

UTICA URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of Utica)

Financial Statements as of and for the Year Ended
March 31, 2021
Together with Independent Auditor's Reports

Bonadio & Co., LLP
Certified Public Accountants

UTICA URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of Utica)

Table of Contents
For the Year Ended March 31, 2021

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Notes to Basic Financial Statements	8
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	12

INDEPENDENT AUDITOR'S REPORT

June 24, 2021

To the Board of Directors of the
Utica Urban Renewal Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Utica Urban Renewal Agency (Agency), a blended component unit of the City of Utica, New York (City) as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Agency'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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Agency as of March 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 5 to the financial statements, in 2021 the Agency adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2021 on our consideration of the Agency'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

UTICA URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of Utica)

Management's Discussion and Analysis (Unaudited)
March 31, 2021

THE ORGANIZATION

Utica Urban Renewal Agency (Agency) was created to revitalize, redevelop and eliminate slums and blighted areas of the established Urban Renewal District within the City of Utica, New York (City). The Agency is a blended component unit of the City. Accordingly, these financial statements report only the activities of the Agency.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The financial statements of the Agency include management's discussion and analysis (MD&A), the statement of net position, statement of activities, statement of fiduciary net position – fiduciary fund and related notes to the financial statements. The statement of net position presents information on all of the Agency's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. The statement of activities presents information showing how the Agency'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. The notes to the financial statements contain information that is essential to the understanding of the financial statements, such as the Agency's accounting methods and policies.

Basis of Accounting

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. The financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash transactions take place. All of the Agency's activities are classified as governmental activities.

FINANCIAL HIGHLIGHTS

- The Agency's net position decreased by \$303,788 in 2021 and increased by \$240,700 in 2020, as a result of each year's operations.
- The assets of the Agency exceeded its liabilities by \$775,490 and \$1,079,278 at March 31, 2021 and 2020, respectively.

UTICA URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of Utica)

Management's Discussion and Analysis (Unaudited)
March 31, 2021

The analysis below summarizes the statements of net position of the Agency for the years ended March 31, 2021, and 2020.

	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash	\$ 1,015,854	\$ 1,213,893
Property held for resale	<u>55,406</u>	<u>55,406</u>
 Total assets	 <u>\$ 1,071,260</u>	 <u>\$ 1,269,299</u>
LIABILITIES:		
Accounts payable	\$ 35,286	\$ 31,789
Due from the City of Utica	<u>260,484</u>	<u>158,232</u>
 Total liabilities	 <u>295,770</u>	 <u>190,021</u>
NET POSITION		
 Restricted	 <u>775,490</u>	 <u>1,079,278</u>
 Total net position	 <u>\$ 775,490</u>	 <u>\$ 1,079,278</u>

During 2021 the Agency had a significant decrease in property sales due to the COVID-19 pandemic which is the root cause for the decrease in cash for the year.

Table shows the changes in net position for the years ended March 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
REVENUES:		
Sale of property and compensation for loss	\$ 19,491	\$ 657,167
Departmental income	4,500	20,000
Miscellaneous local sources	21,875	15,769
Use of money and property	<u>3,706</u>	<u>10,613</u>
 Total revenue	 <u>49,572</u>	 <u>703,549</u>
EXPENDITURES:		
Home and community services	<u>353,360</u>	<u>462,849</u>
 Total expenditures	 <u>353,360</u>	 <u>462,849</u>
 CHANGE IN NET POSITION	 (303,788)	 240,700
NET POSITION - beginning of year	<u>1,079,278</u>	<u>838,578</u>
NET POSITION - end of year	<u>\$ 775,490</u>	<u>\$ 1,079,278</u>

UTICA URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of Utica)

Management's Discussion and Analysis (Unaudited)
March 31, 2021

The nature of the Agency is that revenues vary each year depending on number of properties sold. In fiscal year 2021 property sales decreased due to the COVID-19 Pandemic. Property sales were greater in 2020, with one property selling for \$400,000.

ECONOMIC FACTORS AND FUTURE OUTLOOK

The City of Utica continues to pursue demolition of blighted buildings and the remediation of environmentally challenged sites. Gains in these two areas translate into construction and development opportunities resulting in more agency activity as additional developable parcels of land materialize.

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Agency and its future results and financial position is not presently determinable.

Request for Information

This financial report is designed to provide financial statement users with a general overview of the Agency's finances and to show the accountability for the money received. Questions concerning any information within this report or requests for additional information should be addressed to:

Utica Urban Renewal Agency, One Kenedy Plaza, Utica, New York 13502

UTICA URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of Utica, New York)

Statement of Net Position
March 31, 2021

ASSETS:	
Cash	\$ 1,015,854
Property held for resale	<u>55,406</u>
Total assets	<u>1,071,260</u>
LIABILITIES:	
Accounts payable	\$ 35,286
Due to the City of Utica	<u>260,484</u>
Total liabilities	<u>295,770</u>
NET POSITION	
Restricted	<u>775,490</u>
Total net position	<u>\$ 775,490</u>

The accompanying notes are an integral part of these statements.

UTICA URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of Utica, New York)

Statement of Activities
For the Year Ended March 31, 2021

REVENUES:

Sale of property and compensation for loss	\$	19,491
Departmental income		4,500
Miscellaneous local sources		21,875
Use of money and property		<u>3,706</u>
Total revenue		<u>49,572</u>

EXPENDITURES:

Home and community services		<u>353,360</u>
Total expenditures		<u>353,360</u>

CHANGE IN NET POSITION (303,788)

NET POSITION - beginning of year 1,079,278

NET POSITION - end of year \$ 775,490

The accompanying notes are an integral part of these statements.

**UTICA URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of Utica)**

**Notes to Basic Financial Statements
March 31, 2021**

1. ORGANIZATION AND REPORTING ENTITY

Reporting Entity

The financial statements of the Utica Urban Renewal Agency (Agency) are intended to present only that portion of the activities that are attributable to the transactions of the Agency. The financial statements do not purport to and do not present the financial position of the City of Utica, New York (City), as of March 31, 2021, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States.

Nature of Operations

The governing body of the Agency is its Board of Directors. The scope of activities included within the accompanying financial statements are those transactions which comprise the Agency's operations, and are governed, or significantly influenced by the Board of Directors. The Board of Directors is comprised of the Mayor of the City, who serves as Chair of the Agency, the City Engineer, the Chair of the Planning Board, two citizen electors appointed by the Mayor and two members of the Common Council, each to be designated from a different political party. The Agency was established in 1965 pursuant to the provisions of Section 533 of the General Municipal Law and Chapter 433 of the Laws of the State of New York of 1965, Section 616, Article 1B. The primary function of the Agency is to revitalize, redevelop and eliminate slums and blighted areas of the established Urban Renewal District in the City.

The Agency is a blended component unit of the City by virtue of the majority board appointment and a financial benefit or burden relationship.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard setting body for establishing governmental accounting and financial reporting principles.

The financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the cash is received or paid.

Cash and Equivalents

Cash and equivalents include demand deposits, money markets, and certificates of deposit with original maturities of twelve months or less. The Agency maintains its cash and equivalents in bank accounts. The balances in these accounts may, at times, exceed federally insured limits. The Agency has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and equivalents. Interest and dividend income from cash and equivalents is reported in general revenue in the statement of activities.

UTICA URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of Utica)

Notes to Basic Financial Statements
March 31, 2021

Net Position

GASB requires the classification of net position into three classifications defined as follows:

- **Invested in Capital Assets**

This component of net position consists of capital assets, net of accumulated depreciation, 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. At March 31, 2021, the Agency had no investment in capital assets.

- **Due to City**

Due to City represents amounts owed to the City of Utica for moneys advanced. These advances are intended to be short term in nature and are expected to be reimbursed to the City within one year.

- **Restricted Net Position**

This category consists of resources with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or law through constitutional provisions or enabling legislation. At March 31, 2021, the Agency has restricted net position of \$775,490.

- **Unrestricted Net Position**

Unrestricted net position - the component of net position consists of net position that doesn't meet the definition of net investment in capital assets, designated for debt service or restricted. At March 31, 2021, the Agent does not have an unrestricted net position.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first.

Income Taxes

The Agency is a public benefit corporation created under the NYS General Municipal Law as an urban renewal agency and as such is exempt from federal and state income taxes.

Revenues

Revenues consist principally of rental revenue received from the leasing of certain real property of the Agency. The Agency defines non-operating revenue as investment income.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

**UTICA URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of Utica)**

**Notes to Basic Financial Statements
March 31, 2021**

3. CASH AND EQUIVALENTS

At March 31, 2021, the carrying amount of the Agency's bank deposits was \$1,015,854 and the bank balance was \$1,014,859. Collateral coverage is provided through the City's third-party trust arrangements and is not specifically allocated to the Agency.

Policies

The Agency follows an investment and deposit policy, the overall objective of which is to adequately safeguard the funds of the Agency and funds under the control of the Agency; to provide sufficient liquidity of invested funds in order to meet obligations as they become due; and to earn the maximum yield possible given the objectives previously listed. Oversight of investment activity is the responsibility of the Executive Director. The Agency's monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies as designated by the Board of Directors. Permissible investments include: a) obligations of the State or United States government, b) obligations whose principal and interest payments are fully guaranteed by the federal or state government, c) obligations of New York State or in general obligations of the State's political subdivisions, d) and certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances of any of the fifty largest banks in the United States which, at the time of investment, has an outstanding unsecured, uninsured and unguaranteed debt issue ranked by two nationally recognized independent rating agencies at a rating category that is no lower than the, then current, rating of the Agency's bonds, notes or other obligations.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Agency's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Agency's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits.

4. PROPERTY HELD FOR RESALE

During July 2017, the Agency obtained a deed in lieu of foreclosure in satisfaction of a loan receivable. The carrying cost of the property is the principal and interest owed on the former loan receivable. Currently, the Agency is leasing the property to its former owner; however, the Agency intends to sell the property in the future. The Agency believes that the resale value of the property exceeds its current carrying cost.

UTICA URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of Utica)

Notes to Basic Financial Statements
March 31, 2021

5. IMPLEMENTATION OF GASB 84

The Agency implemented GASB Statement No. 84, *Fiduciary Activities*, during the year ended March 31, 2021. This Statement establishes new criteria for identifying fiduciary activities which, when met, require that the activities be reported in a fiduciary fund in the basic financial statements. A statement of fiduciary net position and a statement of changes in fiduciary net position are required to be presented for these activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds (formerly agency funds).

In the March 31, 2020 financial statements, there were assets and liabilities of \$20,000 that were previously reported in the fiduciary statement of net position. In 2021, these accounts are now reported in the governmental activities financial statements. There was no impact on net position from implementing this accounting standard.

6. COMMITMENTS

The Agency is involved with eminent domain proceedings on various City properties in connection to a new health care facility being constructed by Mohawk Valley Health System (MVHS). MVHS is paying all legal and other fees associated with the proceedings. The Agency is also involved in another eminent domain proceeding for which an approximate \$44,000 stipulated final judgement advance payment was made during April 2021. The former property owner has one year to file claims seeking additional compensation beyond the advance payment.

7. COVID 19 PANDEMIC

As of the date of the report, the United States is in the midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 24, 2021

To the Board of Directors of
Utica Urban Renewal Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the aggregate remaining fund information of the Utica Urban Renewal Agency (Agency) a blended component unit of the City of Utica, New York (City), as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated June 24, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.