

ATTLEBORO REDEVELOPMENT AUTHORITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

ATTLEBORO REDEVELOPMENT AUTHORITY

JUNE 30, 2017

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Members of the Board of Directors
Attleboro Redevelopment Authority
Attleboro, Massachusetts

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Attleboro Redevelopment Authority ("the Authority"), as of and for the year ended June 30, 2017, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the Attleboro Redevelopment Authority, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Attleboro Redevelopment Authority

Independent Auditor's Report

Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3-7, and the schedules of the Authority's net pension liability, on pages 25-26, 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.

Management has omitted budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Attleboro Redevelopment Authority's basic financial statements. The supplementary nonmajor fund schedules, on pages 27-28, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary nonmajor fund schedules are the responsibility of management and were derived from and related 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 supplementary nonmajor fund schedules are 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 March 15, 2018 on our consideration of the Attleboro Redevelopment 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Hague, Sahady & Co., CPAs, P.C.

Hague, Sahady & Co., CPAs, P.C.

Fall River, Massachusetts

March 15, 2018

ATTLEBORO REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The board of directors of the Attleboro Redevelopment Authority provides the following information as an introduction, overview and analysis of the Attleboro Redevelopment Authority's financial statements for the year ended June 30, 2017 and June 30, 2016.

OVERVIEW OF ENTITY

The Redevelopment Authority was established on December 3, 1965.

The mission of the Attleboro Redevelopment Authority is "to implement, promote, and reestablish the City of Attleboro as the premier community to live, work, and engage in recreation in Southeastern Massachusetts, with a vibrant economy that will enhance our economic well-being and quality of life, for ourselves and for our children's future."

The Authority participates in various projects which are consistent with the Authority's stated mission, which include the following:

Attleboro Industrial Business Park ("the IBP")

The development of a one hundred ninety acre pre-permitted industrial/business park by the Authority that has led to the construction of the New England Sports Village. In fiscal year 2015, the Authority sold all but 28.5 acres of the IBP to a private developer (AJAX 5CAP NESV, LLC, hereby NESV). NESV and the Authority currently have an option agreement whereby the NESV will purchase the remaining land (28.5 acres) in fiscal year 2018. Since the initial sale of the land, NESV has constructed an indoor ice rink, consisting of 2.5 sheets of ice, which is now fully operational. This is the first of several indoor facilities planned for the new "Sports Village", which will also include an indoor aquatic center, multiuse turf field house and racquetball courts. In addition, a hotel and numerous outdoor fields are also planned.

Inter-modal Transportation Center ("the ITC")

A project of the Redevelopment Authority to develop and construct an Inter-modal Transportation Center in the downtown that will create several hundred mixed income housing units, new retail space as well as additional structured and surface parking. This project also includes activity related to (1) the former Automatic Machine Products property ("AMP North" and "AMP South" located at Wall and South Mains Streets), and (2) the Riverfront Drive Project, which includes subprojects such as the DPW Yard Relocation Project, and the construction of a road running between Olive and Wall Street with a park situated along the Ten Mile River.

The Authority also participates in other projects that are aligned with the mission statement.

Please read this analysis in conjunction with the Redevelopment Authority's basic financial statements which begin below.

ATTLEBORO REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2017

FINANCIAL HIGHLIGHTS

- The net position of the Authority decreased by \$201,662 to \$2,465,537 from \$2,667,199 from the prior year.
- The overall unrestricted net position totaled \$(951,363) as of June 30, 2017 and \$(1,048,501) as of June 30, 2016:
 - Unrestricted net position was \$56,410 for the operating fund as of June 30, 2017 and \$199,330 as of June 30, 2016.
 - Unrestricted net position was \$(93,730) for the Intermodal Transportation Center as of June 30, 2017 and \$(225,965) as of June 30, 2016. This fund also had investments in land and land improvements of \$2,816,900 at June 30, 2017 and June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of the following four parts: Management's Discussion and Analysis, Basic Financial Statements, and Required Supplementary Information. The financial statements include notes which explain in detail some of the information in the basic financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements are prepared on the accrual basis of accounting, much of the same way as in private industry.

The Statement of Net Position - This statement reports all assets, deferred outflows, liabilities and deferred inflows of the Redevelopment Authority as of June 30, 2017. The difference between total assets, total deferred outflows, liabilities, and total deferred inflows is reported as "net position". Increases in net position generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.

The Statement of Revenues, Expenses and Changes in Net Position - This statement serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Redevelopment Authority for the year ended June 30, 2017. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Revenues, Expenses and Changes in Net Position displays the expenses of the Redevelopment Authority's programs net of related revenues.

The Statement of Cash Flows - This statement shows how changes in balance sheet accounts and income affect cash and cash equivalents, and analyzes operating, investing, and financing activities of the Authority during the fiscal year. Essentially, the cash flow statement is concerned with the flow of cash in and out of the Authority. As analytical analysis, the statement of cash flows can be useful to determine the short-term viability of the Authority, particularly its ability to pay bills.

ATTLEBORO REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE AUTHORITY

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide an indication of the Authority's financial condition and also indicate the changes in financial condition of the Authority during the last year. The Authority's net position reflects the difference between assets plus deferred outflows, and liabilities plus deferred inflows. An increase in net position over time typically indicates an improvement in financial condition.

Net Position June 30, 2017 and June 30, 2016

	<u>Statement of Net Position -</u>	
	<u>Business-Type Activities</u>	
	<u>2017</u>	<u>2016</u>
Assets		
Current assets	\$ 630,582	\$ 1,035,092
Non-current assets	3,416,900	3,715,700
Total assets	<u>4,047,482</u>	<u>4,750,792</u>
Deferred outflows of resources		
Pension related	14,167	17,206
Total deferred outflows of resources	<u>14,167</u>	<u>17,206</u>
Total assets and deferred outflows of resources	<u>\$ 4,061,649</u>	<u>\$ 4,767,998</u>
Liabilities		
Current liabilities	\$ 1,520,784	\$ 2,023,280
Long-term liabilities	59,983	58,136
Total liabilities	<u>1,580,767</u>	<u>2,081,416</u>
Deferred inflows of resources		
Pension related	15,345	19,383
Total deferred inflows of resources	<u>15,345</u>	<u>19,383</u>
Net Position		
Invested in capital assets, net of related debt	3,416,900	3,715,700
Restricted	-	-
Unrestricted	<u>(951,363)</u>	<u>(1,048,501)</u>
Total net position	<u>2,465,537</u>	<u>2,667,199</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,061,649</u>	<u>\$ 4,767,998</u>

At year end, the Authority's net position was \$2.46 million and \$2.67 million as of June 30, 2017 and 2016, respectively. Of that amount, approximately \$3.42 million as of June 30, 2017 and \$3.72 million as of June 30, 2016 was invested in capital assets, net of debt related to those assets. No restricted amounts existed at June 30, 2017. The unrestricted net position reflects a deficit of \$951 thousand as of June 30, 2017. As of June 30, 2016, unrestricted net position reported a deficit of \$1.05 million indicating there was no availability of unrestricted net position for future use.

ATTLEBORO REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2017

Changes in Net Position, Year Ended June 30, 2017 and 2016

Net position decreased by \$201 thousand during 2017. The Authority received \$106 thousand from the City's Urban Renewal Bond and \$98 thousand in option payments from the New England Sports Village for its right of first purchase option to the remaining 28.5 acres of the IBP. Operating expenses totaled \$461 thousand during fiscal year 2017 largely due to demolition, engineering and environmental remediation fees, a \$123 thousand payment to MassDevelopment to satisfy terms under a prior memorandum of agreement and the impairment loss on the 6 Hazel St property, which was subsequently sold to the Sturdy Memorial Foundation for \$245,000.

	Changes in Net Position - Business-Type Activities	
	<u>2017</u>	<u>2016</u>
Operating revenues:		
Federal and State grant revenues	\$ -	\$ 1,575,003
Insurance claim proceeds	-	800,000
Legal fees paid on behalf of ARA	-	30,000
Urban renewal bond proceeds	106,479	71,851
Lease and other revenue	97,500	1,000
Total operating revenues	<u>203,979</u>	<u>2,477,854</u>
Operating expenses:		
Advertising, bank fees, insurance, marketing, other miscellaneous and repair/maintenance	-	8,861
Demolition, engineering and environmental remediation fees	18,506	1,363,037
Legal and professional fees, including appraisals	17,000	38,500
Impairment loss on assets	298,800	2,289,957
Payment on MOA to MassDev	123,200	-
Pension expense	3,576	4,083
Total operating expenses	<u>461,082</u>	<u>3,704,438</u>
Operating income (loss):	<u>(257,103)</u>	<u>(1,226,584)</u>
Non-operating revenues (expenses):		
Gain (loss) on changes in environmental remediation estimates	46,453	-
Interest income (expense)	-	86
Payments to City	8,988	-
Total non-operating revenues/(expenses)	<u>55,441</u>	<u>86</u>
Change in net position	(201,662)	(1,226,498)
Beginning net position	<u>2,667,199</u>	<u>3,893,697</u>
Ending net position	<u>\$ 2,465,537</u>	<u>\$ 2,667,199</u>

The Statement of Revenues, Expenses and Changes in Net Position reports the expenses and related program revenue of the Authority. It is the Authority's practice that revenues of the Authority are anticipated to cover all operating costs.

The revenues for fiscal year 2017 are entirely comprised of Urban Renewal Bond proceeds from the City and income received from the New England Sports Village. The Authority also received payments from the EPA for remediation activities, however those revenues were earned in a prior period and matched against the initial remediation cost estimates.

ATTLEBORO REDEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2017

Changes in Net Position, Year Ended June 30, 2017 and 2016 (continued)

The expenses of the Authority predominantly consist of impairment loss on assets (approximately 64.8% of total expense) and a payment to MassDevelopment required by the terms of a prior memorandum of agreement (26.72%) in 2017. Comparatively, the expenses of the Authority predominantly consist of impairment loss on assets (61.8%) and demolition, engineering and environmental remediation fees (36.8%) in 2016. For both 2017 and 2016, much of the remediation expenses were earned in years prior through the accrued environmental liability as estimated by Environmental Strategies & Management, the Authority's consultant. The remaining expenses were for a variety of costs associated with the activities of the Authority such as legal and professional fees, insurance, office expenses and repairs and maintenance costs.

Debt

The Authority paid off all long term debt in fiscal year 2015 using the proceeds from the sale of a significant portion of the Industrial Business Park property.

Capital Assets and Investment in Land

For year ended June 30, 2017, the Authority recorded a \$298,800 impairment loss related to the 6 Hazel St. property as a result of the sale of the property after fiscal year end, but before these financial statements were issued for less than the overall cost of the land and the land improvements (i.e. remediation) at the site. See Note 4 for more information regarding the impairment loss.

The Authority adheres to GASB 49 capitalization thresholds in relation to environmental remediation. Not all incurred liabilities were capitalized during fiscal year 2017 due to threshold limitations. For more detail on capital assets, see Note 4 to the financial statements.

Economic Factors and Future Outlook

Finberg Field. Finberg Field has long been one of the City's premier recreational facilities. However, a portion of property contains environmental contamination. The MassDEP has determined that while there is no imminent hazard to public health or safety, site soils need to be remediated since the lead levels are well above the MassDEP soil cleanup standards protective of public health under the Massachusetts Contingency Plan regulations. The Attleboro Redevelopment Authority stepped forward, and in furtherance of its mission, in an effort to remediate the environmental contamination and return the property to its intended purpose as a recreation area.

During June of 2017, the Authority was unable to obtain grants for remediation of the Finberg Field. As such, the Honorable Municipal Council approved the conveyance of the Finberg Field Property back to the City of Attleboro on June 27, 2017. However, the land conveyance was recorded at the Registry of Deeds on September 7, 2017.

Requests for Information

This financial report is designed to provide the citizens of Attleboro, taxpayers, customers, investors and creditors with an overview of the Authority's finances. If you have any questions or need financial information, please contact the Attleboro Redevelopment Authority Board of Directors, Attleboro Redevelopment Authority, 77 Park Street, Attleboro, Massachusetts 02703.

ATTLEBORO REDEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Major Fund</u>	<u>Major Fund</u>	<u>Total</u>	<u>Total</u>
	<u>Operating</u>	<u>Intermodal Transportation Center</u>	<u>Non-Major Funds</u>	<u>Business-Type Activities</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 137,298	\$ -	\$ -	\$ 137,298
Receivables:				
EPA grants	-	493,284	-	493,284
Total current assets:	<u>137,298</u>	<u>493,284</u>	<u>-</u>	<u>630,582</u>
Non-current assets:				
Land	-	1,900,100	600,000	2,500,100
Land improvements	-	916,800	-	916,800
Total non-current assets:	<u>-</u>	<u>2,816,900</u>	<u>600,000</u>	<u>3,416,900</u>
Total assets:	<u>137,298</u>	<u>3,310,184</u>	<u>600,000</u>	<u>4,047,482</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	14,167	-	-	14,167
Total deferred outflows of resources:	<u>14,167</u>	<u>-</u>	<u>-</u>	<u>14,167</u>
Total assets and deferred outflows of resources:	<u>\$ 151,465</u>	<u>\$ 3,310,184</u>	<u>\$ 600,000</u>	<u>\$ 4,061,649</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 2,727	\$ 58,135	\$ 123,200	184,062
Accrued audit expense	17,000	-	-	17,000
Accrued environmental liability	-	528,879	-	528,879
Due to the City of Attleboro	-	-	790,843	790,843
Total current liabilities:	<u>19,727</u>	<u>587,014</u>	<u>914,043</u>	<u>1,520,784</u>
Non-current liabilities:				
Net pension liability	59,983	-	-	59,983
Total non-current liabilities:	<u>59,983</u>	<u>-</u>	<u>-</u>	<u>59,983</u>
Total liabilities:	<u>79,710</u>	<u>587,014</u>	<u>914,043</u>	<u>1,580,767</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related	15,345	-	-	15,345
Total deferred inflows of resources:	<u>15,345</u>	<u>-</u>	<u>-</u>	<u>15,345</u>
NET POSITION				
Invested in land and land improvements, net of related debt	-	2,816,900	600,000	3,416,900
Restricted	-	-	-	-
Unrestricted (deficit)	56,410	(93,730)	(914,043)	(951,363)
Total net position	<u>56,410</u>	<u>2,723,170</u>	<u>(314,043)</u>	<u>2,465,537</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 151,465</u>	<u>\$ 3,310,184</u>	<u>\$ 600,000</u>	<u>\$ 4,061,649</u>

The notes to the financial statements are an integral part of the financial statements

ATTLEBORO REDEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Major Fund</u>	<u>Major Fund</u>	<u>Total</u>	<u>Total</u>
	<u>Operating</u>	<u>Intermodal Transportation Center</u>	<u>Non-Major Funds</u>	<u>Business-Type Activities</u>
Operating revenues:				
Urban Renewal Bond	\$ -	\$ 106,479	\$ -	\$ 106,479
NESV Option Income	97,500	-	-	97,500
Total operating revenues	<u>97,500</u>	<u>106,479</u>	<u>-</u>	<u>203,979</u>
Operating expenses:				
Audit fees	17,000	-	-	17,000
Demolition and engineering	-	3,613	-	3,613
Environmental remediation	-	-	14,893	14,893
Impairment loss on assets	-	-	298,800	298,800
Payment on MOA to MassDevelopment	-	-	123,200	123,200
Pension expense	3,576	-	-	3,576
Total operating expenses	<u>20,576</u>	<u>3,613</u>	<u>436,893</u>	<u>461,082</u>
Operating income (loss):	<u>76,924</u>	<u>102,866</u>	<u>(436,893)</u>	<u>(257,103)</u>
Non-operating revenues (expenses):				
Gain (loss) on changes in environmental remediation estimates	-	46,453	-	46,453
Change in amount due to City	-	-	8,988	8,988
Total non-operating revenues/(expenses)	<u>-</u>	<u>46,453</u>	<u>8,988</u>	<u>55,441</u>
Transfers between funds:				
Transfers in	67,526	50,442	236,928	354,896
Transfers out	<u>(287,370)</u>	<u>(67,526)</u>	<u>-</u>	<u>(354,896)</u>
Total transfers between funds	<u>(219,844)</u>	<u>(17,084)</u>	<u>236,928</u>	<u>-</u>
Change in net position	(142,920)	132,235	(190,977)	(201,662)
Beginning net position	199,330	2,590,935	(123,066)	2,667,199
Ending net position	<u>\$ 56,410</u>	<u>\$ 2,723,170</u>	<u>\$ (314,043)</u>	<u>\$ 2,465,537</u>

The notes to the financial statements are an integral part of the financial statements

ATTLEBORO REDEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Major Fund</u>	<u>Major Fund</u>	<u>Total</u>	<u>Business-Type</u>
	<u>Operating</u>	<u>Intermodal Transportation Center</u>	<u>Non-Major Funds</u>	<u>Activities</u>
Cash flows from operating activities:				
Payments to contractors and vendors	\$ (32,849)	\$ (327,390)	\$ (249,099)	\$ (609,338)
Pension contribution	849	-	-	849
Urban Renewal Bond proceeds	15,000	107,590	-	122,590
EPA grant receipts	-	82,820	12,171	94,991
Mass Development grant receipts	-	154,064	-	154,064
Other receipts	<u>97,500</u>	<u>-</u>	<u>-</u>	<u>97,500</u>
Net cash provided (used) by operating activities	<u>80,500</u>	<u>17,084</u>	<u>(236,928)</u>	<u>(139,344)</u>
Cash flows from non-capital and related financing activities:				
Transfers in (out)	<u>(219,844)</u>	<u>(17,084)</u>	<u>236,928</u>	<u>-</u>
Net cash used by non-capital and related financing activities	<u>(219,844)</u>	<u>(17,084)</u>	<u>236,928</u>	<u>-</u>
Cash flows from capital and related financing activities:				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	(139,344)	-	-	(139,344)
Balances, beginning of the year	<u>276,642</u>	<u>-</u>	<u>-</u>	<u>276,642</u>
Balances, end of the year	<u>\$ 137,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,298</u>
Displayed as:				
Cash and cash equivalents	<u>\$ 137,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,298</u>

The notes to the financial statements are an integral part of the financial statements

ATTLEBORO REDEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Major Fund</u>	<u>Major Fund</u>	<u>Total</u>	<u>Business-Type</u>
	<u>Operating</u>	<u>Intermodal Transportation Center</u>	<u>Non-Major Funds</u>	<u>Activities</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 76,924	\$ 102,866	\$ (436,893)	\$ (257,103)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Impairment loss on assets	-	-	298,800	298,800
Changes in environmental liability estimates	-	46,453	-	46,453
Changes in assets and liabilities:				
Net (Increase) decrease in accounts receivable - grants	-	236,884	12,171	249,055
Net (Increase) decrease in other receivables	15,000	1,110	-	16,110
Net Increase (decrease) in accounts payable	(12,273)	46,980	1,868	36,575
Net Increase (decrease) in retainage payable	-	-	(84,001)	(84,001)
Net Increase (decrease) in accrued environmental liability	-	(417,209)	(28,873)	(446,082)
Net Increase (decrease) in net pension liability and related deferrals	849	-	-	849
Net cash provided (used) by operating activities	<u>\$ 80,500</u>	<u>\$ 17,084</u>	<u>\$ (236,928)</u>	<u>\$ (139,344)</u>

The notes to the financial statements are an integral part of the financial statements

ATTLEBORO REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies:

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing Generally Accepted Accounting Principles (GAAP) for state and local governments through its pronouncements. The more significant accounting policies established in GAAP and used by the Authority are discussed below.

Reporting Entity

The Attleboro Redevelopment Authority (the Authority) was established in 1965 under the provisions of Massachusetts General Laws Chapter 121B. The purpose of the Authority is to engage in urban renewal projects and other related work. The Board is comprised of five members, four of which are appointed by the mayor. One member is appointed by the Governor.

The mission of the Attleboro Redevelopment Authority is "to implement, promote, and reestablish the City of Attleboro as the premier community to live, work, and engage in recreation in Southeastern Massachusetts, with a vibrant economy that will enhance our economic well-being and quality of life, for ourselves and for our children's future."

The Authority participates in various projects which are consistent with the Authority's stated mission, which include the following:

Attleboro Industrial Business Park ("the IBP")

The development of a one hundred ninety acre pre-permitted industrial/business park by the Authority that has led to the construction of the New England Sports Village. In fiscal year 2015, the Authority sold all but 28.5 acres of the IBP to a private developer (AJAX 5CAP NESV, LLC, hereby NESV). NESV and the Authority currently have an option agreement whereby the NESV will purchase the remaining land (28.5 acres) in fiscal year 2018. Since the initial sale of the land, NESV has constructed an indoor ice rink, consisting of 2.5 sheets of ice, which is now fully operational. This is the first of several indoor facilities planned for the new "Sports Village", which will also include an indoor aquatic center, multiuse turf field house and racquetball courts. In addition, a hotel and numerous outdoor fields are also planned.

Inter-modal Transportation Center ("the ITC")

A project of the Redevelopment Authority to develop and construct an Inter-modal Transportation Center in the downtown that will create several hundred mixed income housing units, new retail space as well as additional structured and surface parking. This project also includes activity related to (1) the former Automatic Machine Products property ("AMP North" and "AMP South" located at Wall and South Mains Streets), and (2) the Riverfront Drive Project, which includes subprojects such as the DPW Yard Relocation Project, and the construction of a road running between Olive and Wall Street with a park situated along the Ten Mile River.

The Authority also participates in various other projects.

The Attleboro Redevelopment Authority receives a substantial amount of its revenues from grants.

In accordance with Governmental Accounting Standards Board Statement No. 61, the financial statements must present the Authority (primary government) and its component units. Pursuant to this criteria, no component units were identified for inclusion in the accompanying financial statements.

ATTLEBORO REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (continued):

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position.

Basis of accounting refers to the point at which revenues and expenses are recognized in the accounts and reported in the financial statements. The Authority uses the full accrual basis in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. Under this method, revenues are recorded when earned and expenses are recorded when a related liability is incurred.

The Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements, as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The Authority adheres to GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49) where deemed applicable. GASB 49 identifies the circumstances under which a government entity would be required to report a liability related to pollution remediation. The statement requires a government entity to estimate its expected outlays for pollution remediation if it knows that a site is polluted based on specific recognition triggers and disclose those obligations associated with clean-up efforts. Capitalization of accrued environmental liabilities is permissible to the extent of the parcel's fair value, if the parcel is held for resale. Otherwise, capitalization is allowed to the extent of preparing the property for service in its intended location and condition.

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, deferred outflows, liabilities, deferred inflows, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge or the net revenues from fees and charges for the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Authority are grant revenues and revenues earned directly or indirectly that are related to the sale of land. All revenues and expenses not meeting this definition are reported as nonoperating.

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. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements Nos. 67 and 68*
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans 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, 68 and No. 73*

The implementation of the above had no material reporting impact for the Authority.

ATTLEBORO REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (continued):

Cash and Cash Equivalents

The Authority considers cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Grants and Other Receivables

The Authority carries its accounts receivable at an amount equal to uncollected but earned revenue less allowance for doubtful accounts. Accounts receivable consists of grants receivable from the EPA, Mass Development and authorized but uncollected Urban Renewal Bond proceeds (paid for by the City's URB fund). At year end, the allowance for doubtful accounts was \$0.

Capital Assets

Capital assets are comprised of land and land improvements. The Authority defines capital assets as the following:

1. Land, improvements to land, buildings and building improvements over \$1.
2. Repairs to buildings in excess of \$15,000.
3. All other assets with an initial useful life of 3 or more years.

Capital assets are carried at cost or at estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Land improvements are capitalized to the extent of the parcel's estimated fair value.

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Attleboro's Contributory Employees' Retirement System ("the System") and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

The Authority reports net position as restricted when legally segregated for a specific future use. Otherwise, these balances are considered unrestricted.

All balances as of June 30, 2017 are considered unrestricted except for the net position category entitled "invested in capital assets, net of related debt." The category "invested in capital assets, net of related debt" represents all investments in property, lot inventory and fixed assets less the debt associated with those assets. There were no other legal restrictions or reservations to net position as of June 30, 2017.

It is the Authority's policy to utilize restricted net position for qualifying activities prior to utilizing unrestricted net position.

ATTLEBORO REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 1: Summary of Significant Accounting Policies (continued):

Revenue Recognition Policy

Most of the Authority's grant agreements are reimbursable in nature. Under these grant agreements, revenue is recognized as reimbursable costs are incurred, including accrued environmental liabilities. Billings to the funding sources are subject to final approval by the governmental agency. Revenue relating to sales of property or other agreements is recognized as it becomes due under the specific contracts.

Unearned revenue is classified as deferred inflows of resources on the balance sheet in accordance with GASB Statement No. 65.

All revenue is recorded at the estimated net realizable amounts.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses for the Authority are those that result from providing services and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities. Non-operating funds generally include interest revenues and expenses. Since the Authority is considered a proprietary fund all revenues and expenses are separated into the category of operating or non-operating.

Advertising

The cost of advertising is expensed as incurred.

Use of Estimates

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

ATTLEBORO REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 2: Interfund Transactions:

In the process of aggregating data for the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified in accordance with GASB No. 34. To minimize the “grossing-up” effect on assets and liabilities within the business-type activities, all internal balances were eliminated. Interfund eliminations as of and for the year ended June 30, 2017 are as follows:

	<u>Other Financing Sources</u>	<u>Other Financing Uses</u>
Operating	\$ 67,526	\$ 287,370
53 Falmouth Street	10,855	-
Swank Remediation	226,073	-
Intermodal Transportation Center	<u>50,442</u>	<u>67,526</u>
Totals	<u>\$ 354,896</u>	<u>\$ 354,896</u>

Note 3: Cash and Cash Equivalents:

Cash and cash equivalents as of June 30, 2017 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ <u>137,298</u>
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Deposits are in various financial institutions and are carried at cost. The carrying value is separately displayed on the statement of net position as “Cash and cash equivalents”.

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At year end, the Authority’s carrying amount of deposits was \$137,298 and the bank balance was the same. The entire bank balance was covered by the Federal Depository Insurance Corporation. It is the Authority’s policy to invest all monies not required for three months of operating expenses in a manner that is consistent with state law and sound investment guidelines, namely: safety, liquidity and yield. Management feels that the Authority is not exposed to any significant credit risk related to cash.

ATTLEBORO REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 4: Capital Assets:

Capital asset activity for year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities:</u>				
Capital assets not being depreciated:				
Land:				
Industrial Business Park	\$ 355,000	\$ -	\$ -	\$ 355,000
Intermodal Transportation Center				
AMP South	1,200,000	-	-	1,200,000
Olive Street	700,000	-	-	700,000
Riverfront Drive/Park Project	100	-	-	100
Swank Remediation (6 Hazel Street)	1	244,999	-	245,000
Land (subtotal):	<u>2,255,101</u>	<u>244,999</u>	<u>-</u>	<u>2,500,100</u>
Land improvements:				
Swank Remediation	543,799	-	(543,799)	-
Intermodal Transportation Center				
AMP South	-	-	-	-
Olive Street	30,000	-	-	30,000
Riverfront Drive/Park Project	886,800	-	-	886,800
Land improvements (subtotal):	<u>1,460,599</u>	<u>-</u>	<u>(543,799)</u>	<u>916,800</u>
Total capital assets, not being depreciated:	<u>\$ 3,715,700</u>	<u>\$ 244,999</u>	<u>\$ (543,799)</u>	<u>\$ 3,416,900</u>
Capital assets being depreciated:				
Office Equipment	\$ 9,584	\$ -	\$ -	\$ 9,584
Subtotal, capital assets	<u>9,584</u>	<u>-</u>	<u>-</u>	<u>9,584</u>
Accumulated Depreciation:				
Office Equipment	9,584	-	-	9,584
Subtotal, accumulated depreciation	<u>9,584</u>	<u>-</u>	<u>-</u>	<u>9,584</u>
Net capital assets being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>\$ 3,715,700</u>	<u>\$ 244,999</u>	<u>\$ (543,799)</u>	<u>\$ 3,416,900</u>

Depreciation for fiscal year ended 2017 was \$0.

Land Balances

The “land” balances represent historical balances on record at the Northern Bristol County Registry of Deeds. The balance of \$245,000 listed as “Swank Remediation (6 Hazel Street)” represents price related to the sale of the property in August of 2017 to Sturdy Memorial Foundation, Inc. See the “subsequent event note” for more information.

There were no acquisitions or dispositions of land during fiscal year 2017. There is an existing land disposition agreement dated December 15, 2016 between the Authority and Crugnale Properties, LLC for the sale of the AMP

ATTLEBORO REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

South property. The sale is expected to close sometime in fiscal year 2018. There is also an existing option to purchase agreement between the Authority and NESV, LLC for the remaining IBP parcels (28.5 acres). Option premiums will be collected over a one-year period and credited towards the purchase price if the purchaser decides to buy the remaining parcels.

Decreases. During fiscal year 2017, the Authority recorded no decreases to the land balances.

Land Improvements

Land improvement balances represent various costs incurred to remediate and redevelop land. Environmental remediation expenditures are capitalized to the extent of a property's fair value.

Increases. During fiscal year 2017, the Authority recorded no increases to the land improvement balances.

Decreases. The Authority recorded decreases to the Swank Remediation "land improvement" balance as a result of the referenced sale (above) to Sturdy Memorial. This decrease helps to properly value the land and the land improvements at a total of \$245,000 at June 30, 2017.

Note 5: Pension Plan

General Information about the Pension Plan

Plan description. The System is a contributory defined benefit plan, as established by MGL Chapter 32, covering all City of Attleboro Retirement System member unit employees deemed eligible by the retirement board, with the exception of the school department employees who serve in a teaching capacity.

The System qualifies as a cost-sharing multiple employer plan since pension obligations exist for employees of more than one employer and plan assets can be used to pay the benefits of the employees of any employer. Three employers currently participate in the System, the City of Attleboro, the Attleboro Housing Authority, and the Attleboro Redevelopment Authority. Each employer contributes into the plan annually as determined by the Public Employee Retirement Administration Commission ("PERAC"). Please see the section below entitled "Contributions" for more information.

General Information about the Pension Plan (continued)

The PERAC issues a publicly available report on the City of Attleboro Retirement System pursuant to MGL Chapter 32 Section 21 that can be obtained at www.mass.gov/perac. This report contains additional information with respect to the System.

Benefits provided. The System provides retirement, disability, and death benefits. Retirement benefits vest after ten years of creditable service and are determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary (for employees hired prior to April 2, 2012) or 80% of the member's highest five year average (for employees hired on or after April 2, 2012). The benefit rate also varies with the member's retirement age and group classification (see below). Members may elect to receive their retirement allowances in one of three forms of payment (Options A, B and C) per MGL Chapter 32.

ATTLEBORO REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 5: Pension Plan (continued)

Members of the System are eligible for two types disability benefits (ordinary and accidental disability) for which allowances are determined based on the date the member entered the System along with the “group” the member belongs to. Death benefits are also available for members who die as a result of a work-related injury if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired. Allowances for death benefits consist of immediate payments to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary. Other allowances are also entitled to those surviving spouses of the police or fire departments.

Chapter 17 of the Acts of 1997 was adopted by the Attleboro Contributory Retirement System. The result of such adoption allows the Retirement Board to vote to pay a cost of living increase (COLA) for that year, with the percentage determined by the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%.

Contributions. Member contributions vary depending on the most recent date of membership. Members who entered the system prior to 1975 contribute 5% of regular compensation. Members who entered between 1975 and 1983 contribute 7% of regular compensation. Members who entered between 1984 and June 30, 1996 contribute 8% of regular compensation. Members who entered after July 1, 1996 will contribute 9% of regular compensation. Also, members who joined after 1978 are required to make extra contributions equal to 2% of all compensation exceeding \$30,000 annually.

Under Chapter 32 Section 22D of the Massachusetts Laws, employers are required to make the necessary contributions to the trust such that the plan reaches a full funding status by 2040. Thereafter, annual contributions equal to the normal cost will keep the Plan's assets and liabilities in balance. Contributions to the pension plan from participating employers was \$6,417,651 for the fiscal year ended June 30, 2017 as determined by PERAC. Of the \$6,417,651 contributed, \$4,860 represent contributions from the Authority. PERAC establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of the benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The System's net pension liability was measured as of December 31, 2016 (i.e. the “measurement date” as defined by GASB Statement No. 68), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016.

At June 30, 2017 (i.e. the “reporting date” as defined by GASB Statement No. 68), the System reported a net pension liability of \$78,578,145. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of the participating employers, actuarially determined.

ATTLEBORO REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 5: Pension Plan (continued)

The following chart illustrates each employer's proportionate share used at the measurement date:

<u>Employer</u>	<u>Fiscal Year 2017 Actual Employer Contributions</u>	<u>Employer Allocation Percentage</u>
City of Attleboro	\$ 6,327,182	98.55%
Attleboro Housing Authority	88,169	1.37%
Attleboro Redevelopment Authority	4,860	0.08%
	<u>\$ 6,420,211</u>	<u>100.00%</u>

At December 31, 2016 and 2015, the Authority's proportion was 0.08 percent and 0.08 percent, respectively.

For the year ended June 30, 2017, the Authority recognized pension expense of \$9,593. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,931	\$ -
Changes in assumptions	2,576	-
Net difference between projected and actual earnings on pension plan investments	6,917	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	743	15,345
	<u>\$ 14,167</u>	<u>\$ 15,345</u>

\$0 was reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date of December 31, 2016. There were no employer contributions after December 31, 2016.

Amounts reported as deferred outflows (inflows) will be recognized in subsequent pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2018	\$ 221
2019	221
2020	(261)
2021	(1,484)
2022	125
Thereafter	-
Total	<u>\$ (1,178)</u>

ATTLEBORO REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 5: Pension Plan (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Actuarial assumptions. The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	4.00%
Discount Rate	7.875%

Mortality rates for both pre-retirement and post retirement for males and females, were based on the RP-2000 mortality table projected from 2009 with Generational Mortality, scale BB. Disabled mortality RP-2000 projected from 2009 with Generational Mortality, Scale B, ages set forward 2 years.

The actuarial assumptions used in the January 1, 2016 valuation were prepared using generally accepted actuarial principles and practices and meet the parameters set by GASB Statement No. 68. The assumptions used represent the best estimate of anticipated experience of the system.

The long-term expected real rate of return reflects the expected rate of return on plan assets minus the expected rate of inflation. Note that the discount rate includes the effect of inflation. The long-term real rate of return removes the effect of inflation on the return amounts. It is long term assumption and is meant to reflect a best estimate of future experience, based on the expected asset allocation. The allocation percentages and real rates of return below, along with the previous narrative, have been provided by Stone Consulting, the Board’s actuary. Stone Consulting received the data in the table below from Dahab Associates, the Board’s Asset Consultant. The allocation percentages and real rates of return are based on an annual inflation assumption of 3.00 percent:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return (Arithmetic Average)</u>
Large Cap	25.0%	6.7%
Mid Cap	10.0%	9.2%
Small Cap	10.0%	7.5%
International Equity	15.0%	4.1%
Private Equity	5.0%	11.6%
Real Estate	10.0%	6.7%
Timber	5.0%	4.8%
Fixed Income	20.0%	2.4%
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.875 percent (as selected by the Retirement Board; this discount rate approximates the long-term expectation of investment returns). The discount rate was selected based on a projection of employer and employee contributions benefit payments, expenses and the long-term expected rate of return on trust assets. Under Chapter 32 of the Massachusetts Laws Section 22D, employers are required to make the necessary contributions to the trust such that the plan reaches a fully funded status by 2040. In addition, Chapter 32 also gives the Retirement Board the right to go directly to the Assessors of the community and add an additional property tax to bills for amounts not paid by employer. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ATTLEBORO REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 5: Pension Plan (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.875 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.875 percent) or 1-percentage-point higher (8.875 percent) than the current rate:

	<u>1% Decrease (6.875%)</u>	<u>Current Discount Rate (7.875%)</u>	<u>1% Increase (8.875%)</u>
Authority's proportionate share of the net pension liability	\$ 78,015	\$ 59,983	\$ 44,666

Pension plan fiduciary net position. Detailed information about the System's fiduciary net position at December 31, 2016 (the measurement date) is available in the City's June 30, 2017 financial statements.

Payables to the pension plan

At June 30, 2017, the Authority did not report any amounts payable to the System for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017. The Authority paid-in 100% of its required appropriation.

Note 6: Due to City of Attleboro:

In prior years, the City of Attleboro entered into various memorandums of agreements related to the IBP which resulted in the ARA owing the City total principal in the amount of \$618,039, which is still outstanding at June 30, 2017. During the fiscal year 2015, the City agreed to pay Swank remediation and maintenance costs in the amount of \$134,456 as long as the Authority promised to repay the City when funds become available based on a City Council Vote dated February 16, 2015. As a result of these two agreements, \$790,842 (including accrued interest) is the carrying value of "due to the City of Attleboro" as of June 30, 2017.

Note 7: Risk of Loss:

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of property. The Authority purchases commercial insurance from independent third parties to cover these risks.

ATTLEBORO REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 8: Litigation:

The Authority is not involved in any litigation as of June 30, 2017.

Note 9: Environmental Remediation:

The following table represents the environmental liabilities associated with existing Authority parcels. Paragraphs following the table describe the nature and scope of the environmental remediation work associated with the liabilities in more detail. The Authority contracts with Environmental Strategies and Management (ES&M) to provide environmental liability estimates and project costs. The potential for the estimated liability to change due to factors such as project cost increases or decreases and/or changes in applicable laws and regulations is possible and liabilities would be adjusted accordingly in subsequent periods.

<u>Project Name</u>	<u>Environmental Liability</u>
ITC:	
AMP South	\$ 32,117
R&M AOC 1	108,073
R&M AOC 2	193,908
R&M AOC 3	194,781
Total ITC	<u>528,879</u>
Total Projects	<u>\$ 528,879</u>

Wall Street (AMP South). In 2009, Wall Street-South (the former Automatic Machine Products property on the southerly side of Wall Street) also underwent the removal of hazardous materials from the buildings on the site and the subsequent demolition of those buildings. In 2010, a site assessment determined that there was limited contamination located only at the northerly boundary of the property. The impacted area was then included in the Wall Street-North project for the grant remediation funding described above. With the completion of the abutting busway construction in fiscal year 2014, contaminated soil was treated with soil vapor extraction. The Authority is currently in negotiations with the same developer that had purchased the property on Wall Street-North, the current Renaissance Station location. The site is expected to reach RAO and be ready for redevelopment in fiscal year 2018.

Riverside Drive / Robbins Park (R&M AOC 1-3). In August of 2015, the Authority was awarded three separate EPA grants to clean up brownfields located at 101 Olive Street (the old Reynolds & Markman properties). Each grant is \$200,000 and has a \$40,000 matching component, providing \$720,000 for total project costs. The Authority’s environmental consultant, ES&M, has developed a work and cost plan for site cleanup and regulatory compliance activities. They have identified three Areas of Concern (AOCs), each being awarded its own grant. AOC 1 was previously a chemical storage building that was consumed by a massive fire in 1989. Over 100 drums of solvents and cyanide sales were stored in the building before it burned. Chemicals released during the fire seeped into the ground near the building, and migrated to the west/northwest toward the Ten Mile River. AOC 2 and AOC 3 consist a landfill located north of the Reynolds & Markman warehouse. This landfill has a relatively low concentration of contaminants in soil and groundwater, however conditions, including hidden debris and metals, constitute an un-permitted landfill that requires closure under MassDEP’s solid waste regulations. Since the landfill reportedly operated prior to 1971, response actions within the landfill may be conducted under the Massachusetts Contingency Plan (MCP). The cleanup plan for AOC 1 is relatively straightforward and the plan for AOC 2 and 3 will be outlined in the near future once the redevelopment plans are determined.

ATTLEBORO REDEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 10: Subsequent Events

For the purposes of determining the effects of subsequent events on these financial statements, management has evaluated events which have occurred subsequent to June 30, 2017, and through March 15, 2018, the date on which the financial statements were available to be issued. The following represents these subsequent events:

On August 16, 2017, the Authority sold the land located at 6 Hazel Street to Sturdy Memorial Foundation, Inc. for \$245,000. As a result of this sale, the Authority valued the property on 6 Hazel Street at this value (\$245,000) as of June 30, 2017, writing the property down on these financial statements by \$298,800.

Note 11: Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented during fiscal year 2018. Management is currently evaluating the potential impact that the implementation of this Statement will have on the financial statements.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which is required to be implemented during fiscal year 2018. Management does not believe the implementation of this Statement will materially impact the financial statements.
- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which is required to be implemented during fiscal year 2019. Management does not believe the implementation of this Statement will materially impact the financial statements.
- GASB Statement No. 84, *Fiduciary Activities*, which is required to be implemented during fiscal year 2020. Management is currently evaluating the potential impact that the implementation of this Statement will have on the financial statements.
- GASB Statement No. 85, *Omnibus 2017*, which is required to be implemented during fiscal year 2018. Management is currently evaluating the potential impact that the implementation of this Statement will have on the financial statements.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which is required to be implemented during fiscal year 2018. Management is currently evaluating the potential impact that the implementation of this Statement will have on the financial statements.
- GASB Statement No. 87, *Leases*, which is required to be implemented during fiscal year 2021. Management will evaluate the potential impact that the implementation of this Statement will have on the financial statements at some point in the future.

These pronouncements will be implemented by their respective implementation dates.

ATTLEBORO REDEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability (asset)	0.08%	0.00%	0.13%
Authority's proportionate share of the net pension liability (asset)	<u>\$ 59,983</u>	<u>\$ 58,136</u>	<u>\$ 69,036</u>
Authority's covered employee payroll	<u>N/A**</u>	<u>N/A**</u>	<u>\$ 39,897</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A**	N/A**	173.0%
Plan fiduciary net position as a percentage of the total pension liability	62.3%	61.9%	71.0%

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

** - There were no employees as of the most recent valuation date (January 1, 2016)

ATTLEBORO REDEVELOPMENT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's contractually required contribution	\$ 4,858	\$ 4,858	\$ 7,106
Authority's contributions in relation to the contractually required contribution	<u>\$ 4,860</u>	<u>\$ 4,858</u>	<u>\$ 7,106</u>
Contribution deficiency (excess)	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	N/A**	N/A**	\$ 39,897
Contributions as a percentage of covered-employee payroll	N/A**	N/A**	18.0%

Notes to Schedule

Valuation date:

The January 1, 2016 actuarial valuation was used and rollforward procedures were performed, in accordance with the parameters of GASB Statement No. 68, to December 31, 2016, the measurement date.

Methods and assumptions used to determine contribution rates:

Contribution rates are recommended by the System's independent actuary and are approved by PERAC in order to comply with applicable funding statute (MGL Chapter 32 Section 22F).

* - Per paragraph 138 of GASB Statement No. 68, the Authority is not required to retrospectively present its' 10-year RSI schedules, as this information was not available at transition and historical information was not measured in accordance with the parameters of GASB Statement No. 68.

** - There were no employees as of the most recent valuation date (January 1, 2016)

ATTLEBORO REDEVELOPMENT AUTHORITY

SUPPLEMENTARY INFORMATION

Combining Statement of Net Position – Non-Major Funds (Continued)

JUNE 30, 2017

	<u>Industrial Business Park</u>	<u>53 Falmouth Street</u>	<u>6 Hazel St. Swank Remediation</u>	<u>Total Non-Major Funds</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Total current assets:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-current assets:				
Land	355,000	-	245,000	600,000
Land improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-current assets:	<u>355,000</u>	<u>-</u>	<u>245,000</u>	<u>600,000</u>
Total assets:	<u>355,000</u>	<u>-</u>	<u>245,000</u>	<u>600,000</u>
DEFERRED OUTFLOWS OF RESOURCES				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources:	<u>\$ 355,000</u>	<u>\$ -</u>	<u>\$ 245,000</u>	<u>\$ 600,000</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ 123,200	\$ 123,200
Due to the City of Attleboro	<u>656,387</u>	<u>-</u>	<u>134,456</u>	<u>790,843</u>
Total current liabilities:	<u>656,387</u>	<u>-</u>	<u>257,656</u>	<u>914,043</u>
Total liabilities:	<u>656,387</u>	<u>-</u>	<u>257,656</u>	<u>914,043</u>
DEFERRED INFLOWS OF RESOURCES				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Invested in land and land improvements, net of related debt	355,000	-	245,000	600,000
Restricted	-	-	-	-
Unrestricted (deficit)	<u>(656,387)</u>	<u>-</u>	<u>(257,656)</u>	<u>(914,043)</u>
Total net position	<u>(301,387)</u>	<u>-</u>	<u>(12,656)</u>	<u>(314,043)</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 355,000</u>	<u>\$ -</u>	<u>\$ 245,000</u>	<u>\$ 600,000</u>

See Independent Auditor's Report

ATTLEBORO REDEVELOPMENT AUTHORITY

SUPPLEMENTARY INFORMATION

Combining Statement of Revenues, Expenses and Changes in Net Position – Non-Major Funds

JUNE 30, 2017

	Industrial Business Park	53 Falmouth Street	6 Hazel St. Swank Remediation	Total Non-Major Funds
Operating revenues:				
None	\$ -	\$ -	\$ -	\$ -
Total operating revenues	-	-	-	-
Operating expenses:				
Environmental remediation	-	10,855	4,038	14,893
Impairment loss on assets	-	-	298,800	298,800
Payment on MOA to MassDevelopment	-	-	123,200	123,200
Total operating expenses	-	10,855	426,038	436,893
Operating income (loss):	-	(10,855)	(426,038)	(436,893)
Non-operating revenues (expenses):				
Change in amount due to City	8,988	-	-	8,988
Total non-operating revenues/(expenses)	8,988	-	-	8,988
Transfers between funds:				
Transfers in	-	10,855	226,073	236,928
Transfers out	-	-	-	-
Total transfers between funds	-	10,855	226,073	236,928
Change in net position	8,988	-	(199,965)	(190,977)
Beginning net position	(310,375)	-	187,309	(123,066)
Ending net position	\$ (301,387)	\$ -	\$ (12,656)	\$ (314,043)

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Members of the Board of Directors
Attleboro Redevelopment Authority
Attleboro, Massachusetts

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Attleboro Redevelopment Authority ("the Authority"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements and have issued our report thereon dated March 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (item 09-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hague, Sahady & Co., CPAs, P.C.

Hague, Sahady & Co., CPAs, P.C.

Fall River, Massachusetts

March 15, 2018

ATTLEBORO REDEVELOPMENT AUTHORITY

Schedule of Findings

For the Year Ended June 30, 2017

1. Findings - Financial Statement Audit:

Reference Number	Finding
09-01	<p>Proprietary Funds Were Not Maintained on the Accrual Basis of Accounting</p> <p>Condition: Our audit of the Attleboro Redevelopment Authority's trial balance resulted in a number of proposed audit adjustments needed to properly reflect the financial position as of year-end in compliance with Generally Accepted Accounting Principles. Examples identified during the audit were: accounts receivable due from grantors, accounts payable for various invoices, additions and deductions to construction in progress and lot inventory adjustments.</p> <p>Criteria: Generally Accepted Accounting Principles and the Uniform Massachusetts Accounting System set forth the basis of accounting for which the funds should be maintained.</p> <p>Cause: During 2010, all of the Authority's employees were terminated. The Authority has since operated without employees and the accounting function was being performed primarily by utilizing the cash basis of accounting.</p> <p>Effect: The general ledger and year-end financial statements for various funds required a number of adjustments to properly reflect the financial position of each fund at year end.</p> <p>Recommendation: It is recommended that the trial balance is reviewed for potential closing entries prior to the audit being conducted. The financial records should be consistent with generally accepted accounting principles.</p> <p>Response and Corrective Action: <i>The Authority acknowledges that appropriate closing entries should be made to the trial balance before the annual audit. However, the Authority's entire professional staff (including the Chief Financial Officer) was terminated as of November 13, 2009 for financial reasons. Since that time, financial records have been kept on a cash basis by the volunteer Chairman of the Board of Directors who is not competent to do year-end closings. Although assistance will continue to be sought from those city officials who can be made available to the Authority, it is most likely that this problem will continue until finances allow a trained accountant to be hired. Formal procedures will be reviewed and updated prior to the hiring of any employees.</i></p>

ATTLEBORO REDEVELOPMENT AUTHORITY

Status of Prior Year Findings

For the Year Ended June 30, 2017

1. Findings - Financial Statement Audit (Continued):

09-01 Proprietary Funds Were Not Maintained on the Accrual Basis of Accounting

Condition:

A number of audit adjusting entries were needed to properly reflect the financial position at year-end in accordance with the accrual basis of accounting.

Recommendation:

It was recommended that the general ledger is reviewed for potential closing, accrual basis entries.

Current Status:

The finding was repeated in 2017.