



CITY OF WORCESTER, MASSACHUSETTS

AUDITING DEPARTMENT

Robert V. Stearns, CPA
City Auditor

February 28, 2017

Honorable Members of the City Council
City of Worcester, Massachusetts

**SEMI-ANNUAL FINANCIAL STATEMENTS OF THE WORCESTER REDEVELOPMENT
AUTHORITY (WRA) FOR THE SIX MONTHS ENDED DECEMBER 31, 2016 AND 2015**

Enclosed are the semi-annual financial statements of the Worcester Redevelopment Authority (WRA) for the six month period ended December 31, 2016 and 2015. The first two statements were prepared on the accrual basis of accounting and include items such as accounts receivable and payable and estimates for depreciation and interest. The last statement is reported on the budgetary basis using the totals from the City of Worcester's (COW) fy17 budget.

The operating loss before depreciation and interest totaled (\$308K) for the six months ended December 31, 2016 compared to a loss of (\$235K) for the prior year period.

- Real estate tax to COW was \$73K compared to \$0 in the prior year period as real estate tax was paid in the second half of the prior year.
- Property management is done by COW's Energy Asset Management. Expenses reported only include the first quarter of \$12.5K compared to six months in the prior year. This is expected to catch up in the second half of fy17 once the invoice from the City is prepared and then processed by WRA.
- Security services increased \$26K over the prior year period due to a higher contracted service from a new vendor and the additional costs for cell phones provided to security personnel.
- Loans from COW for operations totaled \$324K, through the six months representing 50% of the budgeted support.
- Loans from COW for urban redevelopment expenses totaled \$10K and loans for Union Station fit-out totaled \$231K. Capital costs incurred to date totaled \$191K.
- Expenses payable to COW by WRA for the first six month included the following:
 - Real Estate Taxes \$73K
 - Tenant Parking \$39K
 - Property Management \$12.5K

Respectfully submitted,

Robert V. Stearns
City Auditor

WORCESTER REDVELOPMENT AUTHORITY

Statement of Net Position

	<u>Dec 31, 2016</u>	<u>Dec 31, 2015</u>
Assets:		
Current assets		
Cash and cash equivalents	\$ 205,412	140,944
Restricted cash and cash equivalents	19,374	169,213
Receivables	131,848	126,691
Prepaid Expenses	2,115	2,115
Total current assets	<u>358,748</u>	<u>438,963</u>
Noncurrent assets		
Capital assets, not being depreciated	2,073,833	1,671,468
Capital assets, net of accumulated depreciation	<u>24,915,570</u>	<u>25,703,658</u>
Total noncurrent assets	<u>26,989,403</u>	<u>27,375,126</u>
Total assets	<u>27,348,151</u>	<u>27,814,089</u>
Liabilities:		
Current liabilities		
Accounts payable	260,953	177,250
Other liabilities	31,022	13,417
Accrued interest (owed to COW)	2,617,283	2,252,590
Notes payable to the City of Worcester	<u>9,532,887</u>	<u>8,276,076</u>
Total current liabilities	<u>12,442,145</u>	<u>10,719,333</u>
Noncurrent liabilities:		
Accrued interest (owed to COW)	60,328	74,345
Notes payable to the City of Worcester	<u>527,483</u>	<u>694,047</u>
Total noncurrent liabilities	<u>587,811</u>	<u>768,392</u>
Total liabilities	<u>13,029,956</u>	<u>11,487,725</u>
Net position:		
Net investment in capital assets	23,879,705	23,033,046
Unrestricted (deficit)	<u>(9,561,510)</u>	<u>(6,706,681)</u>
Total net position	<u>\$ 14,318,195</u>	<u>16,326,364</u>

WORCESTER REDVELOPMENT AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position

	6 Mos. Ended <u>Dec 31, 2016</u>	6 Mos. Ended <u>Dec 31, 2015</u>
Operating Revenues		
Tenant income	\$ 249,103	248,434
Other operating revenues	<u>0</u>	<u>0</u>
Total operating revenues	<u>249,103</u>	<u>248,434</u>
Operating Expenses, excluding depreciation		
Security and office expense	155,359	102,165
Real estate tax (COW)	72,808	0
Property management (COW)	12,523	27,587
Other contracted services	17,000	16,000
General insurance	8,249	7,873
Property maintenance	132,249	112,506
Utilities	100,499	116,265
Parking expense (COW)	39,360	38,400
Theater District urban renewal	18,493	61,540
Other	<u>989</u>	<u>970</u>
Total operating expenses	<u>557,529</u>	<u>483,306</u>
Operating (loss)	<u>(308,425)</u>	<u>(234,872)</u>
Nonoperating revenues (expenses)		
Capital grants and contributions (FTA)	0	42,597
Depreciation	(518,000)	(517,967)
Investment income	150	80
Interest expense (accrued to COW)	(171,000)	(162,000)
Gain (loss) on disposal of capital assets	<u>0</u>	<u>9,000</u>
Total nonoperating revenues (expenses), net	<u>(688,850)</u>	<u>(628,290)</u>
Change in net position	(997,275)	(863,162)
Net Position at beginning of year	15,315,470	17,189,526
Net Position at end of period	\$ <u>14,318,195</u>	<u>16,326,364</u>

WORCESTER REDVELOPMENT AUTHORITY

Budget to Actual

	ACTUAL 6 Mos. Ended Dec 31, 2016	ANNUAL BUDGET FY17	% Used
OPERATING BUDGET			
Operating Revenues			
Tenant income	\$ 249,103	508,212	49.0%
Total operating revenues	<u>249,103</u>	<u>508,212</u>	<u>49.0%</u>
Operating Expenses			
Office operations			
Security	121,537	215,718	56.3%
Snow removal & grounds	<u>29,385</u>	<u>126,000</u>	<u>23.3%</u>
	150,922	341,718	44.2%
Property management (COW)	12,523	50,000	25.0%
Property management-janitorial	58,797	125,565	46.8%
Independent audit	17,000	16,000	106.3%
General insurance	8,249	13,320	61.9%
Property repairs and maintenance-other	77,864	114,575	68.0%
Utilities	100,499	255,280	39.4%
Parking expense (COW)	39,360	94,656	41.6%
Real estate taxes (COW)	72,808	145,000	50.2%
Other	<u>1,014</u>	<u>1,800</u>	<u>56.4%</u>
Total operating expenses	<u>539,036</u>	<u>1,157,914</u>	<u>46.6%</u>
Operating (loss) - budgetary basis	(289,933)	(649,702)	44.6%
Operating loans from City of Worcester	<u>324,851</u>	<u>649,702</u>	50.0%
Net operating surplus - budgetary basis	\$ <u>34,918</u>	<u>0</u>	