

**WORCESTER REDEVELOPMENT AUTHORITY  
(A COMPONENT UNIT OF THE  
CITY OF WORCESTER, MASSACHUSETTS)**

**INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**



**WORCESTER REDEVELOPMENT AUTHORITY  
(A COMPONENT UNIT OF THE  
CITY OF WORCESTER, MASSACHUSETTS)**

**INDEPENDENT AUDITORS' REPORT ON  
BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016**

---

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditors' Report.....	1
Management's Discussion and Analysis .....	4
Basic Financial Statements.....	11
Statements of net position.....	12
Statements of revenues, expenses and changes in net position.....	13
Statements of cash flows .....	14
Notes to basic financial statements.....	15
Additional Information.....	24
Statements of net position by program.....	25
Statements of revenues, expenses and changes in net position by program.....	26

This page left intentionally blank.

# *Independent Auditors' Report*

## Independent Auditors' Report

To the Board Members  
Worcester Redevelopment Authority  
Worcester, Massachusetts 01608

### Report on the Financial Statements

We have audited the accompanying financial statements of the Worcester Redevelopment Authority (Authority), a component unity of the City of Worcester (City), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2017 and 2016, and the changes in financial position and its cash flows for the years 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 (located on pages 5 through 9) 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.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The additional information is presented for purposes of additional analysis and is not a required part of the financial statements.

The additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information direct to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the additional information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017 on our consideration of the Authority'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 the report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Boston, Massachusetts

December 18, 2017

## *Management's Discussion and Analysis*



WORCESTER REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016

As management of the Worcester Redevelopment Authority (the Authority), we offer readers of these financial statements this narrative overview and analysis of the Authority's financial activities for the fiscal years ended June 30, 2017 and 2016.

***Financial Highlights***

- The assets of the Authority exceeded its liabilities at the close of the current fiscal year by \$13,749,348 (net position).
- The Authority's total net position decreased \$1,566,122 in the current fiscal year.
- The Authority's total debt increased by \$541,643 during the current fiscal year; \$541,643 of new debt was issued in the current fiscal year.

***Overview of the Basic Financial Statements***

This discussion and analysis are intended to serve as an introduction to the *basic financial statements*, which consists of the following two components:

1. Financial statements (pages 12-14)
2. Notes to the basic financial statements (pages 15-22)

This report also contains additional information (pages 25-26) in addition to the basic financial statements.

The Authority reports its activity as a business-type activity using the full accrual basis of accounting. While established as an independent body politic managed by its members, for financial reporting purposes the Authority is considered as a component unit of the City of Worcester, Massachusetts (City). Therefore, the results of the Authority's operations, its net position and cash flows are also summarized in the City's Comprehensive Annual Financial Report in its government-wide financial statements.

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

The **Statements of Revenues, Expenses and Changes in Net Position**, present information showing how the Authority's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal years.

The **Statements of Cash Flows** are reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts and disbursements.

The **Notes to Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements are presented separately.

The following pages present condensed financial information derived from the financial statements comparing fiscal years 2017, 2016 and 2015.

WORCESTER REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Authority's assets exceeded liabilities by \$13,749,348 at the close of the current fiscal year and are summarized as follows:

	2017	2016	2015
<b>Assets</b>			
Current assets.....	\$ 220,364	\$ 211,563	\$ 231,097
Capital assets (net).....	26,699,966	27,316,409	27,949,978
	<u>26,920,330</u>	<u>27,527,972</u>	<u>28,181,075</u>
<b>Liabilities</b>			
Current liabilities (excluding debt).....	3,016,140	2,658,962	2,232,362
Noncurrent liabilities (excluding debt).....	119,987	60,328	74,345
Current debt.....	9,517,579	8,965,729	8,214,536
Noncurrent debt.....	517,276	527,483	470,306
	<u>13,170,982</u>	<u>12,212,502</u>	<u>10,991,549</u>
<b>Net Position</b>			
Net investment in capital assets.....	22,745,249	23,361,705	24,050,902
Unrestricted.....	(8,995,901)	(8,046,235)	(6,861,376)
	<u>\$ 13,749,348</u>	<u>\$ 15,315,470</u>	<u>\$ 17,189,526</u>

2017

At June 30, 2017, the majority (\$22,745,249) of the Authority's net position reflects its net investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements and equipment), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of net position at June 30, 2017 represents a deficit in unrestricted net position (\$8,995,901).

2016

At June 30, 2016, the majority (\$23,361,705) of the Authority's net position reflects its net investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements and equipment), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of net position at June 30, 2016 represents a deficit in unrestricted net position (\$8,046,235).

WORCESTER REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016

Changes in Net Position

For the fiscal year ended June 30, 2017, the Authority's total net position decreased by \$1,566,122, compared to a decrease of \$1,874,056 in the prior fiscal year and a decrease of \$1,691,205 in fiscal year 2015. These amounts are summarized as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>			
Operating Revenues:			
Tenant income.....	\$ 508,771	\$ 492,045	\$ 512,873
<b>Expenses</b>			
Operating Expenses:			
Office operations.....	389,197	401,722	193,201
Property management.....	47,174	45,666	51,910
Consulting and other contracted services.....	110,148	232,759	85,442
General insurance.....	16,504	15,752	14,639
Property maintenance.....	402,529	320,359	447,089
Utilities.....	230,628	267,182	229,256
Depreciation.....	1,044,827	1,035,934	1,035,934
Parking expense.....	83,520	76,800	76,800
Other.....	2,207	1,606	1,535
Total operating expenses.....	<u>2,326,734</u>	<u>2,397,780</u>	<u>2,135,806</u>
Operating income (loss).....	<u>(1,817,963)</u>	<u>(1,905,735)</u>	<u>(1,622,933)</u>
Non-Operating Revenues (Expenses):			
Investment income.....	224	147	133
Interest expense.....	(239,171)	(341,676)	(323,289)
Gain (loss) on sale of capital assets.....	-	9,000	-
Contributions to the City of Worcester.....	-	(100,000)	-
Total nonoperating revenues (expenses).....	<u>(238,947)</u>	<u>(432,529)</u>	<u>(323,156)</u>
(Loss) before capital grants and contributions.....	(2,056,910)	(2,338,264)	(1,946,089)
Capital grants and contributions.....	<u>490,788</u>	<u>464,208</u>	<u>254,884</u>
Change in net position.....	(1,566,122)	(1,874,056)	(1,691,205)
Net position - beginning of year.....	<u>15,315,470</u>	<u>17,189,526</u>	<u>18,880,731</u>
Net position - end of year.....	<u>\$ 13,749,348</u>	<u>\$ 15,315,470</u>	<u>\$ 17,189,526</u>

WORCESTER REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016

2017

The Authority's net position decreased \$1,566,122. In the prior year, the Authority's net position decreased \$1,874,056. The key element of this change relates to non-recurring contributions made to the City of Worcester in 2016.

2016

The Authority's net position decreased \$1,874,056. In the prior year, the Authority's net position decreased \$1,691,205. The key element of this change relates to an increase in operating expenses, primarily relating to new real estate and personal property taxes paid to the City of Worcester.

***Capital Asset and Debt Administration***

Capital assets

The Authority's capital assets at the end of the current fiscal year totaled \$26,699,966 (net of accumulated depreciation). Capital assets include; land, construction in progress, land improvements, buildings and improvements and equipment. The total decrease in capital assets for the current fiscal year totaled \$616,443 or 2.3%.

The following table summarizes the Authority's capital assets (net of accumulated depreciation):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land.....	\$ 1,128,369	\$ 1,128,369	\$ 1,269,369
Land improvements.....	41,292	46,508	51,724
Buildings and improvements.....	24,460,991	25,196,068	26,226,786
Equipment.....	42,287	-	-
Construction in progress.....	<u>1,027,027</u>	<u>945,464</u>	<u>402,099</u>
Total capital assets.....	<u>\$ 26,699,966</u>	<u>\$ 27,316,409</u>	<u>\$ 27,949,978</u>

Additional information on the Authority's capital assets can be found in Note 4 of this report.

Debt

At the end of the current fiscal year, total debt outstanding was \$10,034,855, consisting of notes payable to the City. In fiscal years' 2016 and 2015, total debt outstanding was \$9,493,212 and \$8,684,841, respectively, also consisting of notes payable to the City.

The Authority's total debt increased \$541,643 (5.7%) during the current fiscal year, with \$541,643 of new note issuances during the year.

Additional information on the Authority's long-term debt can be found in Note 5 of this report.

WORCESTER REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016

*Economic Factors*

The Worcester Redevelopment Authority (WRA), a political subdivision of the Commonwealth, has served as an economic catalyst for the City of Worcester since its incorporation in 1957. It was instrumental in the East Central Urban Renewal Plan, which led to the construction of the Galleria, the amendment to the East Central Urban Renewal Plan, which led to the construction of the relocation of St. Vincent's hospital from its Vernon Hill campus to its current 22+ acre downtown location. Additionally, the WRA was the vehicle in which the former vacant Union Station building was transformed into an 80,000 square foot intermodal transportation hub, which recently culminated with the completion of the \$18 million Worcester Regional Transit Authority (WRTA) administrative office and bus "hub"/transfer station on June 1, 2014.

These investments in public transit (inclusive of the Commonwealth's acquisition of CSX rail lines) and infrastructure have changed the landscape of the Washington Square area of the City and have fostered economic growth in the immediate area. A parcel diagonal to the Union Station facility, which was partially created by the reconstruction of Washington Square, coupled with privately held parcels, has been developed with the construction of a new 119 room hotel, Homewood Suites by Hilton. Immediately adjacent to the Union Station is the Osgood Bradley building, an underutilized 160,000 square foot commercial building constructed in 1914, which the present owner is currently pursuing the conversion to an 84 unit apartment complex. An additional 350 housing units have also been proposed in the immediate area.

To coincide with these private investments, the WRA has embarked on a \$6.8 million capital improvement program to enhance the Union Station facility and its environs partially funded with Fixed Guideways Funds from the Federal Transportation Administration which are being accessed through the WRTA. Said funds are subject to a 20% local match for eligible projects.

During the course of Fiscal Year 2017, the WRA obtained the prerequisite approval from the Commonwealth's Department of Housing & Community Development of the Downtown Urban Renewal Plan (URP). The URP comprises a 118.4 acre revitalization opportunity area located in the heart of downtown Worcester. The WRA, in conjunction with the City, began surveying property owners within the URP to identify possible re-uses for their properties. Appraisals of several properties within the URP were initiated, and subsequently completed in Fiscal Year 2018, to determine their market value. Further actions regarding the implementation of the URP shall involve formulation of the funding in conjunction with the Commonwealth and the City.

*Requests for Information*

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Administration & Finance, Budget Division, Chief Financial Officer, Worcester Redevelopment Authority, 455 Main Street, Worcester, Massachusetts, 01608.

This page left intentionally blank.

## *Basic Financial Statements*

**WORCESTER REDEVELOPMENT AUTHORITY**  
**STATEMENTS OF NET POSITION**

JUNE 30, 2017 AND 2016

<b>ASSETS</b>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents.....	\$ 16,591	\$ 18,593
Restricted cash and cash equivalents.....	8,410	19,358
Receivables, net of allowance for uncollectible amounts:		
Grants, contracts and other.....	193,248	171,497
Prepaid expenses.....	<u>2,115</u>	<u>2,115</u>
Total current assets.....	<u>220,364</u>	<u>211,563</u>
Noncurrent assets:		
Capital assets not being depreciated.....	2,155,396	2,073,833
Capital assets, net of accumulated depreciation.....	<u>24,544,570</u>	<u>25,242,576</u>
Total noncurrent assets.....	<u>26,699,966</u>	<u>27,316,409</u>
Total assets.....	<u>26,920,330</u>	<u>27,527,972</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable.....	359,313	181,662
Other liabilities.....	31,032	31,017
Accrued interest.....	2,625,797	2,446,283
Notes payable to the City of Worcester.....	<u>9,517,579</u>	<u>8,965,729</u>
Total current liabilities.....	<u>12,533,721</u>	<u>11,624,691</u>
Noncurrent liabilities:		
Accrued interest.....	119,985	60,328
Notes payable to the City of Worcester.....	<u>517,276</u>	<u>527,483</u>
Total noncurrent liabilities.....	<u>637,261</u>	<u>587,811</u>
Total liabilities.....	<u>13,170,982</u>	<u>12,212,502</u>
<b>NET POSITION</b>		
Net investment in capital assets.....	22,745,249	23,361,705
Unrestricted.....	<u>(8,995,901)</u>	<u>(8,046,235)</u>
Total net position.....	<u>\$ 13,749,348</u>	<u>\$ 15,315,470</u>

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



**WORCESTER REDEVELOPMENT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
Tenant income.....	\$ 508,771	\$ 492,045
<b>OPERATING EXPENSES</b>		
Office operations.....	389,197	401,722
Property management.....	47,174	45,666
Consulting and other contracted services.....	110,148	232,759
General insurance.....	16,504	15,752
Property maintenance.....	402,529	320,359
Utilities.....	230,628	267,182
Depreciation.....	1,044,827	1,035,934
Parking expense.....	83,520	76,800
Other.....	2,207	1,606
<b>TOTAL OPERATING EXPENSES.....</b>	<u>2,326,734</u>	<u>2,397,780</u>
<b>OPERATING (LOSS).....</b>	<u>(1,817,963)</u>	<u>(1,905,735)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income.....	224	147
Interest expense.....	(239,171)	(341,676)
Gain (loss) on sale of capital assets.....	-	9,000
Contributions to the City of Worcester.....	-	(100,000)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<u>(238,947)</u>	<u>(432,529)</u>
<b>(LOSS) BEFORE CAPITAL GRANTS AND CONTRIBUTIONS.....</b>	<u>(2,056,910)</u>	<u>(2,338,264)</u>
Capital grants and contributions.....	490,788	464,208
<b>CHANGE IN NET POSITION.....</b>	<u>(1,566,122)</u>	<u>(1,874,056)</u>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<u>15,315,470</u>	<u>17,189,526</u>
<b>NET POSITION AT END OF YEAR.....</b>	<u>\$ 13,749,348</u>	<u>\$ 15,315,470</u>

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

**WORCESTER REDEVELOPMENT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users.....	\$ 487,020	\$ 463,466
Payments to vendors.....	<u>(1,104,241)</u>	<u>(1,290,939)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>(617,221)</u>	<u>(827,473)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from the issuance of notes - operating.....	517,276	527,483
Contributions to the City of Worcester.....	<u>-</u>	<u>(100,000)</u>
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	<u>517,276</u>	<u>427,483</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Intergovernmental revenue.....	490,788	464,208
Proceeds from the issuance of notes - capital.....	24,367	280,888
Acquisition and construction of capital assets.....	(428,384)	(543,365)
Proceeds from sale of capital assets.....	<u>-</u>	<u>150,000</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>86,771</u>	<u>351,731</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income.....	<u>224</u>	<u>147</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(12,950)</b>	<b>(48,112)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		
(Includes \$19,358 reported as restricted).....	<u>37,951</u>	<u>86,063</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
(Includes \$8,410 reported as restricted).....	<u><u>\$ 25,001</u></u>	<u><u>\$ 37,951</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating (loss).....	\$ <u>(1,817,963)</u>	\$ <u>(1,905,735)</u>
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Adjustments not requiring current cash flows:		
Depreciation.....	1,044,827	1,035,934
Adjustments requiring current cash flows:		
Accounts receivable.....	(21,751)	(28,579)
Accounts payable.....	177,651	70,738
Other liabilities.....	<u>15</u>	<u>169</u>
Total adjustments.....	<u>1,200,742</u>	<u>1,078,262</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u><u>\$ (617,221)</u></u>	<u><u>\$ (827,473)</u></u>

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

WORCESTER REDEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. General***

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

***B. Reporting Entity***

The Worcester Redevelopment Authority (Authority), a component unit of the City of Worcester, Massachusetts (City), was established in 1957 pursuant to Chapter 121B of the Massachusetts General Laws (MGL). The Authority's mission is to identify and implement Urban Renewal Area Plans within the City. The Authority has a five member volunteer Board of Directors, four of whom are appointed by the City's Manager and confirmed by the City's Council. The Governor of the Commonwealth of Massachusetts (Commonwealth) appoints the fifth member of the Board. Members serve five-year terms.

On December 14, 2000, the Authority amended its by-laws to establish the Chief Development Officer of the City as its Chief Executive Officer, the City Solicitor as its Chief Legal Officer, and the City Budget Director as its Chief Financial Officer. Under the by-law amendment, the officers of the Authority include a Chair, Vice-Chair and Secretary. The duties and responsibilities previously vested in the Board's Treasurer and Vice-Treasurer were transferred to the Chief Financial Officer. The amendment also authorizes the City's Manager to assign additional City personnel to administer the programs and operations of the Authority and it provides that all City officers and employees engaged in the service of the Authority shall serve ex-officio and without direct compensation.

The Authority owns Union Station, a 65,000 square foot two-story building, which serves as the train station terminal for Amtrak intercity passenger rail and MBTA commuter rail service to and from Boston. In August 2006, the bus port terminal commenced operations with Greyhound Bus lines acting as the lead tenant offering interstate transit service. Adjacent to Union Station is a 500 space parking facility that includes 7,000 square feet of retail space.

***C. Implementation of New Accounting Principles***

For the year ending June 30, 2017, the Authority implemented the following pronouncements issued by the GASB:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*
- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The implementation of these GASB Statements had no reporting impact for the Authority.

WORCESTER REDEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016

***D. Measurement Focus, Basis of Accounting and Basis of Presentation***

The Authority's financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Operating revenues and expenses are segregated from nonoperating items. Operating revenues and expenses consist of those revenues and expenses that result from the principal operations of the Authority. Operating revenues consist primarily of tenant rental revenues and parking fees charged to users of Union Station.

Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities.

***E. Deposits and Investments***

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value.

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

***G. Capital Assets***

The Authority's capital assets consist of land, construction in progress, land improvements, buildings and improvements and equipment. Capital assets are recorded at historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. All purchases and construction costs are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. For the fiscal year ended June 30, 2017, such interest is not material and therefore is not included as part of capital assets.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	10 - 20
Buildings and improvements....	39
Equipment.....	3 - 5

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

WORCESTER REDEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016

***H. Use of Estimates***

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates that were used.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. The Authority does not have a policy for custodial credit risk of deposits. As of June 30, 2017, none of the Authority's bank balance of \$27,549 was uninsured and uncollateralized. As of June 30, 2016, none of the Authority's bank balance of \$87,378 was uninsured and uncollateralized.

**NOTES 3 - ACCOUNTS RECEIVABLE**

At June 30, 2017 and 2016, grants, contracts and other receivables totaled \$193,248 and \$171,497, respectively. All amounts are considered 100% collectible.

WORCESTER REDEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,128,369	\$ -	-	\$ 1,128,369
Construction in progress.....	945,464	384,984	(303,421)	1,027,027
Total capital assets not being depreciated..	2,073,833	384,984	(303,421)	2,155,396
<u>Capital assets being depreciated:</u>				
Land improvements.....	108,871	-	-	108,871
Buildings and improvements.....	40,198,007	303,421	-	40,501,428
Equipment.....	67,861	43,400	-	111,261
Total capital assets being depreciated.....	40,374,739	346,821	-	40,721,560
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(62,363)	(5,216)	-	(67,579)
Buildings and improvements.....	(15,001,939)	(1,038,498)	-	(16,040,437)
Equipment.....	(67,861)	(1,113)	-	(68,974)
Total accumulated depreciation.....	(15,132,163)	(1,044,827)	-	(16,176,990)
Total capital assets being depreciated, net.....	25,242,576	(698,006)	-	24,544,570
Total capital assets, net.....	\$ 27,316,409	\$ (313,022)	\$ (303,421)	\$ 26,699,966

WORCESTER REDEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,269,369	\$ -	\$ (141,000)	\$ 1,128,369
Construction in progress.....	402,099	543,365	-	945,464
Total capital assets not being depreciated..	1,671,468	543,365	(141,000)	2,073,833
<u>Capital assets being depreciated:</u>				
Land improvements.....	108,871	-	-	108,871
Buildings and improvements.....	40,198,007	-	-	40,198,007
Equipment.....	67,861	-	-	67,861
Total capital assets being depreciated.....	40,374,739	-	-	40,374,739
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(57,147)	(5,216)	-	(62,363)
Buildings and improvements.....	(13,971,221)	(1,030,718)	-	(15,001,939)
Equipment.....	(67,861)	-	-	(67,861)
Total accumulated depreciation.....	(14,096,229)	(1,035,934)	-	(15,132,163)
Total capital assets being depreciated, net.....	26,278,510	(1,035,934)	-	25,242,576
Total capital assets, net.....	\$ 27,949,978	\$ (492,569)	\$ (141,000)	\$ 27,316,409

**NOTE 5 - NOTES PAYABLE**

On March 24, 1997, the Authority and City entered into a Cooperation Agreement (Agreement) concerning funding initiatives of the Authority.

On December 14, 2000, the Authority voted to authorize the execution of any legal document in any effort to secure the repayment to the City of any funds the City may provide to finance the Authority's initiatives.

Pursuant to the Agreement and the vote of the Authority on December 14, 2000, the Authority and City have executed several amendments to the Agreement whereby the City has agreed to loan the Authority various amounts at varying interest rates (ranging from 2.89% to 4.90%) and maturity dates.

The loans are reflected as notes payable to the City of Worcester on the financial statements. The loans classified as current liabilities include notes payable that, by their terms, are due within one year from the balance sheet date, even though liquidation may not be expected within that period.

WORCESTER REDEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016

**NOTE 5 - NOTES PAYABLE (CONTINUED)**

Details related to notes payable to the City at June 30, 2017, are as follows:

Project	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Union Station - Building Fit Out... \$	3,470,759	\$ -	\$ -	\$ 3,470,759
Union Station - Operating.....	5,234,352	517,276	-	5,751,628
Union Station - Bus Ports.....	483,944	-	-	483,944
General and Administrative.....	78,897	-	-	78,897
Urban Renewal.....	225,260	24,367	-	249,627
Total.....	<u>\$ 9,493,212</u>	<u>\$ 541,643</u>	<u>\$ -</u>	<u>\$ 10,034,855</u>

Details related to notes payable to the City at June 30, 2016, are as follows:

Project	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Union Station - Building Fit Out... \$	3,345,689	\$ 125,070	\$ -	\$ 3,470,759
Union Station - Operating.....	4,706,869	527,483	-	5,234,352
Union Station - Bus Ports.....	483,944	-	-	483,944
General and Administrative.....	78,897	-	-	78,897
Urban Renewal.....	69,442	155,818	-	225,260
Total.....	<u>\$ 8,684,841</u>	<u>\$ 808,371</u>	<u>\$ -</u>	<u>\$ 9,493,212</u>

As of June 30, 2017, debt service requirements in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2018.....	\$ 9,517,579	\$ 2,765,780	\$ 12,283,359
2019.....	<u>517,276</u>	<u>19,998</u>	<u>537,274</u>
Total.....	<u>\$ 10,034,855</u>	<u>\$ 2,785,778</u>	<u>\$ 12,820,633</u>

As of June 30, 2016, debt service requirements in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2017.....	\$ 8,965,729	\$ 2,446,283	\$ 11,412,012
2018.....	<u>527,483</u>	<u>40,581</u>	<u>568,064</u>
Total.....	<u>\$ 9,493,212</u>	<u>\$ 2,486,864</u>	<u>\$ 11,980,076</u>



WORCESTER REDEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016

**NOTE 5 - NOTES PAYABLE (CONTINUED)**

At June 30, 2017 and 2016, notes payable to the City totaling \$8,965,729 and \$8,214,536, respectively, had matured but were not liquidated by the Authority.

**NOTE 6 - RISK FINANCING**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance.

**NOTE 7 - OPERATING LEASES**

The Authority leases property under various operating leases. Total revenues from such leases were \$508,771 and \$492,045 for the fiscal years ended June 30, 2017 and 2016, respectively, and are reported as tenant income in the Statements of Revenues, Expenses and Changes in Net Position.

Future minimum lease payments as of June 30, 2017, are as follows:

Fiscal Year	Amount
2018.....	\$ 349,454
2019.....	65,239
2020.....	67,196
2021.....	69,212
2022.....	71,288
Thereafter.....	<u>307,190</u>
Total.....	\$ <u><u>929,578</u></u>

Future minimum lease payments as of June 30, 2016, are as follows:

Fiscal Year	Amount
2017.....	\$ 400,930
2018.....	405,974
2019.....	125,149
2020.....	67,196
2021.....	69,212
Thereafter.....	<u>378,478</u>
Total.....	\$ <u><u>1,446,939</u></u>

WORCESTER REDEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016

**NOTE 8 - RELATED PARTY TRANSACTIONS**

The transactions between the Authority and the City during the fiscal year ended June 30, 2017 and 2016 consisted of loans from the City to the Authority in the amount of \$541,643 (\$517,276 of operating loans and \$24,367 of capital loans) and \$808,371 (\$527,483 of operating loans and \$280,888 of capital loans), respectively. The Authority has outstanding notes payable to the City totaling \$10,034,855 and \$9,493,212 at June 30, 2017 and 2016, respectively.

**NOTE 9 - IN-KIND ASSISTANCE AND ECONOMIC DEPENDENCY**

The City has made available to the Authority the services of the agencies, offices and employees of the City, including administrative, accounting, environmental, planning, legal and intergovernmental coordination services. The Authority is not able to reasonably estimate the value of these services. As such, no amounts for in-kind assistance have been recorded in the financial statements.

Approximately 35.6% (\$541,643) and 42.9% (\$808,371) of the Authority's cash inflows for the fiscal years ended June 30, 2017 and 2016, respectively, were from the issuance of notes by the City.

This page left intentionally blank.

## *Additional Information*

**WORCESTER REDEVELOPMENT AUTHORITY**  
**STATEMENTS OF NET POSITION BY PROGRAM**

JUNE 30, 2017 AND 2016

	Program			Totals	
	Union Station Operating	Urban Renewal Operating	General Operating	2017	2016
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents.....	\$ 16,591	\$ -	\$ -	\$ 16,591	\$ 18,593
Restricted cash and cash equivalents.....	8,410	-	-	8,410	19,358
Receivables, net of allowance for uncollectible amounts:					
Grants, contracts and other.....	193,248	-	-	193,248	171,497
Prepaid expenses.....	2,115	-	-	2,115	2,115
Total current assets.....	220,364	-	-	220,364	211,563
Noncurrent assets:					
Due from (to) other programs.....	863,695	-	(863,695)	-	-
Capital assets not being depreciated.....	1,566,796	-	588,600	2,155,396	2,073,833
Capital assets, net of accumulated depreciation.....	24,544,570	-	-	24,544,570	25,242,576
Total noncurrent assets.....	26,975,061	-	(275,095)	26,699,966	27,316,409
Total assets.....	27,195,425	-	(275,095)	26,920,330	27,527,972
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable.....	359,313	-	-	359,313	181,662
Other liabilities.....	31,032	-	-	31,032	31,017
Accrued interest.....	2,625,797	-	-	2,625,797	2,446,283
Notes payable to the City of Worcester.....	9,189,055	249,627	78,897	9,517,579	8,965,729
Total current liabilities.....	12,205,197	249,627	78,897	12,533,721	11,624,691
Noncurrent liabilities:					
Accrued interest.....	119,985	-	-	119,985	60,328
Notes payable to the City of Worcester.....	517,276	-	-	517,276	527,483
Total noncurrent liabilities.....	637,261	-	-	637,261	587,811
Total liabilities.....	12,842,458	249,627	78,897	13,170,982	12,212,502
<b>NET POSITION</b>					
Net investment in capital assets.....	22,156,649	-	588,600	22,745,249	23,361,705
Unrestricted.....	(7,803,682)	(249,627)	(942,592)	(8,995,901)	(8,046,235)
Total net position.....	\$ 14,352,967	(249,627)	\$ (353,992)	\$ 13,749,348	\$ 15,315,470

See accompanying independent auditors' report.

**WORCESTER REDEVELOPMENT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY PROGRAM**

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	Program			Totals	
	Union Station Operating	Urban Renewal Operating	General Operating	2017	2016
<b>OPERATING REVENUES</b>					
Tenant income.....	\$ 508,771	\$ -	\$ -	\$ 508,771	\$ 492,045
<b>OPERATING EXPENSES</b>					
Office operations.....	389,197	-	-	389,197	401,722
Property management.....	47,174	-	-	47,174	45,666
Consulting and other contracted services.....	56,783	24,367	28,998	110,148	232,759
General insurance.....	16,504	-	-	16,504	15,752
Property maintenance.....	402,529	-	-	402,529	320,359
Utilities.....	230,628	-	-	230,628	267,182
Depreciation.....	1,044,827	-	-	1,044,827	1,035,934
Parking expense.....	83,520	-	-	83,520	76,800
Other .....	2,207	-	-	2,207	1,606
<b>TOTAL OPERATING EXPENSES.....</b>	<b>2,273,369</b>	<b>24,367</b>	<b>28,998</b>	<b>2,326,734</b>	<b>2,397,780</b>
<b>OPERATING (LOSS).....</b>	<b>(1,764,598)</b>	<b>(24,367)</b>	<b>(28,998)</b>	<b>(1,817,963)</b>	<b>(1,905,735)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income.....	-	-	224	224	147
Interest expense.....	(239,171)	-	-	(239,171)	(341,676)
Gain (loss) on disposal of capital assets.....	-	-	-	-	9,000
Contributions to the City of Worcester.....	-	-	-	-	(100,000)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(239,171)</b>	<b>-</b>	<b>224</b>	<b>(238,947)</b>	<b>(432,529)</b>
<b>(LOSS) BEFORE CAPITAL GRANTS AND CONTRIBUTIONS.....</b>	<b>(2,003,769)</b>	<b>(24,367)</b>	<b>(28,774)</b>	<b>(2,056,910)</b>	<b>(2,338,264)</b>
Capital grants and contributions.....	490,788	-	-	490,788	464,208
<b>CHANGE IN NET POSITION.....</b>	<b>(1,512,981)</b>	<b>(24,367)</b>	<b>(28,774)</b>	<b>(1,566,122)</b>	<b>(1,874,056)</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>15,865,948</b>	<b>(225,260)</b>	<b>(325,218)</b>	<b>15,315,470</b>	<b>17,189,526</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 14,352,967</b>	<b>(249,627)</b>	<b>\$ (353,992)</b>	<b>\$ 13,749,348</b>	<b>\$ 15,315,470</b>

See accompanying independent auditors' report.