,735 of the Commission's bank balance of \$1,034,735 was uninsured and uncollateralized.

Cash and investments of the Commission consist of the following at June 30, 2020

Cash and cash equivalents

Deposits with financial institutions	\$ 1,034,735
Total cash and investments	<u>\$ 1,034,735</u>

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position

Cash and cash equivalents	\$ 1,034,735
	<u>\$ 1,034,735</u>

NOTE 3 - DISCLOSURE OF SIGNIFICANT COMMITMENTS & CONTINGENCIES

In the ordinary course of business, the Commission becomes involved in various commitments and contingencies. Management does not expect any of these to result in a material change to the financial position of the commission.

The Commission participates in federally assisted programs. Management believes that the amounts, if any, of expenditures, which may be disallowed, would not be material to the financial position of the Commission.

NOTE 4 – RELATED PARTIES

The Commission reviews its records on an annual basis to determine if any related party transactions exist that would represent a conflict of interest with parties related to its officers and department heads. No such transactions were noted in the fiscal year ended June 30, 2020.

**EAST PROVIDENCE WATERFRONT SPECIAL
DEVELOPMENT DISTRICT COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 – OPERATING LEASES

In September of 2012 the Commission (tenant) executed a master lease for property located at 10 New Road in East Providence, Rhode Island from Ten New Road, LLC (landlord). The purpose of this lease was to create a conduit by which Eaton Corporation (sub-tenant) could sub-lease the property from the Commission for commercial purposes. The lease period for the Commission's lease with Ten New Road, LLC is for 15 years.

The sub-lease between Eaton Corporation and the District calls for Eaton Corporation to pay the District annual lease payments totaling \$39,420 with monthly payments of \$3,285.

NOTE 6 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 9, 2020, the date the financial statements were available to be issued.

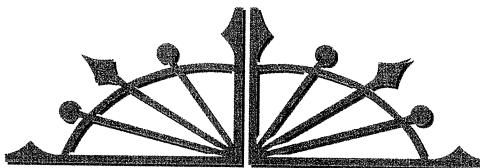
REQUIRED SUPPLEMENTARY INFORMATION

EAST PROVIDENCE WATERFRONT SPECIAL DEVELOPMENT DISTRICT COMMISSION
Budgetary Comparison Schedule
General Fund
Schedule of Revenue and Expenditures
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
			Favorable (Unfavorable)
Revenues			
General Revenues			
Development Fees	\$ 30,000	\$ 23,342	\$ (6,658)
Intergovernmental Revenue	50,000	50,000	-
Rental income	39,419	39,419	-
Program Service Fees	13,000	7,098	(5,902)
Affordable Housing	-	212,225	212,225
Miscellaneous income	-	15	15
Total revenue	<u>\$ 132,419</u>	<u>\$ 332,099</u>	<u>\$ 199,680</u>
Expenditures			
<i>Personnel:</i>			
Salaries	\$ 68,880	\$ 51,009	\$ 17,871
Payroll taxes	15,120	6,099	9,021
Total personnel	<u>\$ 84,000</u>	<u>\$ 57,108</u>	<u>\$ 26,892</u>
Operation expenditures:			
Accounting	\$ 8,000	\$ 8,690	\$ (690)
Advertising	7,000	734	6,266
Bank fees	800	67	733
Legal fees	25,000	4,395	20,605
Insurance	3,625	3,605	20
Outside services	3,000	2,301	699
Dues and fees	600	742	(142)
Supplies	130	148	(18)
Travel	450	355	95
Total operating expenses	<u>\$ 48,605</u>	<u>\$ 21,037</u>	<u>\$ 27,568</u>
Non-operating expenditures:			
Affordable Housing Municipal Subsidy	\$ -	\$ 116,600	\$ (116,600)
	<u><u>\$ -</u></u>	<u><u>\$ 116,600</u></u>	<u><u>\$ (116,600)</u></u>
Total expenditures	<u>132,605</u>	<u>194,745</u>	<u>(62,140)</u>
Excess of revenue over (under) expenditures and other financing sources	<u><u>\$ (186)</u></u>	<u><u>\$ 137,354</u></u>	<u><u>\$ 137,540</u></u>

East Providence Waterfront Special Development District Commission

***AUDITOR'S REPORT AS REQUIRED BY
GOVERNMENT AUDITING STANDARDS***



BAXTER DANSEREAU & ASSOCIATES, LLP

Accounting, Consulting & Tax Services

Partners

William J. Baxter, Jr., CPA
Paul L. Dansereau, CPA

**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***

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the
East Providence Waterfront Special
Development District Commission
East Providence, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the East Providence Waterfront Special Development District Commission as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2020.

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 over financial reporting.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Baxter, Dansereau & Associates, LLP
West Warwick, Rhode Island
December 9, 2020

East Providence Waterfront Special Development District Commission
Schedule of Findings
For the Fiscal Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors report issued: Unmodified

Internal control over financial reporting:

Significant deficiency (ies) identified? yes X no

Significant deficiency (ies) identified that are considered material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS yes X none