

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

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2019 AND 2018**



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**WORCESTER REDEVELOPMENT AUTHORITY  
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## INDEPENDENT AUDITORS' REPORT

Board Members  
Worcester Redevelopment Authority  
Worcester, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Worcester Redevelopment Authority (Authority), a component unit of the city of Worcester (City), as of and for the years ended June 30, 2019 and 2018, 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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, 2019 and 2018, 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 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 statements of net position by program, and the statements of revenues, expenses, and changes in net position by program 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 November 22, 2019 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  
November 22, 2019

**WORCESTER REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2019 AND 2018**

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, 2019 and 2018.

**FINANCIAL HIGHLIGHTS**

- The assets of the Authority exceeded its liabilities at the close of the current fiscal year by \$11,927,495 (net position).
- The Authority's total net position decreased \$98,803 in the current fiscal year.
- The Authority's total debt increased by \$1,370,820 during the current fiscal year; \$1,370,820 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 8-10)
2. Notes to the basic financial statements (pages 11-18)

This report also contains additional information (pages 19-20) 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 2019, 2018, and 2017.

**WORCESTER REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2019 AND 2018**

**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 \$11,927,495 at the close of the current fiscal year and are summarized as follows:

	2019	2018	2017
<b>ASSETS</b>			
Current Assets	\$ 2,325,999	\$ 326,318	\$ 220,364
Assets Held for City - Ballpark	13,460,117	-	-
Capital Assets (Net)	28,094,898	26,397,710	26,699,966
Total Assets	43,881,014	26,724,028	26,920,330
<b>LIABILITIES</b>			
Current Liabilities (Excluding Debt)	6,221,266	3,755,090	3,016,142
Noncurrent Liabilities (Excluding Debt)	13,537,847	119,054	119,985
Current Debt	10,819,167	10,177,765	9,517,579
Noncurrent Debt	1,375,239	645,821	517,276
Total Liabilities	31,953,519	14,697,730	13,170,982
<b>NET POSITION</b>			
Net Investment in Capital Assets	23,185,727	22,234,560	22,745,249
Unrestricted	(11,258,232)	(10,208,262)	(8,995,901)
Total Net Position	\$ 11,927,495	\$ 12,026,298	\$ 13,749,348

**2019**

At June 30, 2019, the majority 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, 2019 represents a deficit in unrestricted net position (\$11,258,232).

**2018**

At June 30, 2018, the majority 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, 2018 represents a deficit in unrestricted net position (\$10,208,262).

**WORCESTER REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2019 AND 2018**

**Changes in Net Position**

For the fiscal year ended June 30, 2019, the Authority's total net position decreased by \$98,803, compared to a decrease of \$1,723,050 in the prior fiscal year and a decrease of \$1,566,122 in fiscal year 2017. These amounts are summarized as follows:

	2019	2018	2017
<b>REVENUES</b>			
Operating Revenues:			
Tenant Income	\$ 223,296	\$ 396,807	\$ 508,771
Other Operating Revenues	3,400	-	-
Total Operating Revenues	<u>226,696</u>	<u>396,807</u>	<u>508,771</u>
<b>EXPENSES</b>			
Operating Expenses:			
Office Operations	1,090,391	561,124	389,197
Property Management	43,012	50,087	47,174
Consulting and Other Contracted Services	103,885	71,503	110,148
General Insurance	16,056	16,794	16,504
Property Maintenance	402,401	421,606	402,529
Utilities	206,399	240,591	230,628
Depreciation	1,059,460	1,045,104	1,044,827
Parking Expense	14,360	72,990	83,520
Other	1,473	1,517	2,207
Total Operating Expenses	<u>2,937,437</u>	<u>2,481,316</u>	<u>2,326,734</u>
<b>OPERATING LOSS</b>	(2,710,741)	(2,084,509)	(1,817,963)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	1,656	114	224
Interest Expense	(594,017)	(387,902)	(239,171)
Gain on Sale of Capital Assets	-	27,300	-
Total Nonoperating Expenses	<u>(592,361)</u>	<u>(360,488)</u>	<u>(238,947)</u>
<b>LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	(3,303,102)	(2,444,997)	(2,056,910)
Capital Grants and Contributions	<u>3,204,299</u>	<u>721,947</u>	<u>490,788</u>
<b>CHANGE IN NET POSITION</b>	(98,803)	(1,723,050)	(1,566,122)
Net Position - Beginning of Year	<u>12,026,298</u>	<u>13,749,348</u>	<u>15,315,470</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 11,927,495</u></u>	<u><u>\$ 12,026,298</u></u>	<u><u>\$ 13,749,348</u></u>

**2019**

The Authority's net position decreased \$98,803. In the prior year, the Authority's net position decreased \$1,723,050. The key element of this change relates to an increase in capital grants and contributions.

**WORCESTER REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2019 AND 2018**

**2018**

The Authority's net position decreased \$1,723,050. In the prior year, the Authority's net position decreased \$1,566,122. The key element of this change relates to an increase in office operations expenses, primarily related to janitorial and security services.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Authority's capital assets at the end of the current fiscal year totaled \$28,094,898 (net of accumulated depreciation). Capital assets include; land, construction in progress, land improvements, buildings and improvements and equipment. The total increase in capital assets for the current fiscal year totaled \$1,697,188 or 6.4%.

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

	2019	2018	2017
Land	\$ 1,054,569	\$ 1,054,569	\$ 1,128,369
Land Improvements	30,860	36,076	41,292
Buildings and Improvements	22,931,913	23,424,938	24,460,991
Equipment	47,935	49,261	42,287
Construction in Progress	4,029,621	1,832,866	1,027,027
Total Capital Assets	<u>\$ 28,094,898</u>	<u>\$ 26,397,710</u>	<u>\$ 26,699,966</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 \$12,194,406, consisting of notes payable to the City. In fiscal years' 2018 and 2017, total debt outstanding was \$10,823,586 and \$10,034,855, respectively, also consisting of notes payable to the City.

The Authority's total debt increased \$1,370,820 (12.7%) during the current fiscal year, with \$1,370,820 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.

**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 which in turn allowed access to federal funds for improvements to Union Station. Additionally, in December 2014, the City and the WRA entered into a cooperation agreement to effectuate a Downtown Urban Revitalization Plan.



**WORCESTER REDEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED JUNE 30, 2019 AND 2018**

In August 2018, the City announced it had reached an agreement with the ownership of the Triple A affiliate of the Boston Red Sox to construct a \$94.5M ball park, primarily within the Urban Renewal project area. Since the facility to be constructed is within the boundaries of the urban renewal area, the City has amended the cooperation agreement with the WRA to facilitate the construction of the ball park and a garage which shall support the Urban Renewal project area. To that end, the WRA solicited technical expertise to assist in the development of the 10,000 capacity ball park to be located in the Canal District portion of the Urban Renewal project area.

The WRA issued Request for Services proposals for both Designers and Owners Project Managers (OPM) for the construction of the ball park and awarded contracts to D'Agostino Izzo & Quirk Architects, Inc. and Skanska USA Building, Inc. respectively. Subsequent to the awards to the designer and OPM, the WRA solicited Construction Manager at Risk services and subsequently awarded a contract to a joint venture Gilbane-Hunt. In addition to these three contracts, the WRA contracted with additional service providers to enable the WRA to facilitate the construction of the ball park and garage.

The WRA has commenced with the acquisition and demolition/remediation of the additional properties required to construct the ball park and construction has commenced.

As it relates to the Union Station and its environs, which are also under the auspices of the WRA, in FY18 the vacancy rate at the station increased as tenants outgrew their leased premise. Concurrent with the relocation of tenants, the WRA responded to a solicitation of the Commonwealth of Massachusetts for office space for the newly formed Cannabis Control Commission. In January 2019, the WRA was awarded and executed a ten year lease agreement for what equates to the entire second floor on the Union Station facility.

Finally, continuing on the development which has occurred around the Union Station intermodal facility, the WRA authorized the conveyance of properties within Washington Square for the construction of a second hotel.

**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.

**WORCESTER REDEVELOPMENT AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2019 AND 2018**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and Cash Equivalents	\$ 999,274	\$ 16,333
Restricted Cash and Cash Equivalents	748,185	159
Receivables, Net of Allowance for Uncollectible Amounts:		
Grants, Contracts, and Other	576,425	307,711
Prepaid Expenses	<u>2,115</u>	<u>2,115</u>
Total Current Assets	2,325,999	326,318
Noncurrent Assets:		
Assets Held for City of Worcester - Ballpark	13,460,117	-
Capital Assets not Being Depreciated	5,084,190	2,887,435
Capital Assets, Net of Accumulated Depreciation	<u>23,010,708</u>	<u>23,510,275</u>
Total Noncurrent Assets	41,555,015	26,397,710
Total Assets	43,881,014	26,724,028
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	1,802,291	720,412
Other Liabilities	35,981	20,048
Accrued Interest	3,649,971	3,014,630
Advances from City of Worcester - Ballpark	733,023	-
Notes Payable to the City of Worcester	<u>10,819,167</u>	<u>10,177,765</u>
Total Current Liabilities	17,040,433	13,932,855
Noncurrent Liabilities:		
Accrued Interest	77,730	119,054
Due to City of Worcester - Ballpark Assets	13,460,117	-
Notes Payable to the City of Worcester	<u>1,375,239</u>	<u>645,821</u>
Total Noncurrent Liabilities	14,913,086	764,875
Total Liabilities	31,953,519	14,697,730
<b>NET POSITION</b>		
Net Investment in Capital Assets	23,185,727	22,234,560
Unrestricted	<u>(11,258,232)</u>	<u>(10,208,262)</u>
Total Net Position	<u>\$ 11,927,495</u>	<u>\$ 12,026,298</u>

See accompanying Notes to Basic Financial Statements.

**WORCESTER REDEVELOPMENT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES</b>		
Tenant Income	\$ 223,296	\$ 396,807
Other	3,400	-
Total Operating Revenues	<u>226,696</u>	<u>396,807</u>
<b>OPERATING EXPENSES</b>		
Office Operations	1,090,391	561,124
Property Management	43,012	50,087
Consulting and Other Contracted Services	103,885	71,503
General Insurance	16,056	16,794
Property Maintenance	402,401	421,606
Utilities	206,399	240,591
Depreciation	1,059,460	1,045,104
Parking Expense	14,360	72,990
Other	1,473	1,517
Total Operating Expenses	<u>2,937,437</u>	<u>2,481,316</u>
<b>OPERATING LOSS</b>	(2,710,741)	(2,084,509)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income	1,656	114
Interest Expense	(594,017)	(387,902)
Gain on Sale of Capital Assets	-	27,300
Total Nonoperating Expenses, Net	<u>(592,361)</u>	<u>(360,488)</u>
<b>LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	(3,303,102)	(2,444,997)
Capital Grants and Contributions	<u>3,204,299</u>	<u>721,947</u>
<b>CHANGE IN NET POSITION</b>	(98,803)	(1,723,050)
Net Position - Beginning of Year	<u>12,026,298</u>	<u>13,749,348</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 11,927,495</u></u>	<u><u>\$ 12,026,298</u></u>

See accompanying Notes to Basic Financial Statements.

**WORCESTER REDEVELOPMENT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 226,696	\$ 282,344
Payments to Vendors	(780,165)	(1,086,097)
Net Cash Used by Operating Activities	(553,469)	(803,753)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Proceeds from the Issuance of Notes - Operating	808,893	645,817
Advances from City of Worcester - Ballpark	14,193,140	-
Ballpark	(13,460,117)	-
Net Cash Provided by Noncapital Financing Activities	1,541,916	645,817
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Grants and Contributions	2,935,585	721,947
Proceeds from the Issuance of Notes - Capital	561,927	244,014
Acquisition and Construction of Capital Assets	(2,756,648)	(816,648)
Principal Payments on Bonds and Notes	-	(101,100)
Proceeds from Sale of Capital Assets	-	101,100
Net Cash Provided by Capital and Related Financing Activities	740,864	149,313
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Income	1,656	114
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,730,967	(8,509)
Cash and Cash Equivalents - Beginning of Year (Includes \$159 Reported as Restricted)	16,492	25,001
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b> (Includes \$748,185 Reported as Restricted)	\$ 1,747,459	\$ 16,492
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (2,710,741)	\$ (2,084,509)
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Cash from Operating Activities:		
Adjustments not Requiring Current Cash Flows:		
Depreciation	1,059,460	1,045,104
Adjustments Requiring Current Cash Flows:		
Accounts Receivable	-	(114,463)
Accounts Payable	1,081,879	361,099
Other Liabilities	15,933	(10,984)
Total Adjustments	2,157,272	1,280,756
Net Cash Used by Operating Activities	\$ (553,469)	\$ (803,753)

See accompanying Notes to Basic Financial Statements.

**WORCESTER REDEVELOPMENT AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

**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.

**Implementation of New Accounting Principles**

For the year ending June 30, 2019, the Authority implemented the following pronouncements issued by the GASB:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

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

**WORCESTER REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**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.

**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 acquisition 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, 2019, such interest is not material and therefore is not included as part of capital assets.

**WORCESTER REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

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.

**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, 2019, none of the Authority's bank balance of \$1,773,107 was uninsured and uncollateralized. As of June 30, 2018, none of the Authority's bank balance of \$16,489 was uninsured and uncollateralized.

**NOTE 3 ACCOUNTS RECEIVABLE**

At June 30, 2019 and 2018, grants, contracts and other receivables totaled \$576,425 and \$307,711, respectively. All amounts are considered 100% collectible.

**WORCESTER REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 1,054,569	\$ -	\$ -	\$ 1,054,569
Construction in Progress	1,832,866	2,767,447	(570,692)	4,029,621
Total Capital Assets not being Depreciated	2,887,435	2,767,447	(570,692)	5,084,190
<u>Capital Assets being Depreciated:</u>				
Land Improvements	108,871	-	-	108,871
Buildings and Improvements	40,503,937	559,893	-	41,063,830
Equipment	119,561	-	-	119,561
Total Capital Assets being Depreciated	40,732,369	559,893	-	41,292,262
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(72,795)	(5,216)	-	(78,011)
Buildings and Improvements	(17,078,999)	(1,052,918)	-	(18,131,917)
Equipment	(70,300)	(1,326)	-	(71,626)
Total Accumulated Depreciation	(17,222,094)	(1,059,460)	-	(18,281,554)
Total Capital Assets being Depreciated, Net	23,510,275	(499,567)	-	23,010,708
Total Capital Assets, Net	<u>\$ 26,397,710</u>	<u>\$ 2,267,880</u>	<u>\$ (570,692)</u>	<u>\$ 28,094,898</u>

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital Assets not being Depreciated:</u>				
Land	\$ 1,128,369	\$ -	\$ (73,800)	\$ 1,054,569
Construction in Progress	1,027,027	805,839	-	1,832,866
Total Capital Assets not being Depreciated	2,155,396	805,839	(73,800)	2,887,435
<u>Capital Assets being Depreciated:</u>				
Land Improvements	108,871	-	-	108,871
Buildings and Improvements	40,501,428	2,509	-	40,503,937
Equipment	111,261	8,300	-	119,561
Total Capital Assets being Depreciated	40,721,560	10,809	-	40,732,369
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(67,579)	(5,216)	-	(72,795)
Buildings and Improvements	(16,040,437)	(1,038,562)	-	(17,078,999)
Equipment	(68,974)	(1,326)	-	(70,300)
Total Accumulated Depreciation	(16,176,990)	(1,045,104)	-	(17,222,094)
Total Capital Assets being Depreciated, Net	24,544,570	(1,034,295)	-	23,510,275
Total Capital Assets, Net	<u>\$ 26,699,966</u>	<u>\$ (228,456)</u>	<u>\$ (73,800)</u>	<u>\$ 26,397,710</u>



**WORCESTER REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**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 2.83% to 5.15%) 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.

Details related to notes payable to the City at June 30, 2019 are as follows:

Project	Outstanding at June 30, 2018	Issued	Redeemed	Outstanding at June 30, 2019
Union Station - Building Fit Out	\$ 3,578,103	\$ 512,607	\$ -	\$ 4,090,710
Union Station - Operating	6,397,445	808,893	-	7,206,338
Union Station - Bus Ports	483,944	-	-	483,944
General and Administrative	78,897	-	-	78,897
Urban Renewal	285,197	49,320	-	334,517
Total	<u>\$ 10,823,586</u>	<u>\$ 1,370,820</u>	<u>\$ -</u>	<u>\$ 12,194,406</u>

Details related to notes payable to the City at June 30, 2018 are as follows:

Project	Outstanding at June 30, 2017	Issued	Redeemed	Outstanding at June 30, 2018
Union Station - Building Fit Out	\$ 3,470,759	\$ 208,444	\$ (101,100)	\$ 3,578,103
Union Station - Operating	5,751,628	645,817	-	6,397,445
Union Station - Bus Ports	483,944	-	-	483,944
General and Administrative	78,897	-	-	78,897
Urban Renewal	249,627	35,570	-	285,197
Total	<u>\$ 10,034,855</u>	<u>\$ 889,831</u>	<u>\$ (101,100)</u>	<u>\$ 10,823,586</u>

As of June 30, 2019, debt service requirements in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 10,819,167	\$ 3,649,971	\$ 14,469,138
2021	1,375,239	163,369	1,538,608
Total	<u>\$ 12,194,406</u>	<u>\$ 3,813,340</u>	<u>\$ 16,007,746</u>

**WORCESTER REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 5 NOTES PAYABLE (CONTINUED)**

As of June 30, 2018, debt service requirements in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 10,177,768	\$ 3,153,526	\$ 13,331,294
2020	645,818	19,842	665,660
Total	<u>\$ 10,823,586</u>	<u>\$ 3,173,368</u>	<u>\$ 13,996,954</u>

At June 30, 2019 and 2018, notes payable to the City totaling \$10,177,765 and \$9,517,579, respectively, had matured but were not liquidated by the Authority.

**NOTE 6 MINOR LEAGUE BALLPARK**

On December 12, 2014, the Authority and City entered into a Cooperation Agreement (Agreement) concerning an urban renewal/downtown urban revitalization plan. Pursuant to the Agreement and vote of the Authority on December 21, 2018, the Authority and City executed an amendment to the Agreement whereby the City has agreed to provide the Authority \$94,500,000 for the purpose of implementing and financing the construction of a multi-purpose, publicly owned, Triple-A professional baseball ballpark (ballpark) to serve as the home ballpark of the Triple-A affiliated professional baseball franchise operated by the Pawtucket Red Sox Baseball Club, LLC.

Upon completion of the construction of the ballpark, the ballpark will be owned and operated by the City. During fiscal year 2019, the City provided the Authority \$14,193,140 to finance costs associated with the ballpark. Of this amount, the Authority spent \$13,460,117 during fiscal year 2019. The \$13,460,117 is reported as Assets Held for City of Worcester – Ballpark (asset) and Due to City of Worcester – Ballpark Assets (liability) in the statements of net position. The \$733,023 of unspent funds as of June 30, 2019 are reported as Advances from City of Worcester – Ballpark (liability) in the statements of net position.

**NOTE 7 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 8 OPERATING LEASES**

The Authority leases property under various operating leases. Total revenues from such leases were \$223,296 and \$396,807 for the fiscal years ended June 30, 2019 and 2018, respectively, and are reported as tenant income in the statements of revenues, expenses, and changes in net position.

**WORCESTER REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 8 OPERATING LEASES (CONTINUED)**

Future minimum lease payments as of June 30, 2019 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 396,464
2021	619,718
2022	615,804
2023	624,504
2024	534,656
Thereafter	2,811,920
Total	<u><u>\$ 5,603,066</u></u>

Future minimum lease payments as of June 30, 2018 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 198,971
2020	175,954
2021	177,970
2022	167,687
2023	169,825
Thereafter	233,763
Total	<u><u>\$ 1,124,170</u></u>

**NOTE 9 RELATED-PARTY TRANSACTIONS**

The transactions between the Authority and the City during the fiscal year ended June 30, 2019 and 2018 consisted of loans from the City to the Authority in the amount of \$1,370,820 (\$808,893 of operating loans and \$561,927 of capital loans) and \$889,831 (\$645,817 of operating loans and \$244,014 of capital loans), respectively. The Authority has outstanding notes payable to the City totaling \$12,194,406 and \$10,823,586 at June 30, 2019 and 2018, respectively.

The transactions between the Authority and the City during the fiscal year ended June 30, 2019 also consisted of advances from the City to the Authority in the amount of \$14,193,140 to finance costs associated with the ballpark (see Note 6).

In addition, the Authority sold a parcel of land to the City during the fiscal year ended June 30, 2018 in the amount of \$101,100.

**WORCESTER REDEVELOPMENT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**NOTE 10 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 83.1% (\$15,563,960) and 44.6% (\$889,831) of the Authority's cash inflows for the fiscal years ended June 30, 2019 and 2018, respectively, were from the issuance of notes and ballpark financing by the City.

**WORCESTER REDEVELOPMENT AUTHORITY**  
**STATEMENTS OF NET POSITION BY PROGRAM**  
**JUNE 30, 2019 AND 2018**

	Program				Totals	
	Union Station Operating	Urban Renewal Operating	General Operating	Ballpark	2019	2018
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 999,274	\$ -	\$ -	\$ -	\$ 999,274	\$ 16,333
Restricted Cash and Cash Equivalents	15,162	-	-	733,023	748,185	159
Receivables, Net of Allowance for Uncollectible Amounts:						
Grants, Contracts, and Other	576,425	-	-	-	576,425	307,711
Prepaid Expenses	2,115	-	-	-	2,115	2,115
Total Current Assets	1,592,976	-	-	733,023	2,325,999	326,318
Noncurrent Assets:						
Due from (to) Other Programs	796,825	-	(796,825)	-	-	-
Assets Held for City of Worcester - Ballpark	-	-	-	13,460,117	13,460,117	-
Capital Assets not being Depreciated	4,569,390	-	514,800	-	5,084,190	2,887,435
Capital Assets, Net of Accumulated Depreciation	23,010,708	-	-	-	23,010,708	23,510,275
Total Noncurrent Assets	28,376,923	-	(282,025)	13,460,117	41,555,015	26,397,710
Total Assets	29,969,899	-	(282,025)	14,193,140	43,881,014	26,724,028
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	1,802,291	-	-	-	1,802,291	720,412
Other Liabilities	35,981	-	-	-	35,981	20,048
Accrued Interest	3,649,971	-	-	-	3,649,971	3,014,630
Advances from City of Worcester - Ballpark	-	-	-	733,023	733,023	-
Notes Payable to the City of Worcester	10,740,270	-	78,897	-	10,819,167	10,177,765
Total Current Liabilities	16,228,513	-	78,897	733,023	17,040,433	13,932,855
Noncurrent Liabilities:						
Accrued Interest	77,730	-	-	-	77,730	119,054
Due to City of Worcester - Ballpark Assets	-	-	-	13,460,117	13,460,117	-
Notes Payable to the City of Worcester	1,040,722	334,517	-	-	1,375,239	645,821
Total Noncurrent Liabilities	1,118,452	334,517	-	13,460,117	14,913,086	764,875
Total Liabilities	17,346,965	334,517	78,897	14,193,140	31,953,519	14,697,730
<b>NET POSITION</b>						
Net Investment in Capital Assets	22,670,927	-	514,800	-	23,185,727	22,234,560
Unrestricted	(10,047,993)	(334,517)	(875,722)	-	(11,258,232)	(10,208,262)
Total Net Position	<u>\$ 12,622,934</u>	<u>\$ (334,517)</u>	<u>\$ (360,922)</u>	<u>\$ -</u>	<u>\$ 11,927,495</u>	<u>\$ 12,026,298</u>

**WORCESTER REDEVELOPMENT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY PROGRAM**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

	Program				Totals	
	Union Station Operating	Urban Renewal Operating	General Operating	Ballpark	2019	2018
<b>OPERATING REVENUES</b>						
Tenant Income	\$ 223,296	\$ -	\$ -	\$ -	\$ 223,296	\$ 396,807
Other Operating Revenues	3,400	-	-	-	3,400	-
Total Operating Revenues	<u>226,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,696</u>	<u>396,807</u>
<b>OPERATING EXPENSES</b>						
Office Operations	1,090,391	-	-	-	1,090,391	561,124
Property Management	43,012	-	-	-	43,012	50,087
Consulting and Other Contracted Services	36,565	49,320	18,000	-	103,885	71,503
General Insurance	16,056	-	-	-	16,056	16,794
Property Maintenance	402,401	-	-	-	402,401	421,606
Utilities	206,399	-	-	-	206,399	240,591
Depreciation	1,059,460	-	-	-	1,059,460	1,045,104
Parking Expense	14,360	-	-	-	14,360	72,990
Other	1,473	-	-	-	1,473	1,517
Total Operating Expenses	<u>2,870,117</u>	<u>49,320</u>	<u>18,000</u>	<u>-</u>	<u>2,937,437</u>	<u>2,481,316</u>
<b>OPERATING LOSS</b>	(2,643,421)	(49,320)	(18,000)	-	(2,710,741)	(2,084,509)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment Income	-	-	1,656	-	1,656	114
Interest Expense	(594,017)	-	-	-	(594,017)	(387,902)
Gain on Disposal of Capital Assets	-	-	-	-	-	27,300
Total Nonoperating Revenues (Expenses), Net	<u>(594,017)</u>	<u>-</u>	<u>1,656</u>	<u>-</u>	<u>(592,361)</u>	<u>(360,488)</u>
<b>LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS</b>	(3,237,438)	(49,320)	(16,344)	-	(3,303,102)	(2,444,997)
Capital Grants and Contributions	<u>3,204,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,204,299</u>	<u>721,947</u>
<b>CHANGE IN NET POSITION</b>	(33,139)	(49,320)	(16,344)	-	(98,803)	(1,723,050)
Net Position - Beginning of Year	<u>12,656,073</u>	<u>(285,197)</u>	<u>(344,578)</u>	<u>-</u>	<u>12,026,298</u>	<u>13,749,348</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 12,622,934</u>	<u>\$ (334,517)</u>	<u>\$ (360,922)</u>	<u>\$ -</u>	<u>\$ 11,927,495</u>	<u>\$ 12,026,298</u>

