

***SOUTHFIELD REDEVELOPMENT AUTHORITY***

***REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS***

***YEAR ENDED JUNE 30, 2017***

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JUNE 30, 2017

**TABLE OF CONTENTS**

Independent Auditor's Report.....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements .....	15
Statement of Net Position.....	17
Statement of Activities.....	18
Balance Sheet – Governmental Funds .....	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Net Position – Proprietary Fund.....	22
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund.....	23
Statement of Cash Flows – Proprietary Fund .....	24
Statement of Fiduciary Net Position .....	25
Notes to Basic Financial Statements .....	26
Required Supplementary Information.....	49
Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual .....	51
Pension Plan Schedules.....	52
The Schedule of the Authority's Proportionate Share of the Net Pension Liability.....	53
The Schedule of Authority's Contributions .....	54
Other Postemployment Benefits Plan Schedules.....	55
Other Postemployment Benefit Plan Schedule of Funding Progress and Schedule of Employer Contributions ...	56
Other Postemployment Benefit Plan Actuarial Methods and Assumptions .....	57
Notes to Required Supplementary Information .....	58
Report on Internal Control over Financial Reporting and on Compliance.....	61



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## **Independent Auditor's Report**

To the Board of Directors  
Southfield Redevelopment Authority  
South Weymouth, Massachusetts

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southfield Redevelopment 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southfield 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 conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and required supplementary information, as listed in the table of contents, 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.

The transmittal letter is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2018, 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 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 the 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.



March 5, 2018

# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Southfield Redevelopment Authority ("SRA"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2017. We encourage readers to consider the information presented in this report.

On August 24, 2014, the Governor of Massachusetts signed into law legislation to promote the sustainable economic development of the former South Weymouth Naval Air Station for the benefit of the Towns of Abington, Rockland, and Weymouth, the NAS South Weymouth Region and the Commonwealth (Chapter 291 of the Acts of 2014, "the Act"). Among other things, the Act reconstituted the South Shore Tri-Town Development Authority ("SSTTDC") as the Southfield Redevelopment Authority.

SSTTDC was a quasi-municipal entity required to provide municipal services including; public safety, public infrastructure maintenance, storm drain management, education, health, planning, zoning, water, sewer, and general administrative services. With the passing of the legislation the Chief Executive Officer, Chief Financial Officer, Accountant, and the Water/Sewer Superintendent departed.

The Act mandated that the SRA complete the following tasks to comply with the newly enacted legislation:

- Tax Plan
- Bond Indenture Certificate of Trustee
- Redevelopment Plan
- Second Amendment to the Amended and Restated Memorandum of Agreement on Financing for the Parkway
- Parkway Phase Two Financing Agreement
- Amend Zoning By-Laws and Regulations
- Amend Disposition and Development Agreement

In March 2015, the Office of Economic Adjustment of the United States Department of defense formally recognized the SRA as the Local Redevelopment Authority ("LRA") for the purpose of implementing the redevelopment plan for the former NAS South Weymouth, and assuming said responsibility from the South Shore Tri-Town Development Corporation. As such, the SRA timely satisfied all of its obligations under the Act and all of the Act's provisions are in full force and effect.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. The government-wide financial statements provide both long-term and short-term information about the Authority as a whole. The fund financial statements focus on the individual components of the Authority, reporting its operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Authority's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements:** The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the Authority's assets, liabilities, and deferred inflows/outflows of resources, 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 *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Authority include general administrative services, professional services and pre-development site design and review. The Authority's business-type activities include the water and sewer utility activities.

**Fund financial statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The Authority maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Developer Deposit Fund, the Infrastructure Acquisition Fund, and the Parkway Extension Project Fund, all of which are considered to be major funds. The remaining governmental funds are aggregated and shown as nonmajor governmental funds.

**Proprietary funds.** Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Authority uses an enterprise fund to account for its water and sewer activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations.

**Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the Authority. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Authority’s programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements described above.

**General Government**

The SRA, formally SSTTDC, was created in 1998. However, it did not have a basis or authority to collect taxes until 2009 on the original transfer of 324 acres. It is generally accepted that municipalities have real estate taxing authority but in the case of the SRA, it was slowed due to on-going negotiations with the Navy for the transfer of taxable land and the adverse economic conditions suffered by the Commonwealth of Massachusetts commencing in 2007. The Navy transfer of the 558 acres did not take place until December 2011 and was not included as a tax basis until 2014.

**Property Values**

Real Estate property values within the SRA are submitted annually by the Board of Assessors of the host communities to the Massachusetts Department of Revenue for certification in accordance with MGL Chapter 59. Once certified, the SRA is able to determine its district tax rate. With the completion of the Cottages at HollyBrook and Parkview Place, as well as partial construction of Southfield Commons on the Green, residential values increased approximately 15% in 2017.

The first year for property valuation was during 2009, the first year the Massachusetts Department of Revenue approved the SRA valuation methodology.

Valuation by Taxable Property Class

Class	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Residential.....	\$ 12,642,800	\$ 12,642,800	\$ 13,131,835	\$ 20,330,300	\$ 47,720,900	\$ 64,167,400	\$ 91,868,600	\$ 98,583,690	\$ 113,701,211
Open Space.....	1,809,800	1,809,800	1,809,800	500,800	2,542,500	2,542,500	6,070,500	-	-
Commercial.....	35,106,400	35,106,400	35,938,865	35,467,300	60,268,800	57,923,700	60,718,700	52,066,010	52,209,879
Personal Property.....	19,000	19,000	19,000	53,000	3,363	1,776,905	1,975,853	1,527,580	1,724,900
Total Valuation.....	\$ 49,578,000	\$ 49,578,000	\$ 50,899,500	\$ 56,351,400	\$ 110,535,563	\$ 126,410,505	\$ 160,633,653	\$ 152,177,280	\$ 167,635,990

**Legislative Changes**

Fiscal year 2016 marked the first year that the Authority operated as a “District” and not the traditional taxing authority of prior years. Per legislative changes in August of 2014 (MGL Chapter 291 of the Acts of 2014) real estate, personal property, and motor vehicle excise taxes for the development formerly known as the NAS (Navy Air Station) South Weymouth are now collected directly by the three host communities (Weymouth, Rockland, and Abington) and no longer by the SRA. Public safety and Education are no longer contracted services by the SRA and are also provided by the host communities.

The SRA had an approved district tax rate of .50 per \$1,000 of value with FY2017 Certified Values equaling \$167,635,990. The fiscal year 2017 general fund operating budget was approved at \$1,870,058. Expenditures totaled \$2,170,802, of which debt service comprised approximately 50%. Fund balance reserves were utilized for the shortfall between budgeted revenues and expenditures.



**Tax Rate**

Tax rates are set for the SRA in a manner consistent with all other Cities and Towns within the Commonwealth of Massachusetts. Tax rates are approved by the Massachusetts Department of Revenue based upon all revenues including tax receivables. The tax recapitulation (RECAP) requires reporting of all anticipated income and all authorized expenditures for a given year. This calculation yields a tax rate. The historic tax rates for the SRA are listed below:

As approved by the Massachusetts Department of Revenue

<u>Tax Rates</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
Residential..... \$	20.06 \$	11.78 \$	11.90 \$	12.89 \$	13.26 \$	13.47 \$	11.39 \$	0.54 \$	0.50
Open Space.....	20.06	11.78	11.90	12.89	13.26	13.47	22.12	-	-
Commercial.....	20.06	17.47	17.70	23.89	26.35	30.73	22.12	0.54	0.50
Personal Property.....	20.06	17.47	17.70	23.89	26.35	30.37	22.12	0.54	0.50

For year 2010, the Board of Assessors recommended and the Board of Directors approved a tax shift whereby the commercial taxpayers bear more of property tax burden than does the residential taxpayer. By so doing, the tax rate for the SRA is more in line with that of the Town of Weymouth. It was determined that since the property being sold was located in Weymouth that this approach to the tax shift was reasonable.

By way of comparison, the following is a listing of the 2017 tax rates for the Southfield Communities:

- a. Abington: Residential and Commercial rate: \$18.35
- b. Rockland: Residential and Commercial rate: \$18.48
- c. Weymouth: Residential Rate: \$12.81  
Commercial Rate: \$20.20

Please refer to the previous page for information on Legislative Changes that affected the SRA where taxes are now the responsibility of the host communities.

## **GOVERNMENTAL ACTIVITIES**

### **Highlights**

During 2017, approximately \$6,631,558 was expended on capital items relating to the East West Parkway expansion.

### ***Governmental Activities***

	2017	2016	2015	2014 (As Revised)	2013 (As Revised)	2012
<b>Assets:</b>						
Current assets.....	\$ 3,260,819	\$ 10,721,979	\$ 5,149,515	\$ 6,545,884	\$ 6,856,969	\$ 8,100,361
Capital assets.....	49,244,757	44,516,287	46,199,502	47,599,685	27,398,140	23,835,156
<b>Total assets.....</b>	<b>52,505,576</b>	<b>55,238,266</b>	<b>51,349,017</b>	<b>54,145,569</b>	<b>34,255,109</b>	<b>31,935,517</b>
<b>Deferred outflows of resources:</b>						
Deferred outflows of resources related to pensions.....	367,929	100,360	28,014	-	-	-
<b>Liabilities:</b>						
Current liabilities (excluding debt).....	1,804,142	2,474,509	2,645,449	3,532,023	2,872,200	3,305,995
Noncurrent liabilities (excluding debt).....	1,350,935	955,401	914,912	884,882	5,513	5,175
Current debt.....	150,000	100,000	50,000	-	-	-
Noncurrent debt.....	12,250,000	12,400,000	12,500,000	12,550,000	12,550,000	12,550,000
<b>Total liabilities.....</b>	<b>15,555,077</b>	<b>15,929,910</b>	<b>16,110,361</b>	<b>16,966,905</b>	<b>15,427,713</b>	<b>15,861,170</b>
<b>Deferred inflows of resources:</b>						
Deferred inflows of resources related to pensions.....	28,540	-	-	-	-	-
<b>Net position:</b>						
Net investment in capital assets.....	36,844,757	32,016,287	33,649,502	35,049,685	14,848,140	11,285,156
Restricted.....	621,414	621,414	449,180	454,502	457,974	816,464
Unrestricted.....	(176,283)	6,771,015	1,167,988	1,674,477	3,521,282	3,972,727
<b>Total net position.....</b>	<b>\$ 37,289,888</b>	<b>\$ 39,408,716</b>	<b>\$ 35,266,670</b>	<b>\$ 37,178,664</b>	<b>\$ 18,827,396</b>	<b>\$ 16,074,347</b>

Noncurrent liabilities include the net pension liability and a liability for Other Postemployment Benefits of which were recorded for the first time beginning in 2014.

### **Net Position**

By far the largest portion of the SRA's net position reflects its investment in capital assets (e.g., land, infrastructure improvements, furniture, and equipment) less any related debt used to acquire those assets that is still outstanding. Although the SRA's 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.

Total governmental activities Net Position decreased during the year by approximately \$2.1 million mainly due to the recording of an additional \$1.9 million of depreciation expense.

Entitlement fees are collected from the Developer based on building projects. Special assessments are based on tax revenues collected by the host communities for the purpose of paying debt service.

Please refer to the "Legislative Changes" information provided earlier in this Discussion.

**Revenues, Expenses and Transfers**

	2017	2016	2015	2014 (As Revised)	2013 (As Revised)	2012
<b>Program revenues:</b>						
Charges for services..... \$	55,741	\$ 2,012	\$ 48,739	\$ 256,301	\$ 734,567	\$ 1,254,633
Operating grants and contributions.....	-	-	-	1,000	13,230	1,500
Capital grants and contributions.....	131,364	7,000,884	301,252	22,521,253	3,009,747	8,078,491
<b>General Revenues:</b>						
Real estate and personal property taxes.....	52,862	87,544	2,538,344	2,779,564	2,256,469	1,284,632
Entitlement fees.....	226,954	17,658	77,145	225,036	111,800	637,260
Special assessments.....	1,125,000	997,625	450,000	532,231	626,587	230,537
Fees, permits, and other revenue.....	422,529	73,811	113,927	60,880	315,926	38,329
Unrestricted investment income.....	24,896	24,799	25,890	27,588	27,359	26,450
Gain on the sale of capital assets.....	-	-	-	-	-	44,618
<b>Total revenues.....</b>	<b>2,039,346</b>	<b>8,204,333</b>	<b>3,555,297</b>	<b>26,403,853</b>	<b>7,095,685</b>	<b>11,596,450</b>
<b>Expenses:</b>						
Board of Directors.....	89,373	74,972	92,720	72,021	62,677	58,477
Chief Executive Officer.....	165,039	134,643	221,843	507,464	431,325	439,959
Finance.....	170,495	111,749	219,857	400,814	377,374	379,280
Solicitor.....	152,983	240,171	393,320	162,285	102,333	515,364
Information systems.....	47,538	49,053	9,896	12,499	11,055	20,116
Planning board.....	322,024	170,524	128,111	180,613	185,364	172,208
Pension, benefits, and insurance.....	189,120	174,702	372,945	201,018	191,965	212,274
Education.....	-	-	366,000	330,215	306,338	-
Maintenance of buildings.....	12,149	24,150	21,847	71,150	23,945	82,336
Police and fire inspections.....	-	11,873	365,016	319,607	250,492	75,707
Building inspections.....	-	-	3,983	42,285	22,658	36,797
Department of Public Works.....	119,944	280,562	314,878	252,067	223,819	135,929
Parkway deficiency.....	-	-	-	1,375,325	260,897	729,093
Health services.....	-	-	-	-	382	91
Veterans.....	-	-	-	62	5,000	-
Route 18 improvements.....	22,868	129,285	134,266	626,553	585,089	1,051,436
Debt service.....	963,553	969,898	978,981	972,625	949,094	692,167
Depreciation.....	1,903,088	1,690,705	1,690,425	1,692,931	352,829	348,130
<b>Total expenses.....</b>	<b>4,158,174</b>	<b>4,062,287</b>	<b>5,314,088</b>	<b>7,219,534</b>	<b>4,342,636</b>	<b>4,949,364</b>
<b>Excess (deficiency) before transfers</b>	<b>(2,118,828)</b>	<b>4,142,046</b>	<b>(1,758,791)</b>	<b>19,184,319</b>	<b>2,753,049</b>	<b>6,647,086</b>
<b>Transfers.....</b>	<b>-</b>	<b>-</b>	<b>(153,203)</b>	<b>11,528</b>	<b>-</b>	<b>(63,000)</b>
<b>Change in net position.....</b>	<b>(2,118,828)</b>	<b>4,142,046</b>	<b>(1,911,994)</b>	<b>19,195,847</b>	<b>2,753,049</b>	<b>6,584,086</b>
<b>Net position - beginning.....</b>	<b>39,408,716</b>	<b>35,266,670</b>	<b>37,178,664</b>	<b>17,982,817</b>	<b>15,843,275</b>	<b>9,490,261</b>
<b>Net position - ending..... \$</b>	<b>\$ 37,289,888</b>	<b>\$ 39,408,716</b>	<b>\$ 35,266,670</b>	<b>\$ 37,178,664</b>	<b>\$ 18,596,324</b>	<b>\$ 16,074,347</b>

**BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS**

**Enterprise Fund: Water & Sewer**

The SRA supplies its customers with water supply and sewer disposal through a contractual agreement with the Town of Weymouth. The SRA previously adopted MGL c.44 section 53F ½ of the MGL's for water and sewer activities. Revenues collected are dedicated solely to offset operating expenditures. Accordingly, any excess balances at year-end remains with the fund.

FY17 charges for services totaled approximately \$909,000. Operating expenses totaled approximately \$681,000 yielding a positive change in net position of approximately \$231,000 for the year. The ending net position of the fund totaled approximately \$853,000 and no amounts were appropriated from this balance during the year. The business-type activities are summarized below.

## Business-Type Activities

	2017	2016	2015	(As Revised)	(As Revised)	2012
<b>Assets:</b>						
Current assets.....	\$ 885,219	\$ 670,399	\$ 569,873	\$ 425,160	\$ 640,167	\$ 432,727
Capital assets.....	24,326	25,312	26,298	27,284	28,270	9,806
<b>Total assets.....</b>	<b>909,545</b>	<b>695,711</b>	<b>596,171</b>	<b>452,444</b>	<b>668,437</b>	<b>442,533</b>
<b>Deferred outflows of resources:</b>						
Deferred outflows of resources related to pensions.....	14,918	5,226	166	-	-	-
<b>Liabilities:</b>						
Current liabilities (excluding debt).....	-	18,951	798	78,655	446,911	382,019
Noncurrent liabilities (excluding debt).....	70,590	60,696	29,753	26,723	-	-
<b>Total liabilities.....</b>	<b>70,590</b>	<b>79,647</b>	<b>30,551</b>	<b>105,378</b>	<b>446,911</b>	<b>382,019</b>
<b>Deferred inflows of resources:</b>						
Deferred inflows of resources related to pensions.....	1,157	-	-	-	-	-
<b>Net Position:</b>						
Net investment in capital assets.....	24,326	25,312	26,298	27,284	28,270	9,806
Unrestricted.....	828,390	595,978	539,488	319,782	193,256	50,708
<b>Total net position.....</b>	<b>\$ 852,716</b>	<b>\$ 621,290</b>	<b>\$ 565,786</b>	<b>\$ 347,066</b>	<b>\$ 221,526</b>	<b>\$ 60,514</b>
<b>Program revenues:</b>						
Charges for services.....	\$ 589,082	\$ 583,883	\$ 381,705	\$ 705,134	\$ 448,015	\$ 139,226
Connection fees.....	319,613	64,371	-	78,023	52,009	189,405
<b>General Revenues:</b>						
Unrestricted investment income.....	3,725	2,671	2,403	2,060	3,227	-
<b>Total revenues.....</b>	<b>912,420</b>	<b>650,925</b>	<b>384,108</b>	<b>785,217</b>	<b>503,251</b>	<b>328,631</b>
<b>Expenses:</b>						
Water and sewer.....	680,994	595,421	318,591	624,431	342,239	331,117
<b>Excess (Deficiency) before transfers.....</b>	<b>231,426</b>	<b>55,504</b>	<b>65,517</b>	<b>160,786</b>	<b>161,012</b>	<b>(2,486)</b>
<b>Transfers.....</b>	<b>-</b>	<b>-</b>	<b>153,203</b>	<b>(11,528)</b>	<b>-</b>	<b>63,000</b>
<b>Change in net position.....</b>	<b>231,426</b>	<b>55,504</b>	<b>218,720</b>	<b>149,258</b>	<b>161,012</b>	<b>60,514</b>
<b>Net position - beginning.....</b>	<b>621,290</b>	<b>565,786</b>	<b>347,066</b>	<b>197,808</b>	<b>40,421</b>	<b>-</b>
<b>Net position - ending.....</b>	<b>\$ 852,716</b>	<b>\$ 621,290</b>	<b>\$ 565,786</b>	<b>\$ 347,066</b>	<b>\$ 201,433</b>	<b>\$ 60,514</b>

## General Fund Budgetary Highlights

Actual revenues were less than the final budget by approximately \$43,000. Actual expenditures, including carryovers, were less than budgeted amounts by approximately \$156,000.

## Financial Analysis of the SRA's Major Governmental Funds

As noted earlier, the SRA uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Government Funds.** The focus of the SRA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the SRA's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported combined fund balances of \$1.9 million, a decrease of \$6.8 million from the prior year. The decrease was mainly due to SRA expending \$6.6 million on the capital Parkway Extension Project during the year when the capital grant was received in the previous fiscal year.

*Major Governmental Funds*

*General Fund*

The general fund is the chief operating fund. At the end of the current year, the unassigned fund balance of the general fund was \$1.1 million which represents 52% of total general fund expenditures. The general fund balance decreased by \$150,000 during FY2017 mainly due to the planned use of reserves.

*Infrastructure Acquisition Fund*

The Infrastructure Acquisition fund is a capital project fund that is used to account for the purchase of infrastructure from the Master Developer. The fund had an ending fund balance of \$621,000.

*Parkway Extension Project Fund*

The Parkway Extension Project fund is a capital project fund that is used to account for the construction costs associated with extending the Parkway Project. The Commonwealth of Massachusetts provided a capital grant of which \$6.6 million was expended during the year.

**General Fund and Water/Sewer Free Cash**

Free Cash is the Commonwealth's budgetary basis of accounting calculation of an amount similar to the unassigned fund balance at the end of each year and represents those funds which were not expended by the SRA. The SRA annually petitions the Massachusetts Department of Revenue to certify that the SRA has achieved a surplus and for permission to expend those funds during the succeeding year.

<u>Fund</u>	<u>FREE CASH</u>						
	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
General Fund.....	\$ 1,010,951	\$ 1,654,836	\$ 494,786	\$ 1,039,658	\$ 2,931,696	\$ 2,278,568	\$ 2,105,896
Water/Sewer Enterprise Fund.....	181,280	14,433	126,843	220,386	529,780	600,752	777,821

**STABILIZATION ACCOUNTS**

Two Stabilization Accounts have been established in accordance with MGL Chapter 40, Section 5B.

**General Stabilization**

<b>General Stabilization Account</b>								
	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
Balance forward.....	\$ -	\$ 78,021	\$ 78,385	\$ 550,810	\$ 790,030	\$ 324,154	\$ 1,671	\$ 751
Transfers In.....	177,842	-	472,000	486,313	-	-	-	-
Transfers Out.....	(100,000)	-	-	(251,165)	(469,618)	(322,999)	-	-
Miscellaneous expenditures.....	-	-	-	-	-	-	(932)	-
Interest Income.....	179	364	425	4,072	3,742	516	12	7
Ending Balance.....	<u>\$ 78,021</u>	<u>\$ 78,385</u>	<u>\$ 550,810</u>	<u>\$ 790,030</u>	<u>\$ 324,154</u>	<u>\$ 1,671</u>	<u>\$ 751</u>	<u>\$ 758</u>

**Other Postemployment Benefits Stabilization**

GASB Statement 45 requires state and local governments to report OPEB costs and obligations. This statement requires that the annual cost and liability associated with OPEB be computed and brought onto the governmental entity’s books and records. The Board of Directors understood its responsibility with respect this pronouncement.

During 2014, the SRA undertook a study that complies with this reporting requirement. As the SRA has fewer than 100 participants covered under the plan, it is eligible for the alternative measurement method of reporting.

The report includes the calculation for the Actuarial Accrued Liability (AAL) which is defined as the total projected liability for OPEB covered under the plan. The AAL calculation uses the data on active employees, employees who have left employment but who are eligible for retiree healthcare, current retirees and their beneficiaries and spouses who are eligible for the retiree healthcare benefit provided by SRA.

Utilizing this approved methodology and an independent firm to perform the calculations, it was determined that the liability as of June 30, 2017 was \$374,854. The SRA Board of Directors established a separate stabilization fund in 2013 in the amount of \$251,175 for the specific purpose of holding such funds. The fund has a balance of \$296,728 as of June 30, 2017.

<b>OPEB Stabilization Account</b>				
	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
Balance forward.....	\$ 251,175	\$ 290,654	\$ 292,843	\$ 295,054
Transfers In.....	37,562	-	-	-
Interest Income.....	1,917	2,189	2,211	1,674
Ending Balance.....	<u>\$ 290,654</u>	<u>\$ 292,843</u>	<u>\$ 295,054</u>	<u>\$ 296,728</u>

## **DEBT**

### **Debt Administration**

The SRA authorized \$15.275 million in bonds during the closing months of year 2010. Of that amount, \$12.55 million was issued during 2011. Proceeds from the bonds were utilized for expenditures related to the purchase of various infrastructure improvements from the Developer (see below). In addition, the SRA authorized a note in the amount of \$10 million (assigned to the Developer) for the purpose of purchasing the remaining Navy Land. This note is secured by a letter of credit offered by the Developer. Under a contractual agreement with the Developer, the Developer assumed the debt obligation. The SRA is secured by a 6 acre portion of land that abuts the parkway. Together, the Letter of Credit plus the value of the mortgaged property, exceeds the outstanding obligation.

### **INFRASTRUCTURE BOND**

SRA issued the Series 2010A Infrastructure Development Revenue Bonds in the amount of \$12,550,000 on August 9, 2010 (the "Bonds"). The Bonds are secured by Assessments and Pledged Revenues levied on each Parcel of Assessed Property. The Assessments have been imposed upon the real property within the boundaries of the SRA and are limited to those properties transferred under FOST 1 and 2 (June, 2006). The Assessments are equal to the interest and principal on the Bonds and bonds expected to be issued in the future and estimated administrative expenses related to the bonds. The Assessment Roll is updated each Tax Year. There was no Assessment for 2011. This is the first such bond authorized in the Commonwealth of Massachusetts.

The first payment for which assessments are to be collected under the bond was due and paid on August 1, 2012 (FY2013) as reserves were held by a third party for the semi-annual debt service for 2011 and for 2012. The SRA has pledged up to 35% of its tax revenues for properties included in FOST 1 and 2 for this debt service. The first special assessment was raised on property owners within FOST 1 and FOST 2 in 2013. Furthermore, the assessment, in accord with the Bond Agreements, was assessed on only those owners of unimproved land as of January 1, 2012. The Total Special Assessment was \$1,125,000 in 2017 and there was a 100% collection rate.

### **CONTINGENT LIABILITY**

#### **Parkway Bond**

The SRA, utilizing a quasi-grant from the Commonwealth of Massachusetts, began construction on the East\West Parkway. The following is a brief synopsis of the key terms of the Amended and Restated Memorandum of Agreement for the Implementation of Transportation Improvements for the Redevelopment of the South Weymouth Naval Air Station (the "Implementation MOA"), dated as of March 4, 2010, by and between the Massachusetts Department of Transportation ("MassDOT") and SRA.

This summary is not intended to be a complete description of all the terms and conditions of the Implementation MOA, and the terms and conditions of the Implementation MOA shall be controlling in the event of any legal issue arising under the Implementation MOA.

1. The Implementation MOA addresses the procurement, permitting, design, right of way acquisition, construction and operation of the Parkway and the East Side Connectivity Improvements.
2. Once completed, the portion of the Parkway within the Base will be owned and maintained by SRA and the portions of the Parkway outside the Base will be owned and maintained by the respective Towns. The portion of Route 18 to be widened between Route 3 in Weymouth and Route 139 in Abington will continue to be owned and maintained by the Commonwealth.

3. The MOA requires that the redevelopment of the NAS will generate annual New State Tax Revenues (by definition calculated as total sales taxes, personal income tax and hotel tax revenues generated by development at SRA) will be at least 1.5 times greater than the annual Debt Service Costs of the Parkway Bonds.
4. If the cumulative amount of New State Tax Revenues received in any fiscal year is less than the debt service for the Parkway Bond, the SRA is required to make a Deficiency Payment to the Commonwealth of MA in order to reimburse the Commonwealth for the portion of the Debt Service Costs not covered by the New State Tax Revenues. This contingent liability will exist annually for the life of the issued bond.

In December 2014, the Secretary of Administration and Finance for the Commonwealth of Massachusetts (“Secretary”) agreed to amend the MOA to allow for Deficiency Payments attributable to fiscal years 2013 to 2018 to be deferred until the beginning of fiscal year 2019. The Secretary is authorized to extend this deferral to additional fiscal years if the Secretary determines that this deferral is fiscally responsible and serves the public interest. At June 30, 2015 the SRA accrued a liability, Due to the Commonwealth, in the amount of \$1,375,000 that is being deferred as described above.

### **Retirement Board**

The SRA is a member of Plymouth County Retirement Association that is comprised of a five member Board of Directors who manages the pension trust fund. The Association has the fiduciary responsibility for fund assets. Membership in this system is mandatory for all employees whose workweek consists of 20 or more hours for the SRA. The fund is accounted for on a calendar-year basis.

### ***Requests for Information***

This financial report is designed to provide a general overview of the SRA’s finances for all those with an interest in the Authority’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addresses to the Executive Director, 223 Shea Memorial Drive, South Weymouth, MA 02190.



# ***Basic Financial Statements***

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**Statement of Net Position**

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current:</b>			
Cash and cash equivalents.....	\$ 3,260,819	\$ 866,722	\$ 4,127,541
Accounts receivable, net of uncollectibles:			
User charges.....	-	18,497	18,497
<b>Total Current Assets.....</b>	<b>3,260,819</b>	<b>885,219</b>	<b>4,146,038</b>
<b>Noncurrent:</b>			
Capital assets, net of accumulated depreciation.....	49,244,757	24,326	49,269,083
<b>Total Assets.....</b>	<b>52,505,576</b>	<b>909,545</b>	<b>53,415,121</b>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows related to pensions.....	367,929	14,918	382,847
<b>LIABILITIES</b>			
<b>Current:</b>			
Warrants payable.....	19,400	-	19,400
Due to Commonwealth of Massachusetts.....	1,375,325	-	1,375,325
Accrued interest expense.....	400,417	-	400,417
Bonds payable.....	150,000	-	150,000
Compensated absences.....	9,000	-	9,000
<b>Total Current Liabilities.....</b>	<b>1,954,142</b>	<b>-</b>	<b>1,954,142</b>
<b>Noncurrent:</b>			
Compensated absences.....	4,661	-	4,661
Bonds payable.....	12,250,000	-	12,250,000
Other postemployment benefits.....	344,866	29,988	374,854
Net pension liability.....	1,001,408	40,602	1,042,010
<b>Total Noncurrent Liabilities.....</b>	<b>13,600,935</b>	<b>70,590</b>	<b>13,671,525</b>
<b>Total Liabilities.....</b>	<b>15,555,077</b>	<b>70,590</b>	<b>15,625,667</b>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows related to pensions.....	28,540	1,157	29,697
<b>NET POSITION</b>			
Net investment in capital assets.....	36,844,757	24,326	36,869,083
Restricted for development.....	621,414	-	621,414
Unrestricted.....	(176,283)	828,390	652,107
<b>Total Net Position.....</b>	<b>\$ 37,289,888</b>	<b>\$ 852,716</b>	<b>\$ 38,142,604</b>

See notes to basic financial statements.

**Statement of Activities**

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<i>Governmental Activities:</i>							
Board of Directors:							
Salaries.....	\$ 58,020	\$ -	\$ -	\$ -	\$ (58,020)	\$ -	\$ (58,020)
Expenses.....	31,353	-	-	-	(31,353)	-	(31,353)
Chief Executive Officer:							
Salaries.....	94,159	-	-	-	(94,159)	-	(94,159)
Expenses.....	41,298	-	-	-	(41,298)	-	(41,298)
Insurance.....	29,582	-	-	-	(29,582)	-	(29,582)
Finance:							
Salaries.....	152,228	-	-	-	(152,228)	-	(152,228)
Expenses.....	18,267	-	-	-	(18,267)	-	(18,267)
Solicitor.....	152,983	-	-	-	(152,983)	-	(152,983)
Information systems expenses.....	47,538	-	-	-	(47,538)	-	(47,538)
Planning Board:							
Salaries.....	168,916	-	-	-	(168,916)	-	(168,916)
Expenses.....	153,108	55,741	-	-	(97,367)	-	(97,367)
Pension, benefits, and insurance.....	189,120	-	-	-	(189,120)	-	(189,120)
Maintenance of buildings.....	12,149	-	-	-	(12,149)	-	(12,149)
Department of Public Works:							
Expenses.....	11,846	-	-	-	(11,846)	-	(11,846)
East West Parkway - Rockland to Trotter Road.....	108,098	-	-	-	(108,098)	-	(108,098)
Route 18 improvements.....	22,868	-	-	27,896	5,028	-	5,028
Capital outlay.....	-	-	-	103,468	103,468	-	103,468
Debt service costs.....	963,553	-	-	-	(963,553)	-	(963,553)
Unallocated depreciation.....	1,903,088	-	-	-	(1,903,088)	-	(1,903,088)
Total Governmental Activities.....	4,158,174	55,741	-	131,364	(3,971,069)	-	(3,971,069)
<i>Business-Type Activities:</i>							
Water/Sewer.....	680,994	912,420	-	-	-	231,426	231,426
Total Business-Type Activities.....	680,994	912,420	-	-	-	231,426	231,426
Total Primary Government.....	\$ 4,839,168	\$ 968,161	\$ -	\$ 131,364	(3,971,069)	231,426	(3,739,643)
<b>General Revenues:</b>							
Real estate and personal property taxes.....					52,862	-	52,862
Entitlement fees.....					226,954	-	226,954
Special assessments.....					1,125,000	-	1,125,000
Investment income.....					24,896	-	24,896
Other revenue.....					422,529	-	422,529
Total General Revenues.....					1,852,241	-	1,852,241
Change in net position.....					(2,118,828)	231,426	(1,887,402)
Net Position:							
Beginning of the year.....					39,408,716	621,290	40,030,006
End of the year.....					\$ 37,289,888	\$ 852,716	\$ 38,142,604

See notes to basic financial statements.

**Balance Sheet**  
Governmental Funds  
June 30, 2017

	General Fund	Infrastructure Acquisition Fund	Parkway Extension Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 2,441,680	\$ 621,414	\$ 54,163	\$ 143,562	\$ 3,260,819
<b>LIABILITIES</b>					
Warrants payable.....	\$ -	\$ -	\$ -	\$ 19,400	\$ 19,400
Due to Commonwealth of Massachusetts.....	1,375,325	-	-	-	1,375,325
Total Liabilities.....	1,375,325	-	-	19,400	1,394,725
<b>FUND BALANCES</b>					
Restricted.....	-	621,414	54,163	128,791	804,368
Assigned.....	23,519	-	-	-	23,519
Unassigned.....	1,042,836	-	-	(4,629)	1,038,207
Total Fund Balances.....	1,066,355	621,414	54,163	124,162	1,866,094
Total liabilities, deferred inflows of resources and fund balances.....	\$ 2,441,680	\$ 621,414	\$ 54,163	\$ 143,562	\$ 3,260,819
Total fund balance above.....					\$ 1,866,094
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.....					49,244,757
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....					339,389
Long-term notes payable are not due and payable in the current period and therefore are not reported in the funds.....					(12,400,000)
Accrued interest is not due and payable in the current period and therefore is not reported in the funds.....					(400,417)
Other postemployment benefit liability is not due and payable in the current period and therefore is not reported in the funds.....					(344,866)
Net pension liability is not due and payable in the current period and therefore is not reported in the funds.....					(1,001,408)
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds.....					(13,661)
Net position of governmental activities.....					<u>\$ 37,289,888</u>

See notes to basic financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance**

Governmental Funds

Year Ended June 30, 2017

	General Fund	Infrastructure Acquisition Fund	Parkway Extension Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Real estate and personal property taxes.....	\$ 52,862	\$ -	\$ -	\$ -	\$ 52,862
Intergovernmental.....	-	-	-	131,364	131,364
Entitlement fees.....	226,954	-	-	-	226,954
Licenses, permits, and fees.....	-	-	-	55,741	55,741
Special assessments.....	1,125,000	-	-	-	1,125,000
Other revenue.....	434,638	-	-	-	434,638
Investment income.....	24,896	-	-	-	24,896
<b>Total Revenues.....</b>	<b>1,864,350</b>	<b>-</b>	<b>-</b>	<b>187,105</b>	<b>2,051,455</b>
<b>EXPENDITURES</b>					
Board of Directors:					
Salaries.....	41,766	-	-	-	41,766
Expenses.....	31,353	-	-	-	31,353
Chief Executive Officer:					
Salaries.....	67,782	-	-	-	67,782
Expenses.....	17,014	-	-	-	17,014
Insurance.....	29,582	-	-	-	29,582
Finance:					
Salaries.....	108,427	-	-	-	108,427
Expenses.....	18,267	-	-	-	18,267
Solicitor.....	152,983	-	-	-	152,983
Information systems expenses.....	47,538	-	-	-	47,538
Planning Board:					
Salaries.....	121,597	-	-	-	121,597
Expenses.....	98,167	-	-	54,941	153,108
Pension, benefits, and insurance.....	189,120	-	-	-	189,120
Maintenance of buildings.....	12,149	-	-	-	12,149
Department of Public Works:					
Expenses.....	11,846	-	-	-	11,846
Health services.....	-	-	-	108,098	108,098
Route 18 improvements.....	-	-	-	22,868	22,868
Capital outlay.....	-	-	6,631,558	-	6,631,558
Debt service costs.....	1,066,782	-	-	-	1,066,782
<b>Total Expenditures.....</b>	<b>2,014,373</b>	<b>-</b>	<b>6,631,558</b>	<b>185,907</b>	<b>8,831,838</b>
Net change in fund balance.....	(150,023)	-	(6,631,558)	1,198	(6,780,383)
Fund balances at the beginning of the year.....	1,216,378	621,414	6,685,721	122,964	8,646,477
Fund balances at the end of the year.....	<u>\$ 1,066,355</u>	<u>\$ 621,414</u>	<u>\$ 54,163</u>	<u>\$ 124,162</u>	<u>\$ 1,866,094</u>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds.....		\$ (6,780,383)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	6,631,558	
Depreciation expense.....	<u>(1,903,088)</u>	
Net effect of reporting capital assets.....		4,728,470
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unearned revenue.....</p>		
		(12,109)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Debt service principal payments.....	<u>100,000</u>	
Net effect of reporting long-term debt.....		100,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(1,606)	
Net change in accrued interest on long-term debt.....	3,229	
Net change in other postemployment benefits accrual.....	(24,284)	
Net change in deferred outflow/(inflows) of resources related to pensions.....	239,029	
Net change in net pension liability.....	<u>(371,174)</u>	
Net effect of recording long-term liabilities.....		<u>(154,806)</u>
Change in net position of governmental activities.....		<u>\$ (2,118,828)</u>

See notes to basic financial statements.

**Statement of Net Position**  
Proprietary Funds

June 30, 2017

	Business-type Activities Enterprise Funds
	Water/Sewer Fund
<b>ASSETS</b>	
<b>Current:</b>	
Cash and cash equivalents.....	\$ 866,722
Receivables, net of uncollectibles.....	18,497
Total Current Assets.....	885,219
<b>Noncurrent:</b>	
Capital assets, net of accumulated depreciation.....	24,326
Total Assets.....	909,545
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows or resources related to pensions.....	14,918
<b>LIABILITIES</b>	
<b>Noncurrent:</b>	
Other postemployment benefits.....	29,988
Net pension liability.....	40,602
Total Liabilities.....	70,590
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows or resources related to pensions.....	1,157
<b>NET POSITION</b>	
Net investment in capital assets.....	24,326
Unrestricted.....	828,390
Total Net Position.....	\$ 852,716

See notes to basic financial statements.



**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**

Year Ended June 30, 2017

	Business-type Activities Enterprise Funds
	Water/Sewer Fund
<b><u>OPERATING REVENUES:</u></b>	
Charges for services.....	\$ 589,082
Connection fees.....	319,613
 TOTAL OPERATING REVENUE.....	 908,695
<b><u>OPERATING EXPENSES:</u></b>	
Water and sewer expenses.....	680,008
Depreciation expense.....	986
 TOTAL OPERATING EXPENSES.....	 680,994
 OPERATING INCOME (LOSS).....	 227,701
<b><u>NONOPERATING REVENUES (EXPENSES):</u></b>	
Investment Income.....	3,725
 CHANGE IN NET POSITION.....	 231,426
NET POSITION AT BEGINNING OF YEAR.....	621,290
NET POSITION AT END OF YEAR.....	\$ 852,716

See notes to basic financial statements.

**Statement of Cash Flows**  
Proprietary Funds

Year Ended June 30, 2017

	Business-type Activities Enterprise Funds
	Water/Sewer Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 930,491
Payments to vendors.....	(686,100)
Payments to employees.....	(11,500)
	232,891
NET CASH FROM OPERATING ACTIVITIES.....	232,891
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Investment income.....	3,725
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	236,616
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	630,106
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 866,722
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ 227,701
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation	986
Deferred (outflows)/inflows related to pensions.....	(8,535)
Adjustments to reconcile operating income to net cash from operating activities:	
Accounts receivable.....	21,796
Warrants payable.....	(18,951)
Other postemployment benefit.....	2,111
Net pension liability.....	7,783
	5,190
NET CASH FROM OPERATING ACTIVITIES.....	\$ 232,891

See notes to basic financial statements.

**Fiduciary Funds**  
Statement of Fiduciary Net Position

June 30, 2017

	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents.....	\$ 34,718
Prepaid deposits.....	24,447
TOTAL ASSETS.....	59,165
<b>LIABILITIES</b>	
Liabilities due depositors.....	\$ 59,165

See notes to basic financial statements.

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

Accounting policies and financial reporting practices for the Southfield Redevelopment Authority (SRA) are prescribed by the Office of the State Auditor in accordance with the Authority's enabling legislation, Chapter 301 of the Acts of 1998, as amended in August 2008. The significant accounting policies are described herein.

**Reporting Entity**

On August 20, 2014, the Governor of Massachusetts signed into law legislation to promote the sustainable economic development of the former South Weymouth Naval Air Station for the benefit of the Towns of Abington, Rockland, and Weymouth, the NAS South Weymouth Region and the Commonwealth (Chapter 291 of the Acts of 2014, "the Act"). Among other things, the Act reconstituted the South Shore Tri-Town Development Corporation ("SSTTDC") as the Southfield Redevelopment Authority (SRA).

SSTTDC was a quasi-municipal entity required to provide municipal services including; public safety, public infrastructure maintenance, storm drain management, education, health, planning, zoning, water, sewer, and general administrative services. With the passing of the legislation the Chief Executive Officer, Chief Financial Officer, Accountant, and the Water/Sewer Superintendent departed.

The Act mandated that the SRA complete the following tasks to comply with the newly enacted legislation:

- Tax Plan
- Bond Indenture Certificate of Trustee
- Redevelopment Plan
- Second Amendment to the Amended and Restated Memorandum of Agreement on Financing for the Parkway
- Parkway Phase Two Financing Agreement
- Amend Zoning By-Laws and Regulations
- Amend Disposition and Development Agreement

In March 2015, the Office of Economic Adjustment of the United States Department of Defense formally recognized the SRA as the Local Redevelopment Authority ("LRA") for the purpose of implementing the redevelopment plan for the former NAS South Weymouth, and assuming said responsibility from the South Shore Tri-Town Development Corporation. As such, the SRA satisfied all of its obligations under the Act and all of the Act's provisions are in full force and effect.

The Authority was originally established on August 14, 1998 through its enabling legislation Chapter 301 of the Acts of 1998, as amended in August of 2008 in Chapter 303, Section 36. The purpose of the legislation is to promote the expeditious and orderly conversion and redevelopment of the closed Naval Air Station, located on approximately 1,450 acres in the Towns of Abington, Rockland and Weymouth, for nonmilitary purposes, including but not limited to, commercial, housing, industrial, institutional, educational, governmental, recreational, conservation or manufacturing uses. In order to achieve these objectives the Authority was given full powers and authority to carry out the purposes of this Act. The former Naval Air Station is being developed into a community to be named "*Union Point*" (*formally "SouthField"*).

The Authority is not a City or a Town and its existence is limited by Statute. The Authority is a special purpose government that will cease to exist upon completion of the development, or upon repayment or transfer of any outstanding indebtedness, but in no case will the Authority exist under current legislation beyond December 31, 2065, unless an extension is provided. During the period of existence, it has the ability to exercise most powers

of a municipality on behalf of the three local Towns. After the termination of the Authority, the powers and duties assigned to the Authority will revert back to each of the three Towns.

### **Basis of Presentation**

The accompanying financial statements include all the financial transactions of the Authority for the year ended June 30, 2017 and are presented in accordance with Statement No. 34 of the Governmental Accounting Standards Board; *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

### **Government-Wide Statements**

Included in the basic financial statements are two government-wide statements. Neither fiduciary funds nor component units that are fiduciary in nature are included.

- 1. Statement of Net Position:** The basic government-wide statement of position is the statement of net position. The statement uses a net position format (i.e., assets + deferred outflows – liabilities – deferred inflows = net position). The statement reports all assets and liabilities related to governmental activities.
- 2. Statement of Activities:** The other governmental-wide financial statement is the statement of activities. This is the operating statement. The statement uses a net cost format. The statement first reports the total costs of a government's various functions or programs from all funding sources. The statement then shows how a portion of the cost is financed by charges for services or by related grants and contributions. The difference between these two elements is then reported as the net cost that must be financed through the Authority's own resources (e.g., interest income and non-program-related revenue).

### **Measurement Focus and Basis of Accounting of the Government-Wide Financial Statements**

The statement of net position and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place and are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

### **Fund Financial Statements**

In addition to the government-wide statements, financial transactions of the Authority are recorded on a fund perspective in the following funds. The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund balances, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Authority uses the following fund types:

#### *Major Funds*

- General Fund - reflects the financial transactions related to general governmental activities, which are not otherwise accounted for in another fund. Included in the General Fund is the unassigned fund balance, the amount by which unrestricted cash, accounts receivable, and other assets exceed liabilities and reserves.
- Infrastructure Acquisition Fund - is a capital project fund that is used to account for the purchase of the infrastructure from the Master Developer.
- Parkway Extension Project - is a capital project fund that is used to account for the construction costs associated with extending the Parkway.

#### *Nonmajor Funds*

- Special revenue funds - are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.
- Capital projects funds - are used to account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays.

#### Proprietary Fund Category

Proprietary funds are those that are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

#### *Enterprise Funds*

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Authority has one Enterprise Fund that is used to account for the Authority's water and sewer activities.

#### *Internal Service Funds*

Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Authority on a cost reimbursement basis. Currently, the Authority does not utilize internal service funds.

#### Fiduciary Funds

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The agency fund is used to account for assets held in a purely custodial capacity and apply the accrual basis of accounting but do not have a measurement focus.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Authority may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

### **Accounting for Revenues**

The accounts of the Governmental Fund Category are reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable. All revenues are accounted for on the accrual basis within the Government-wide financial statements and Proprietary Fund financial statements. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Real estate and property tax revenues are considered available if they are collected within 60 days after year end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

### **Accounting for Expenditures/Expenses**

The expenditure accounts of the General, Major and Nonmajor Funds are reported on the modified accrual basis of accounting and are recognized in the accounting period in which a fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with current available resources. Disbursements for material and supply inventories are considered expenditures rather than assets at the time of purchase since they are not material. All expenses are accounted for on the accrual basis within the Government-wide financial statements and Proprietary Fund financial statements.

### **Cash and Cash Equivalents**

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. Fair value is based on quoted market price. All of the Authority's investments are currently in government money market accounts. Therefore, the investments of the Authority have been reported as cash and cash equivalents. Additional cash and investment disclosures are presented in these Notes.

### **Fair Value Measurements**

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

### **Internal Activity Elimination**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

### **Receivables**

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Authority classifies outstanding personal property taxes three years or more as uncollectible for financial reporting purposes. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectible.



**Accounting for Capital Assets**

The Authority's policy is to capitalize and depreciate fixed assets over the following estimated service lives on a straight-line basis for any asset with a cost greater than \$1,000 and a useful life greater than one-year.

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Leasehold Improvements.....	7
Vehicles.....	3-7
Machinery and Equipment.....	3-7
Infrastructure.....	30

Infrastructure and other capital assets reporting policies will be developed as each type of asset is acquired. The Authority records capital assets at cost or estimates current market value for donated assets. The Authority's policy is to record no depreciation expense for assets transferred to the Developer in the year of transfer. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Deferred Outflows/Inflows of Resources***Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Authority has reported deferred outflows of resources related to pensions in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has reported deferred inflows of resources related to pensions in this category. The Authority also has another type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in the category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Pensions**

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 Plymouth County Contributory Retirement System and additions to/deduction from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purposes, benefit payments (including refunds of employee contributions) are recognized with due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Long-term Obligations**

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term obligations consist of bonds payable, accrued compensated absences and other postemployment benefits.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal is reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**Other Postemployment Benefits**

SRA has five employees currently eligible to receive other postemployment benefits.

**Compensated Absences**

Employees earn vacation and sick leave (up to a maximum of 75 days) as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the appropriate fund when incurred. Vacation and sick leave accumulate for employees based upon the Authority's personnel policy. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

**Equity Classifications****Government-Wide Statements**

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

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

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

### Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors.
- Assigned fund balance – consist of amounts that are constrained by the Authority's intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations.
- Unassigned fund balance – represents the residual classification for the general fund. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

The Authority's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

### Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

### Total Columns

The total column presented on the government-wide financial statements represents consolidated financial information.

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

**NOTE 2 – CASH AND INVESTMENTS**

Statute requires the SRA to comply with Massachusetts General Laws, Chapter 44, Section 55, which places certain limitations on cash deposits and investments available to the SRA. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The SRA may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The SRA may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The SRA may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value. A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheets as "cash and cash equivalents".

At June 30, 2017 bank deposits totaled \$4,210,757 and had a carrying amount (book value) of \$4,162,259. Of the bank balance \$1,000,000 was covered by Federal Depository Insurance and \$1,333,681 was covered by the Share Insurance Fund. The remaining bank balances of \$1,877,076 is government money market accounts held at various banks and are not covered by depository insurance. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

SRA's only investments as of June 30, 2017 consisted of government money market accounts which have been classified as cash and cash equivalents. Management has incorporated deposit policies, designed to manage deposit risk, into its recently adopted Investment Policy.

Developer deposits received for entitlement fees paid in advance are reported as restricted cash of the Governmental Activities, Developer Deposit Fund.

**NOTE 3 – CASH RESERVE DEPOSITS**

In connection with the issuance, on June 30, 2010, of \$30 million of Special Obligation Bonds (Commonwealth Contract Assistance) by the Massachusetts Development Finance Agency, the Authority executed an agreement with the Commonwealth of Massachusetts, acting by and through its Executive Office for Administration and Finance. The proceeds of the bonds will be disbursed by the Trustee to the Authority to pay or reimburse the Authority for a portion of the costs incurred in connection with financing a portion of the Parkway Project. The Authority is not liable for repayment of the Bonds; however, pursuant to the agreement, the Authority is obligated to make certain payments to the Commonwealth in the event that new state tax revenues generated by the redevelopment of the base do not meet certain projected amounts.

These obligations may be negated if certain milestones are met. In December 2014, the Secretary of Administration and Finance for the Commonwealth of Massachusetts ("Secretary") agreed to amend the MOA to allow for Deficiency Payments attributable to fiscal years 2013 to 2018 to be deferred until the beginning of fiscal year 2019. The Secretary is authorized to extend this deferral to additional fiscal years if the Secretary determines that this deferral is fiscally responsible and serves the public interest. Please refer to Note 14 for more information on this contingent liability.

**NOTE 4 – RECEIVABLES**

The Authority reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also postpone revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues, if any, are also reported on the Statement of Net Position.

At June 30, 2017, receivables for the water and sewer enterprise fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Water and sewer fees.....	\$ 18,497	\$ -	\$ 18,497

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the year ending June 30, 2017, was as follows:

<b>Governmental Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 225,300	\$ -	\$ -	\$ 225,300
<u>Capital assets being depreciated:</u>				
Leasehold improvements.....	34,213	-	-	34,213
Machinery and equipment.....	200,966	-	-	200,966
Vehicles.....	24,570	-	-	24,570
Multimodal Access Project - Infrastructure.....	8,010,092	-	-	8,010,092
East West Parkway - Non-Participating Agreement.....	992,640	-	-	992,640
Shea Drive/MGA - Series 2010A Infrastructure Bond.....	11,381,859	-	-	11,381,859
East West Parkway - Rockland to Trotter Road.....	29,960,121	6,631,558	-	36,591,679
Total capital assets being depreciated.....	<u>50,604,461</u>	<u>6,631,558</u>	<u>-</u>	<u>57,236,019</u>
<u>Less accumulated depreciation for:</u>				
Leasehold improvements.....	(32,884)	(1,329)	-	(34,213)
Machinery and equipment.....	(198,416)	(2,550)	-	(200,966)
Vehicles.....	(24,570)	-	-	(24,570)
Infrastructure.....	(6,057,604)	(1,899,209)	-	(7,956,813)
Total accumulated depreciation.....	<u>(6,313,474)</u>	<u>(1,903,088)</u>	<u>-</u>	<u>(8,216,562)</u>
Total capital assets being depreciated, net.....	<u>44,290,987</u>	<u>4,728,470</u>	<u>-</u>	<u>49,019,457</u>
Total governmental activities capital assets, net.....	<u>\$ 44,516,287</u>	<u>\$ 4,728,470</u>	<u>\$ -</u>	<u>\$ 49,244,757</u>

<b>Water and Sewer Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets being depreciated:</u>				
Infrastructure.....	\$ 29,594	\$ -	\$ -	\$ 29,594
<u>Less accumulated depreciation for:</u>				
Infrastructure.....	(4,282)	(986)	-	(5,268)
Total capital assets being depreciated, net.....	<u>\$ 25,312</u>	<u>\$ (986)</u>	<u>\$ -</u>	<u>\$ 24,326</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

Unallocated depreciation..... \$ 1,903,088

**Business-Type Activities:**

Water and Sewer..... \$ 986

**NOTE 7 – CONVEYANCE OF LAND AND PROPERTY FROM THE NAVY**

December 15, 2011 Purchase and Assignment to Developer

On December 15, 2011 the Navy sold 558 acres of land to SRA. The purchase price of the land consisted of a.) an initial payment of \$2 million at the closing, b.) a promissory note from SRA to the Navy in the amount of \$10 million to be paid in ten annual equal principal installments plus interest based on the ten year Treasury Note rate as of the date of the sale, and c.) participation by the Navy in the Gross Real Estate Proceeds received by SRA or the Developer for land sales or ground leases to any vertical developer through December 31, 2031. The participation rate for the Navy is 5.04% of such Gross Real Estate Proceeds based on the fair market value of the sales or leases.

On the same day of the purchase SRA conveyed the land purchased from the Navy to the Developer. SRA and the Developer executed an EDC Transfer, Assignment and Pass-Through Agreement regarding this transaction. The agreement conveys the land and SRA's responsibilities to the Developer. The Developer paid the \$2 million initial payment due at the closing and has assumed the \$10 million promissory note due to the Navy as well as all of the other responsibilities of the purchase price. To secure the Developer payments, the Developer has agreed to a decreasing \$5 million letter of credit plus has consented to a mortgage on a 24 acre parcel of prime commercial land.

May 15, 2003 Conveyance

On May 15, 2003, the United States of America, acting through the Secretary of the Navy (Navy) conveyed a total of 549 acres of the former South Weymouth Naval Air Station to the Authority. Approximately 324 acres were transferred under an Economic Development Conveyance specifically for the purposes of commercial development by the Developer. The remaining 225 acres were transferred under a Public Benefit Conveyance through the National Park Service under the authority of the Secretary of the Interior, to be used exclusively for a public park or public recreation under the direction of the Authority. The government also transferred ownership of buildings, vehicles and equipment. Management estimated the market value of the property at the date of transfer to be \$23,105,352.

On June 23, 2006 SRA transferred 324 acres of land to the Developer in anticipation of the initial phases of development. The land, along with buildings, certain machinery and equipment, and capitalized construction in progress had a net book value at the time of transfer of approximately \$23,568,000 after deducting a mortgage due to the developer in the amount of \$11,717,000.

#### NOTE 8 – TEMPORARY BORROWING

Under state law and by authorization of the Board of Directors, the Authority is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Authority and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings are recorded as liabilities in the Special Revenue Funds and the Capital Project Funds.

The Authority did not have any short-term debt activity for the year ended June 30, 2017.

#### NOTE 9 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long term obligations for the year ended June 30, 2017:

Project	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Infrastructure Development Revenue Bonds.....	5.5 - 7.75	\$ 12,500,000	\$ -	\$ 100,000	\$ 12,400,000

Debt service requirements for principal and interest for bonds payable in future years are as follows:

Year	Principal	Interest	Total
2018.....	\$ 150,000	\$ 958,093	\$ 1,108,093
2019.....	200,000	945,500	1,145,500
2020.....	250,000	929,031	1,179,031
2021.....	250,000	909,656	1,159,656
2022.....	250,000	890,281	1,140,281
2023.....	300,000	869,938	1,169,938
2024.....	300,000	846,688	1,146,688
2025.....	350,000	822,469	1,172,469
2026.....	350,000	795,344	1,145,344
2027.....	400,000	767,250	1,167,250
2028.....	425,000	736,250	1,161,250
2029.....	450,000	702,343	1,152,343
2030.....	500,000	666,500	1,166,500
2031.....	525,000	627,750	1,152,750
2032.....	575,000	586,094	1,161,094
2033.....	625,000	540,562	1,165,562
2034.....	675,000	491,156	1,166,156
2035.....	725,000	437,875	1,162,875
2036.....	775,000	380,719	1,155,719
2037.....	825,000	319,688	1,144,688
2038.....	900,000	253,813	1,153,813
2039.....	975,000	183,094	1,158,094
2040.....	1,075,000	105,593	1,180,593
2041.....	550,000	21,312	571,312
Totals.....	\$ <u>12,400,000</u>	\$ <u>14,786,999</u>	\$ <u>27,186,999</u>

The Authority is subject to a dual level general debt limit – the normal debt limit and the double debt limit. Such items are equal to 5% and 10%, respectively of the valuation of taxable property in the Authority as last equalized by the Commonwealth’s Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations.

At June 30, 2017, the Authority had the following authorized and unissued debt:

Purpose	Amount
Infrastructure bond.....	\$ <u>2,725,000</u>



Changes in Long-term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Beginning Balance 2016	Additions	Reductions	Ending Balance 2016	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences.....	\$ 12,055	\$ 13,661	\$ (12,055)	\$ 13,661	\$ 9,000
Other postemployment benefits.....	320,582	35,232	(10,948)	344,866	-
Bonds payable.....	12,500,000	-	(100,000)	12,400,000	150,000
Net pension liability.....	630,234	447,521	(76,347)	1,001,408	-
Total governmental activities.....	<u>\$ 13,462,871</u>	<u>\$ 496,414</u>	<u>\$ (199,350)</u>	<u>\$ 13,759,935</u>	<u>\$ 159,000</u>
<b>Business-Type Activities:</b>					
Other postemployment benefits.....	\$ 27,877	\$ 3,063	\$ (952)	\$ 29,988	-
Net pension liability.....	32,819	10,878	(3,095)	40,602	-
Total business-type activities.....	<u>\$ 60,696</u>	<u>\$ 13,941</u>	<u>\$ (4,047)</u>	<u>\$ 70,590</u>	<u>\$ -</u>

**NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The Authority adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as part of the year 2014 reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Authority's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the Authority from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the Authority to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body.

In accordance with Statement No. 54, the stabilization funds have been reported in the General Fund. At year end the balance of the General Stabilization Fund and the Other Postemployment Fund are \$1,684 and \$295,054, respectively, and are reported as unassigned fund balance within the General Fund.

The Authority has classified its fund balances with the following hierarchy:

	Governmental Funds				
	General Fund	Infrastructure Acquisition Fund	Parkway Extension Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances					
Restricted for:					
Infrastructure acquisition fund.....	\$ -	\$ 621,414	-	\$ -	\$ 621,414
Parkway extension fund.....	-	-	54,163	-	54,163
Definitive subdivision.....	-	-	-	49,611	49,611
Sale of town owned property.....	-	-	-	19,162	19,162
Conservation filing.....	-	-	-	30,096	30,096
Gift account.....	-	-	-	1,063	1,063
Development plan.....	-	-	-	26,274	26,274
Insurance reimbursement.....	-	-	-	2,585	2,585
Assigned for carryover encumbrances to:					
Finance.....	113	-	-	-	113
Solicitor.....	8,765	-	-	-	8,765
Planning board.....	13,500	-	-	-	13,500
Department of public works.....	1,141	-	-	-	1,141
Unassigned.....	1,042,836	-	-	(4,629)	1,038,207
Total Fund Balances.....	\$ 1,066,355	\$ 621,414	\$ 54,163	\$ 124,162	\$ 1,866,094

## NOTE 11 – PENSION PLAN

### *Plan Description*

The Authority is a member of the Plymouth Country Contributory Retirement System (“PCCRS or System”), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 55 members units. The PCCRS is administered by five board members (Board) on behalf of all current employees and retirees except for current teacher and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

### *Benefits Provided*

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member’s highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member’s age, length of creditable

service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

#### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the PCCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Authority's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2016, was \$79,442, 30.74% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

#### *Pension Liabilities*

At June 30, 2017, the Authority reported a liability of \$1,042,010 for its proportionate share of the net pension liability. 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, 2017. 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 all participating members, actuarially determined. At December 31, 2016, the Authority's proportion was 0.164%, which increased from its proportion of 0.105% measured at December 31, 2015.

#### *Pension Expense*

For the year ended June 30, 2017, the Authority recognized pension expense of \$210,835. At June 30, 2017, the Authority reported deferred outflows of resources related to pensions of \$382,847, and deferred inflows of resources related to pensions of \$29,697.

The balance of deferred outflows and inflows at June 30, 2017 consist of the following:

<u>Deferred category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience.....	\$ 27,182	\$ -	\$ 27,182
Changes of assumptions.....	-	(29,697)	(29,697)
Difference between projected and actual earnings.....	\$ 100,593	-	100,593
Changes in proportionate share of contributions.....	<u>255,072</u>	<u>-</u>	<u>255,072</u>
Total Deferred Outflows/(Inflows) of Resources.....	<u>\$ 382,847</u>	<u>\$ (29,697)</u>	<u>\$ 353,150</u>

The deferred net outflows (inflows) of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30:

2018.....	\$ 110,886
2019.....	110,886
2020.....	99,835
2021.....	<u>31,543</u>
Total.....	<u>\$ 353,150</u>

*Actuarial Assumptions*

The total pension liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date.....	January 1, 2017
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method.....	Payments increase at 3.5% for the unfunded actuarial accrued liability, and level amortization of the 2002, 2003, and 2013 Early Retirement Incentives (ERI).
Remaining amortization period.....	Amortization of the unfunded actuarial accrued liability over 12 years, the 2002 ERI over two years, 2003 ERI over three years, and the 2013 ERI over 11 years; all as of July 1, 2017.
Asset valuation method.....	Market value with a five-year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.
Investment rate of return/Discount rate	8% nominal rate, net of investment expense.
Projected salary increases.....	3.75% per year.
Cost of living adjustments.....	3.0% of the first \$14,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.

Rates of disability.....	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality rates.....	It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and three years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2016.
Family composition.....	Assumption that 80% of members will be survived by a spouse, females are three years younger than males and males are three years older than females.

*Investment policy*

The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board and pursuant to Massachusetts General Laws and Public Employee Retirement Administration guidelines. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The investment objective is to fully fund the Plan by generating sufficient long-term inflation adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board desires to balance the goal of higher long-term returns with the goal of minimizing contribution volatility, recognizing these are often competing goals. This requires taking both assets and liabilities into account when setting investment strategy.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation and a risk factor) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimate of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2017, are summarized in the table on the following page:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
U.S. equity.....	7.50%	26.50%
Developed markets equity.....	7.30%	16.00%
Emerging markets equity.....	9.80%	4.00%
Core bonds.....	4.20%	11.50%
Foreign bonds.....	2.40%	3.00%
Emerging markets bonds.....	5.50%	4.00%
High yield bonds.....	6.00%	4.00%
Bank loans.....	5.50%	3.00%
Private equity.....	9.60%	10.00%
Real estate.....	6.90%	10.00%
Natural resources.....	7.00%	1.00%
Infrastructure.....	7.80%	2.00%
Hedge fund of funds.....	5.30%	4.00%
Cash.....	2.80%	1.00%
		100.00%

#### *Rate of return*

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 7.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### *Discount rate*

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. 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 plan members. 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.

#### *Sensitivity of the net pension liability to changes in the discount rate*

The following presents the net pension liability, calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
The Authority's proportionate share of the net pension liability.....	\$ 1,302,545	\$ 1,042,010	\$ 819,914

*Changes in Assumptions and Plan Provisions*

The following changes in assumptions were included in the January 1, 2017, actuarial valuation:

- Cost of living increases were 3.0% of the first \$14,000 of retirement income, as compared to \$13,000 in the prior year.
- The annual rate of both pre-retirement and beneficiary mortality was changed to the RP-2014 blue Collar Mortality with Scale MP-2016, fully generational table.
- The mortality for retired group 1 and 2 members was changed to the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Group 4 retired members were changed to RP-2014 blue Collar Mortality table set forward three years for males, and six years for females, fully generational.
- The assumed family composition was changed to assume that 80% of all male members and 60% of all female members will be survived by a spouse, as compared to the prior valuation assumption that 80% of all members will be survived by a spouse.
- The amortization method changed from the level percent open group method to a method where payments increase at 3.5% for the unfunded actuarial accrued liability and level amortization for the 2002, 2003 and 2013 ERI.
- The amortization period changed from 17 years to amortization of the unfunded liability over 12 years, the 2002 ERI over 2 years, the 2003 ERI over 3 years, and the 2013 ERI over 11 years.
- The assumed annual increase in administrative expenses was changed to 3.75%, from 4.00%.

There were no changes in plan provisions noted in the January 1, 2017 actuarial valuation.

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Authority administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Authority’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. The Retiree Health Plan does not issue a publicly available financial report.

At June 30, 2017, the Plan’s membership consisted of 3 current active members and 2 separated members entitled to receive future benefits.

*Funding Policy* – Contribution requirements are negotiated between the Authority and plan members. The required contribution is based on a pay-as-you-go financing requirement. The Authority contributes 75 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 25 percent of their premium costs.

*Annual OPEB Cost and Net OPEB Obligation* – The Authority’s annual other OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Authority has elected to calculate the ARC and related information using the alternative measurement method as permitted by GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the Authority’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Authority’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$	42,346
Interest on net OPEB obligation.....		13,938
Adjustment to annual required contribution.....		(17,989)
		<u>38,295</u>
Annual OPEB cost (expense).....		38,295
Contributions made.....		(11,900)
		<u>26,395</u>
Increase in net OPEB obligation.....		26,395
Net OPEB obligation--beginning of year.....		<u>348,459</u>
Net OPEB obligation--end of year.....	\$	<u><u>374,854</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 38,295	31%	\$ 374,854
6/30/2016	38,166	27%	320,784
6/30/2015	38,433	17%	320,784

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

#### **NOTE 13 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees and natural disasters. The Authority carries various types of commercial insurance to address these exposures.



**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of the liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

As described in Note 3, the SRA is contingently liable for any deficiency between the New State Tax Revenue generated by the East/West Parkway project and the total amount of debt service costs for the bond issued to fund the project. In accordance with the Memorandum of Agreement the Authority executed with the Commonwealth of Massachusetts (“Commonwealth”), acting by and through its Executive Office for Administration and Finance, the Authority is required to pay the Commonwealth the deficiency. The due date for the deficiency payment has been deferred until at least the beginning of fiscal year 2019 and may be extended further by the Commonwealth. The Commonwealth certified a deficiency in the amount of \$1,375,000 through the period ending June 30, 2013 which has been recorded as a liability in these financial statements. No additional amounts will be certified by the Commonwealth until sometime after fiscal year 2019 and no additional liabilities have been or need to be accrued as liabilities as of June 30, 2017.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 5, 2018, which is the date of the financial statements were available to be issued.

**NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This pronouncement did not impact the basic financial statements.
- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.

- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

***Required Supplementary Information***

# **General Fund Budgetary Comparison Schedule**

The General Fund is the general operating fund of the Authority. It is used to account for the entire Authority's financial resources, except those required to be accounted for in another fund.

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis**

General Fund

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance with Final Budget
<b>REVENUES</b>					
Real estate and personal property taxes.....	\$ 87,000	\$ 170,818	\$ 52,862	\$ -	\$ (117,956)
Entitlement fees.....	592,540	592,540	226,954	-	(365,586)
Special assessments.....	1,090,700	1,090,700	1,125,000	-	34,300
Other revenue.....	-	-	399,241	-	399,241
Investment income.....	16,000	16,000	23,215	-	7,215
<b>Total Revenues.....</b>	<b>1,786,240</b>	<b>1,870,058</b>	<b>1,827,272</b>	<b>-</b>	<b>(42,786)</b>
<b>EXPENDITURES</b>					
Board of Directors:					
Salaries.....	42,188	42,188	41,766	-	422
Expenses.....	38,000	38,000	31,353	-	6,647
Chief Executive Officer:					
Salaries.....	68,000	68,000	67,782	-	218
Expenses.....	18,100	20,052	17,014	-	3,038
Insurance.....	45,000	45,000	29,582	-	15,418
Finance:					
Salaries.....	120,000	120,000	108,427	-	11,573
Expenses.....	46,000	48,459	18,267	113	30,079
Solicitor.....	200,000	207,656	152,983	8,765	45,908
Information systems expenses.....	50,000	50,000	47,538	-	2,462
Planning Board:					
Salaries.....	122,000	122,000	121,597	-	403
Expenses.....	112,350	112,413	95,572	13,500	3,341
Pension, benefits, and insurance.....	177,075	177,075	168,980	-	8,095
Maintenance of buildings.....	32,100	32,100	12,149	-	19,951
Department of Public Works:					
Expenses.....	20,400	21,046	11,846	1,141	8,059
Debt service.....	1,066,813	1,066,813	1,066,782	-	31
<b>Total Expenditures.....</b>	<b>2,158,026</b>	<b>2,170,802</b>	<b>1,991,638</b>	<b>23,519</b>	<b>155,645</b>
Excess (Deficiency) of Revenues over/(under) Expenditures.....	(371,786)	(300,744)	(164,366)	(23,519)	112,859
Fund Balances at the Beginning of the Year.....	941,135	941,135	941,135	-	-
Fund Balances at the End of the Year.....	\$ 569,349	\$ 640,391	\$ 776,769	\$ (23,519)	\$ 112,859

See notes to required supplementary information.

# Pension Plan Schedules

The Schedule of the Authority's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Authority's net pension liability and related ratios.

The Schedule of Authority's Contributions presents multi-year trend information on the Authority's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is complied, information is presented for those years for which information is available.

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
PLYMOUTH COUNTY CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
Authority's proportion of the net pension liability (asset).....	0.105%	0.105%	0.164%
Authority's proportionate share of the net pension liability (asset)..... \$	609,402	\$ 663,053	\$ 1,042,010
Authority's covered employee payroll..... \$	363,867	\$ 377,512	\$ 258,395
Net pension liability as a percentage of covered-employee payroll.....	167.48%	175.64%	403.26%
Plan fiduciary net position as a percentage of the total pension liability.....	58.88%	56.80%	58.32%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS  
PLYMOUTH COUNTY CONTRIBUTORY RETIREMENT SYSTEM**

	June 30, 2015	June 30, 2016	June 30, 2017
Actuarially determined contribution.....	\$ 98,932	\$ 106,615	\$ 79,442
Contributions in relation to the actuarially determined contribution.....	<u>98,932</u>	<u>106,615</u>	<u>79,442</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 363,867	\$ 377,512	\$ 258,395
Contributions as a percentage of covered- employee payroll.....	27.19%	28.24%	30.74%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

See notes to required supplementary information.



# Other Postemployment Benefits Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the plan.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
4/30/2014	\$ -	\$ 352,769	\$ 352,769	0%	\$ 447,751	78.8%

Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
2017	\$ 42,346	\$ 11,900	28%
2016	41,439	10,491	25%
2015	40,891	6,376	16%
2014	38,892	-	0%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

YEAR ENDED JUNE 30, 2017

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Actuarial Methods:

Valuation date.....	April 30, 2014
Actuarial cost method.....	Entry age actuarial cost method
Amortization method.....	30 year level funding
Remaining amortization period.....	30 years as of June 30, 2014

Actuarial Assumptions:

Investment rate of return.....	4.00%, pay-as-you-go scenario
Medical/drug cost trend rate.....	2%, graded to 5% after year 4

Plan Membership:

Current retirees, beneficiaries, and dependents.....	2
Current active members.....	<u>3</u>
Total.....	<u><u>5</u></u>

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. Budgetary Information

In August of 2014 the Commonwealth of Massachusetts enacted MGL Chapter 291 of the Acts of 2014 which changed the collection of real estate, personal property taxes, and motor vehicle excise taxes. These taxes are now collected by the host communities directly. The SRA's major revenue sources are now Special Assessments to the host communities based on taxes collected that will be used for debt service, and Entitlement fees from the Developer based on new construction.

The budgets for all departments and operations of the Authority are prepared under the direction of the Board of Directors. Original and supplemental appropriations are acted upon by vote of the Board of Directors. All general fund and enterprise fund functions are budgeted; the Authority does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds are utilized to account for specific grant programs and are established in accordance with the requirements of the Commonwealth or other grantor agencies.

B. Budgetary - GAAP Reconciliation

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Statements of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis, are presented on a "budget basis" to provide a meaningful comparison with the budget. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2017, is presented below:

Net change in fund balance - budgetary basis.....	\$ (164,366)
<u>Perspective difference:</u>	
Activity of the general stabilization fund recorded in the general fund for GAAP.....	7
Activity of the OPEB stabilization fund recorded in the general fund for GAAP.....	4,250
<u>Basis of accounting differences:</u>	
Net change in recording accrued revenue.....	12,681
Net change in recording accrued expenses.....	<u>(2,595)</u>
Net change in fund balance - GAAP basis.....	<u><u>\$ (150,023)</u></u>

**NOTE B – PENSION PLAN**

***Pension Plan Schedules***

A. Schedule of the Authority's Proportionate Share of the Net Pension Liability

The Schedule of the Authority's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

### B. Schedule of Authority's Contributions

Governmental employees are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Authority may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contribution may be less than the "total appropriation". The pension fund appropriation is allocated to the Authority based on covered payroll.

### C. Changes in Assumptions

- Cost of living increases were 3.0% of the first \$14,000 of retirement income, as compared to \$13,000 in the prior year.
- The annual rate of both pre-retirement and beneficiary mortality was changed to the RP-2014 blue Collar Mortality with Scale MP-2016, fully generational table.
- The mortality for retired group 1 and 2 members was changed to the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Group 4 retired members were changed to RP-2014 blue Collar Mortality table set forward three years for males, and six years for females, fully generational.
- The assumed family composition was changed to assume that 80% of all male members and 60% of all female members will be survived by a spouse, as compared to the prior valuation assumption that 80% of all members will be survived by a spouse.
- The amortization method changed from the level percent open group method to a method where payments increase at 3.5% for the unfunded actuarial accrued liability and level amortization for the 2002, 2003 and 2013 ERI.
- The amortization period changed from 17 years to amortization of the unfunded liability over 12 years, the 2002 ERI over 2 years, the 2003 ERI over 3 years, and the 2013 ERI over 11 years.
- The assumed annual increase in administrative expenses was changed to 3.75%, from 4.00%.

### D. Changes in Plan Provisions

None

### **NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Authority administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the health insurance plan, which covers both active and retired members.

The Authority currently finances its other postemployment benefits on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Authority has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multiyear trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the plan.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

***Report on Internal Control over Financial  
Reporting and on Compliance***



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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

### **Independent Auditor's Report**

To the Board of Directors  
Southfield Redevelopment Authority  
South Weymouth, Massachusetts

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southfield Redevelopment Authority, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Southfield Redevelopment Authority's basic financial statements, and have issued our report thereon dated March 5, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Southfield Redevelopment 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 Southfield Redevelopment Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Southfield Redevelopment Authority's internal control.

*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 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.

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Powers + Juliani, LLC*

March 5, 2018