

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

**Financial Statements**  
**As of and For the Year Ended March 31, 2020**  
**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, New York)**

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## **INDEPENDENT AUDITOR'S REPORT**

August 28, 2020

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 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, 2020, 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 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.

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(Continued)

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the Agency as of March 31, 2020, 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.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Agency, a blended component unit of the City, present only the Agency and do not purport to, and do not, present fairly the financial position of the City, as of March 31, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 August 28, 2020 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, New York)

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**MARCH 31, 2020**

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**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 increased by \$240,700 in 2020 and decreased by \$43,814 in 2019, as a result of each year's operations.
- The assets of the Agency exceeded its liabilities by \$1,079,278 and \$838,578 at March 31, 2020 and 2019, respectively.

## FINANCIAL HIGHLIGHTS (Continued)

The analysis below summarizes the statements of net position of the Agency for the years ended March 31, 2020, and 2019.

### STATEMENT OF NET POSITION

	<u>2020</u>	<u>2019</u>
<b>ASSETS:</b>		
Cash	\$ 1,213,893	\$ 1,001,834
Property held for resale	<u>55,406</u>	<u>55,406</u>
Total assets	<u>\$ 1,269,299</u>	<u>\$ 1,057,240</u>
<b>LIABILITIES:</b>		
Accounts payable	31,789	42,430
Due from the City of Utica	<u>158,232</u>	<u>176,232</u>
Total liabilities	<u>190,021</u>	<u>218,662</u>
<b>NET POSITION</b>		
Restricted	<u>1,079,278</u>	<u>838,578</u>
Total net position	<u>\$ 1,079,278</u>	<u>\$ 838,578</u>

The Agency sold several properties during 2020 resulting in a surplus which is reflected in the increased cash balance.

## FINANCIAL HIGHLIGHTS (Continued)

Table shows the changes in net position for the years ended March 31, 2020 and 2019.

### STATEMENT OF ACTIVITIES

	<u>2020</u>	<u>2019</u>
REVENUES:		
Sale of property and compensation for loss	\$ 657,167	\$ 367,016
Departmental income	20,000	32,620
Miscellaneous local sources	15,769	19,647
Use of money and property	<u>10,613</u>	<u>5,213</u>
Total revenue	<u>703,549</u>	<u>424,496</u>
EXPENDITURES:		
Home and community services	<u>462,849</u>	<u>468,310</u>
Total expenditures	<u>462,849</u>	<u>468,310</u>
CHANGE IN NET POSITION	240,700	(43,814)
NET POSITION - beginning of year	<u>838,578</u>	<u>882,392</u>
NET POSITION - end of year	<u>\$ 1,079,278</u>	<u>\$ 838,578</u>

The nature of the Agency is that revenues vary each year depending on number of properties sold. Property sales were greater in 2020, with one property selling for \$400,000.

#### 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 Kennedy 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, 2020**

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**ASSETS:**

Cash	\$ 1,213,893
Property held for resale	<u>55,406</u>
Total assets	<u>1,269,299</u>

**LIABILITIES:**

Accounts payable	\$ 31,789
Due to the City of Utica	<u>158,232</u>
Total liabilities	<u>190,021</u>

**NET POSITION**

Restricted	<u>1,079,278</u>
Total net position	<u>\$ 1,079,278</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, 2020**

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REVENUES:

Sale of property and compensation for loss	\$ 657,167
Departmental income	20,000
Miscellaneous local sources	15,769
Use of money and property	<u>10,613</u>

Total revenue 703,549

EXPENDITURES:

Home and community services	<u>462,849</u>
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Total expenditures 462,849

CHANGE IN NET POSITION 240,700

NET POSITION - beginning of year 838,578

NET POSITION - end of year \$ 1,079,278

The accompanying notes are an integral part of these statements.

**UTICA URBAN RENEWAL AGENCY**

**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND  
MARCH 31, 2020**

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**ASSETS:**

Due from City of Utica Trust and Agency Fund \$ 20,000

**LIABILITIES:**

Developer Fees Escrow \$ 20,000

The accompanying notes are an integral part of these statements.

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

**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2020**

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**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, 2020, 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Net Position

The financial statements display net position in two components as follows:

- **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.

- **Unrestricted Net Position**

This net position category consists of all other net position amounts that do not meet the definition of restricted and includes assigned fund balances in the fund financial statements.

### Fund Balances - Fund Level Financial Statements

Fund balance is reported in categories that are intended to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balances**

These are amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

- **Restricted Fund Balances**

These are amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

- **Committed Fund Balances**

These are amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision-making authority for the Agency. Commitments may be established, modified, or rescinded only through resolutions approved by the Board, prior to the end of the year.

- **Assigned Fund Balances**

These are amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

- **Unassigned Fund Balances**

These are all other spendable amounts.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

### Fund Balance

As a governmental fund, the Agency is required to report fund balance in accordance with generally accepted accounting principles. As of March 31, 2020, there are no differences between net position and total fund balance. Additionally, all of the fund balance is considered to be restricted.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Fiduciary Fund Type**

Fiduciary funds are used to account for the assets held by the Agency as an agent for individuals, private organizations, other governmental units, and/or other funds.

The Agency's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Agency, these funds are not incorporated into government-wide statements.

### **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.

## **3. CASH AND EQUIVALENTS**

Demand deposits at year-end were entirely covered by FDIC insurance or secured by trust companies located within the State. At March 31, 2020, cash and equivalents are composed entirely of a demand deposit account. All deposits are carried at cost, which approximates fair value. The bank balance of the Agency's cash and equivalents was \$1,213,893.

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.

### **3. CASH AND EQUIVALENTS (Continued)**

#### **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.

### **5. DEVELOPER FEES ESCROW**

Developer fees escrow consists of various property sale bid deposits which are held by the City of Utica until the property sale is concluded. At the property sale closing, the developer fee is either returned to the applicants that were not selected or recognized as revenue to the Agency.

### **6. COVID 19 PANDEMIC**

As of the date of this 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**

August 28, 2020

To the Board of Directors of the  
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, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated August 28, 2020.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose 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.

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**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**

(Continued)

**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 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.



**CITY OF UTICA URBAN RENEWAL AGENCY**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED MARCH 31, 2020**

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**A. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?                     Yes             No

Significant deficiencies identified not considered to be material weaknesses?                     Yes             None reported

Noncompliance material to financial statements noted?                     Yes             No