

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019



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**WORCESTER REDEVELOPMENT AUTHORITY
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YEARS ENDED JUNE 30, 2020 AND 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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 are the responsibility of management and were derived from and relate 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 directly 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 January 8, 2021 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
January 8, 2021

**WORCESTER REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

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, 2020 and 2019.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the current fiscal year by \$10,755,103 (net position).
- The Authority's total net position decreased \$1,172,392 in the current fiscal year.
- The Authority's total debt increased by \$2,698,116 during the current fiscal year; \$2,698,116 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 2020, 2019, and 2018.

**WORCESTER REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

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 \$10,755,103 at the close of the current fiscal year and are summarized as follows:

	2020	2019	2018
ASSETS			
Current Assets	\$ 7,128,862	\$ 2,325,999	\$ 326,318
Assets Held for City - Ballpark	60,096,647	13,460,117	-
Capital Assets (Net)	30,733,302	28,094,898	26,397,710
Total Assets	97,958,811	43,881,014	26,724,028
LIABILITIES			
Current Liabilities (Excluding Debt)	12,206,612	6,221,266	3,755,090
Noncurrent Liabilities (Excluding Debt)	60,104,574	13,537,847	119,054
Current Debt	14,194,406	10,819,167	10,177,765
Noncurrent Debt	698,116	1,375,239	645,821
Total Liabilities	87,203,708	31,953,519	14,697,730
NET POSITION			
Net Investment in Capital Assets	23,622,086	23,185,727	22,234,560
Unrestricted	(12,866,983)	(11,258,232)	(10,208,262)
Total Net Position	\$ 10,755,103	\$ 11,927,495	\$ 12,026,298

2020

At June 30, 2020, 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, 2020 represents a deficit in unrestricted net position (\$12,866,983).

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).

**WORCESTER REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

Changes in Net Position

For the fiscal year ended June 30, 2020, the Authority's total net position decreased by \$1,172,392, compared to a decrease of \$98,803 in the prior fiscal year and a decrease of \$1,723,050 in fiscal year 2018. These amounts are summarized as follows:

	2020	2019	2018
REVENUES			
Operating Revenues:			
Tenant Income	\$ 568,859	\$ 223,296	\$ 396,807
Other Operating Revenues	7,252	3,400	-
Total Operating Revenues	<u>576,111</u>	<u>226,696</u>	<u>396,807</u>
EXPENSES			
Operating Expenses:			
Office Operations	662,643	1,090,391	561,124
Property Management	59,214	43,012	50,087
Consulting and Other Contracted Services	-	103,885	71,503
General Insurance	13,835	16,056	16,793
Property Maintenance	626,431	402,401	421,606
Utilities	255,800	206,399	240,591
Depreciation	1,059,460	1,059,460	1,045,104
Parking Expense	3,880	14,360	72,990
Other	2,119	1,473	1,518
Total Operating Expenses	<u>2,683,382</u>	<u>2,937,437</u>	<u>2,481,316</u>
OPERATING LOSS	(2,107,271)	(2,710,741)	(2,084,509)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	24,378	1,656	114
Interest Expense	(481,332)	(594,017)	(387,902)
Gain on Sale of Capital Assets	-	-	27,300
Total Nonoperating Expenses	<u>(456,954)</u>	<u>(592,361)</u>	<u>(360,488)</u>
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(2,564,225)	(3,303,102)	(2,444,997)
Capital Grants and Contributions	<u>1,391,833</u>	<u>3,204,299</u>	<u>721,947</u>
CHANGE IN NET POSITION	(1,172,392)	(98,803)	(1,723,050)
Net Position - Beginning of Year	<u>11,927,495</u>	<u>12,026,298</u>	<u>13,749,348</u>
NET POSITION - END OF YEAR	<u><u>\$ 10,755,103</u></u>	<u><u>\$ 11,927,495</u></u>	<u><u>\$ 12,026,298</u></u>

2020

The Authority's net position decreased \$1,172,392. In the prior year, the Authority's net position decreased \$98,803. The key element of this change relates to a decrease in capital grants and contributions.

**WORCESTER REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Authority's capital assets at the end of the current fiscal year totaled \$30,733,302 (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 \$2,638,404 or 9.4%.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Land	\$ 1,054,569	\$ 1,054,569	\$ 1,054,569
Land Improvements	25,644	30,860	36,076
Buildings and Improvements	21,878,995	22,931,913	23,424,938
Equipment	46,609	47,935	49,261
Construction in Progress	<u>7,727,485</u>	<u>4,029,621</u>	<u>1,832,866</u>
Total Capital Assets	<u><u>\$ 30,733,302</u></u>	<u><u>\$ 28,094,898</u></u>	<u><u>\$ 26,397,710</u></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 \$14,892,522, consisting of notes payable to the City. In fiscal years' 2019 and 2018, total debt outstanding was \$12,194,406 and \$10,823,586, respectively, also consisting of notes payable to the City.

The Authority's total debt increased \$2,698,116 during the current fiscal year, with \$2,698,116 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
YEARS ENDED JUNE 30, 2020 AND 2019**

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, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and Cash Equivalents	\$ 2,510,542	\$ 999,274
Restricted Cash and Cash Equivalents	3,808,306	748,185
Receivables, Net of Allowance for Uncollectible Amounts:		
Grants, Contracts, and Other	538,310	576,425
Prepaid Expenses	<u>271,704</u>	<u>2,115</u>
Total Current Assets	7,128,862	2,325,999
Noncurrent Assets:		
Assets Held for City of Worcester - Ballpark	60,096,647	13,460,117
Capital Assets not Being Depreciated	8,782,054	5,084,190
Capital Assets, Net of Accumulated Depreciation	<u>21,951,248</u>	<u>23,010,708</u>
Total Noncurrent Assets	90,829,949	41,555,015
 Total Assets	 97,958,811	 43,881,014
 LIABILITIES		
Current Liabilities:		
Accounts Payable	4,181,350	1,802,291
Other Liabilities	31,035	35,981
Accrued Interest	4,201,106	3,649,971
Advances from City of Worcester - Ballpark	3,793,121	733,023
Notes Payable to the City of Worcester	<u>14,194,406</u>	<u>10,819,167</u>
Total Current Liabilities	26,401,018	17,040,433
Noncurrent Liabilities:		
Accrued Interest	7,927	77,730
Due to City of Worcester - Ballpark Assets	60,096,647	13,460,117
Notes Payable to the City of Worcester	<u>698,116</u>	<u>1,375,239</u>
Total Noncurrent Liabilities	60,802,690	14,913,086
 Total Liabilities	 <u>87,203,708</u>	 <u>31,953,519</u>
 NET POSITION		
Net Investment in Capital Assets	23,622,086	23,185,727
Unrestricted	<u>(12,866,983)</u>	<u>(11,258,232)</u>
Total Net Position	<u>\$ 10,755,103</u>	<u>\$ 11,927,495</u>

See accompanying Notes to Basic Financial Statements.

WORCESTER REDEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Tenant Income	\$ 568,859	\$ 223,296
Other	<u>7,252</u>	<u>3,400</u>
Total Operating Revenues	576,111	226,696
OPERATING EXPENSES		
Office Operations	662,643	1,090,391
Property Management	59,214	43,012
Consulting and Other Contracted Services	-	103,885
General Insurance	13,835	16,056
Property Maintenance	626,431	402,401
Utilities	255,800	206,399
Depreciation	1,059,460	1,059,460
Parking Expense	3,880	14,360
Other	<u>2,119</u>	<u>1,473</u>
Total Operating Expenses	<u>2,683,382</u>	<u>2,937,437</u>
OPERATING LOSS	(2,107,271)	(2,710,741)
NONOPERATING REVENUES (EXPENSES)		
Investment Income	24,378	1,656
Interest Expense	<u>(481,332)</u>	<u>(594,017)</u>
Total Nonoperating Expenses, Net	<u>(456,954)</u>	<u>(592,361)</u>
LOSS BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(2,564,225)	(3,303,102)
Capital Grants and Contributions	<u>1,391,833</u>	<u>3,204,299</u>
CHANGE IN NET POSITION	(1,172,392)	(98,803)
Net Position - Beginning of Year	<u>11,927,495</u>	<u>12,026,298</u>
NET POSITION - END OF YEAR	<u><u>\$ 10,755,103</u></u>	<u><u>\$ 11,927,495</u></u>

See accompanying Notes to Basic Financial Statements.

WORCESTER REDEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 576,111	\$ 226,696
Payments to Vendors	(933,131)	(780,165)
Net Cash Used by Operating Activities	(357,020)	(553,469)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from the Issuance of Notes - Operating	496,071	808,893
Advances from City of Worcester - Ballpark	49,696,628	14,193,140
Acquisition and Construction of Assets Held for City of Worcester - Ballpark	(45,222,797)	(13,460,117)
Net Cash Provided by Noncapital Financing Activities	4,969,902	1,541,916
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	1,429,948	2,935,585
Proceeds from the Issuance of Notes - Capital	2,202,045	561,927
Acquisition and Construction of Capital Assets	(3,697,864)	(2,756,648)
Net Cash Provided (Used) by Capital and Related Financing Activities	(65,871)	740,864
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	24,378	1,656
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,571,389	1,730,967
Cash and Cash Equivalents - Beginning of Year (Includes \$748,185 Reported as Restricted)	1,747,459	16,492
CASH AND CASH EQUIVALENTS - END OF YEAR (Includes \$3,808,306 Reported as Restricted)	\$ 6,318,848	\$ 1,747,459
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating Loss	\$ (2,107,271)	\$ (2,710,741)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Adjustments not Requiring Current Cash Flows:		
Depreciation	1,059,460	1,059,460
Adjustments Requiring Current Cash Flows:		
Prepaid Expenses	(269,589)	-
Accounts Payable	965,326	1,081,879
Other Liabilities	(4,946)	15,933
Total Adjustments	1,750,251	2,157,272
Net Cash Used by Operating Activities	\$ (357,020)	\$ (553,469)

See accompanying Notes to Basic Financial Statements.

WORCESTER REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020, the Authority implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the implementation dates of certain GASB Statements.

WORCESTER REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020, 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, 2020 AND 2019

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 to 20
Buildings and Improvements	39
Equipment	3 to 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, 2020, none of the Authority's bank balance of \$6,332,521 was uninsured and uncollateralized. As of June 30, 2019, none of the Authority's bank balance of \$1,773,107 was uninsured and uncollateralized.

NOTE 3 ACCOUNTS RECEIVABLE

At June 30, 2020 and 2019, grants, contracts and other receivables totaled \$538,310 and \$576,425, respectively. All amounts are considered 100% collectible.

WORCESTER REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 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	4,029,621	3,697,864	-	7,727,485
Total Capital Assets not being Depreciated	5,084,190	3,697,864	-	8,782,054
<u>Capital Assets being Depreciated:</u>				
Land Improvements	108,871	-	-	108,871
Buildings and Improvements	41,063,830	-	-	41,063,830
Equipment	119,561	-	-	119,561
Total Capital Assets being Depreciated	41,292,262	-	-	41,292,262
<u>Less Accumulated Depreciation for:</u>				
Land Improvements	(78,011)	(5,216)	-	(83,227)
Buildings and Improvements	(18,131,917)	(1,052,918)	-	(19,184,835)
Equipment	(71,626)	(1,326)	-	(72,952)
Total Accumulated Depreciation	(18,281,554)	(1,059,460)	-	(19,341,014)
Total Capital Assets being Depreciated, Net	23,010,708	(1,059,460)	-	21,951,248
Total Capital Assets, Net	<u>\$ 28,094,898</u>	<u>\$ 2,638,404</u>	<u>\$ -</u>	<u>\$ 30,733,302</u>

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>

WORCESTER REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2020 are as follows:

Project	Outstanding at June 30, 2019	Issued	Redeemed	Outstanding at June 30, 2020
Union Station - Building Fit Out	\$ 4,090,710	\$ 2,202,045	\$ -	\$ 6,292,755
Union Station - Operating	7,206,338	496,071	-	7,702,409
Union Station - Bus Ports	483,944	-	-	483,944
General and Administrative	78,897	-	-	78,897
Urban Renewal	334,517	-	-	334,517
Total	<u>\$ 12,194,406</u>	<u>\$ 2,698,116</u>	<u>\$ -</u>	<u>\$ 14,892,522</u>

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>

As of June 30, 2020, debt service requirements in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 14,194,406	\$ 4,201,106	\$ 18,395,512
2022	698,116	37,299	735,415
Total	<u>\$ 14,892,522</u>	<u>\$ 4,238,405</u>	<u>\$ 19,130,927</u>

WORCESTER REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 5 NOTES PAYABLE (CONTINUED)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>

At June 30, 2020 and 2019, notes payable to the City totaling \$10,819,167 and \$10,177,765, 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 \$131,589,005 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. An amendment to the Agreement dated August 31, 2020 increased the amount the City has agreed to provide to the Authority to a total of approximately \$167,462,000.

Upon completion of the construction of the ballpark, the ballpark will be owned and operated by the City. During fiscal year 2020, the City provided the Authority approximately \$49,700,000 to finance costs associated with the ballpark. Of this amount, the Authority spent approximately \$46,640,000 during fiscal year 2020. At June 30, 2020, \$60,096,647 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 for the total amount spent by the Authority associated with the ballpark. At June 30, 2020, \$3,793,121 is reported as Advances from City of Worcester – Ballpark (liability) in the statements of net position for the total amount of unspent funds the City had provided the Authority for the ballpark.

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.

WORCESTER REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 8 OPERATING LEASES

The Authority leases property under various operating leases. Total revenues from such leases were \$568,859 and \$223,296 for the fiscal years ended June 30, 2020 and 2019, 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, 2020 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 619,718
2022	615,804
2023	624,504
2024	534,656
2025	543,885
Thereafter	2,268,035
Total	<u>\$ 5,206,602</u>

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>\$ 5,603,066</u>

NOTE 9 RELATED-PARTY TRANSACTIONS

The transactions between the Authority and the City during the fiscal years ended June 30, 2020 and 2019 consisted of loans from the City to the Authority in the amount of \$2,698,116 (\$496,071 of operating loans and \$2,202,045 of capital loans) and \$1,370,820 (\$808,893 of operating loans and \$561,927 of capital loans), respectively. The Authority has outstanding notes payable to the City totaling \$14,892,522 and \$12,194,406 at June 30, 2020 and 2019, respectively.

The transactions between the Authority and the City during the fiscal years ended June 30, 2020 and 2019 also consisted of advances from the City to the Authority in the amount of approximately \$49,700,000 and \$14,190,000, respectively, to finance costs associated with the ballpark (see Note 6).

WORCESTER REDEVELOPMENT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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 96.3% (\$52,394,744) and 83.1% (\$15,563,960) of the Authority's cash inflows for the fiscal years ended June 30, 2020 and 2019, respectively, were from the issuance of notes and ballpark financing by the City.

WORCESTER REDEVELOPMENT AUTHORITY
STATEMENTS OF NET POSITION BY PROGRAM
JUNE 30, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Program				Totals	
	Union Station Operating	Urban Renewal Operating	General Operating	Ballpark	2020	2019
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 2,510,542	\$ -	\$ -	\$ -	\$ 2,510,542	\$ 999,274
Restricted Cash and Cash Equivalents	15,185	-	-	3,793,121	3,808,306	748,185
Receivables, Net of Allowance for Uncollectible Amounts:						
Grants, Contracts, and Other	538,310	-	-	-	538,310	576,425
Prepaid Expenses	271,704	-	-	-	271,704	2,115
Total Current Assets	3,335,741	-	-	3,793,121	7,128,862	2,325,999
Noncurrent Assets:						
Due from (to) Other Programs	772,447	-	(772,447)	-	-	-
Assets Held for City of Worcester - Ballpark	-	-	-	60,096,647	60,096,647	13,460,117
Capital Assets not being Depreciated	8,267,254	-	514,800	-	8,782,054	5,084,190
Capital Assets, Net of Accumulated Depreciation	21,951,248	-	-	-	21,951,248	23,010,708
Total Noncurrent Assets	30,990,949	-	(257,647)	60,096,647	90,829,949	41,555,015
Total Assets	34,326,690	-	(257,647)	63,889,768	97,958,811	43,881,014
LIABILITIES						
Current Liabilities:						
Accounts Payable	4,181,350	-	-	-	4,181,350	1,802,291
Other Liabilities	31,035	-	-	-	31,035	35,981
Accrued Interest	4,201,106	-	-	-	4,201,106	3,649,971
Advances from City of Worcester - Ballpark	-	-	-	3,793,121	3,793,121	733,023
Notes Payable to the City of Worcester	14,115,509	-	78,897	-	14,194,406	10,819,167
Total Current Liabilities	22,529,000	-	78,897	3,793,121	26,401,018	17,040,433
Noncurrent Liabilities:						
Accrued Interest	7,927	-	-	-	7,927	77,730
Due to City of Worcester - Ballpark Assets	-	-	-	60,096,647	60,096,647	13,460,117
Notes Payable to the City of Worcester	363,599	334,517	-	-	698,116	1,375,239
Total Noncurrent Liabilities	371,526	334,517	-	60,096,647	60,802,690	14,913,086
Total Liabilities	22,900,526	334,517	78,897	63,889,768	87,203,708	31,953,519
NET POSITION						
Net Investment in Capital Assets	23,107,286	-	514,800	-	23,622,086	23,185,727
Unrestricted	(11,681,122)	(334,517)	(851,344)	-	(12,866,983)	(11,258,232)
Total Net Position	\$ 11,426,164	\$ (334,517)	\$ (336,544)	\$ -	\$ 10,755,103	\$ 11,927,495

WORCESTER REDEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY PROGRAM
YEARS ENDED JUNE 30, 2020 AND 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Program				Totals	
	Union Station Operating	Urban Renewal Operating	General Operating	Ballpark	2020	2019
OPERATING REVENUES						
Tenant Income	\$ 568,859	\$ -	\$ -	\$ -	\$ 568,859	\$ 223,296
Other Operating Revenues	7,252	-	-	-	7,252	3,400
Total Operating Revenues	576,111	-	-	-	576,111	226,696
OPERATING EXPENSES						
Office Operations	662,643	-	-	-	662,643	1,090,391
Property Management	59,214	-	-	-	59,214	43,012
Consulting and Other Contracted Services	-	-	-	-	-	103,885
General Insurance	13,835	-	-	-	13,835	16,056
Property Maintenance	626,431	-	-	-	626,431	402,401
Utilities	255,800	-	-	-	255,800	206,399
Depreciation	1,059,460	-	-	-	1,059,460	1,059,460
Parking Expense	3,880	-	-	-	3,880	14,360
Other	2,119	-	-	-	2,119	1,473
Total Operating Expenses	2,683,382	-	-	-	2,683,382	2,937,437
OPERATING LOSS	(2,107,271)	-	-	-	(2,107,271)	(2,710,741)
NONOPERATING REVENUES (EXPENSES)						
Investment Income	-	-	24,378	-	24,378	1,656
Interest Expense	(481,332)	-	-	-	(481,332)	(594,017)
Gain on Disposal of Capital Assets	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses), Net	(481,332)	-	24,378	-	(456,954)	(592,361)
INCOME (LOSS) BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	(2,588,603)	-	24,378	-	(2,564,225)	(3,303,102)
Capital Grants and Contributions	1,391,833	-	-	-	1,391,833	3,204,299
CHANGE IN NET POSITION	(1,196,770)	-	24,378	-	(1,172,392)	(98,803)
Net Position - Beginning of Year	12,622,934	(334,517)	(360,922)	-	11,927,495	12,026,298
NET POSITION - END OF YEAR	<u>\$ 11,426,164</u>	<u>\$ (334,517)</u>	<u>\$ (336,544)</u>	<u>\$ -</u>	<u>\$ 10,755,103</u>	<u>\$ 11,927,495</u>

