

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the City of Utica)

Financial Statements as of
December 31, 2020 and 2019
Together with Independent
Auditor's Reports

Bonadio & Co., LLP
Certified Public Accountants

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the City of Utica)

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INDEPENDENT AUDITOR'S REPORT

March 15, 2021

To the Board of Directors of the
City of Utica Industrial Development Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Utica Industrial Development Agency (Utica IDA), a discretely presented component unit of the City of Utica, which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. 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 financial position of the City of Utica Industrial Development Agency, as of December 31, 2020 and 2019, and the changes in its financial position and cash flows thereof for the years then ended in accordance 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 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 evidence sufficient 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 March 15, 2021 on our consideration of City of Utica Industrial Development 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 City of Utica IDA'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 City of Utica Industrial Development Agency's internal control over financial reporting and compliance.

**CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the City of Utica)**

**Management's Discussion and Analysis (Unaudited)
For the years ended December 31, 2020 and 2019**

This section of Utica IDA's Financial Statements presents management's overview and analysis of Utica IDA's financial performance for the years ended December 31, 2020 and 2019. This section should be read in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Utica IDA's net position increased by \$65,552 in \$522,517 and, respectively. In 2019, there was significantly higher administration fee income due to the large property during the year. Administration fee income decreased in 2020 as there were not significant property sales during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The statements of net position and the statements of revenues, expenses, and changes in net position report information about Utica IDA as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Revenue and expenses are recorded when earned and incurred, respectively, regardless of when cash is received or paid.

These two statements report Utica IDA's net position and changes in them from one year to the next. Utica IDA's net position, the difference between assets and liabilities, are one way to measure the Organization's financial health, or financial position. Over time, increases or decreases in Utica IDA's net position is one indicator of whether its financial health is improving or deteriorating. Consideration should also be given to other factors, such as changes in Utica IDA's income and the fluctuation of Utica IDA's expenses, to assess the overall health of Utica IDA.

NOTES TO THE FINANCIAL STATEMENTS

The financial statements also include the notes to the financial statements, which explain certain information in the financial statements. They are essential to a full understanding of the information provided in the financial statements.

FINANCIAL ANALYSIS

This section summarizes information and data as related to the Statements of Net Position as of December 31, 2020 and 2019, and the Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2020 and 2019.

**CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
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**Management's Discussion and Analysis (Unaudited)
For the years ended December 31, 2020 and 2019**

Statements of Net Position

The analysis below summarizes the statements of net position (Table 1) and changes in net position (Table 2) of the Agency as of and for the years ended December 31:

	Table 1		
	<u>Net Position</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ <u>1,141,977</u>	\$ <u>1,075,425</u>	\$ <u>553,908</u>
Net Position	\$ <u>1,141,977</u>	\$ <u>1,076,425</u>	\$ <u>553,908</u>

Statements of Revenues, Expenses and Changes in Net Position

Table 2 shows the expenses and revenues of Utica IDA and is presented on the accrual basis of accounting. Revenues vary from year to year based upon economic activity within the City of Utica. Revenue for 2020 was significantly less than 2019 due to significant decrease in property sales and income from administration fees. Revenue for 2019 was greater than 2018 due to significant property sales and higher administration fees income.

Expenses for 2020 were predominately contractual, while 2019 expenses included a \$612,000 transfer to City for property sales. The 2018 expenses were predominately contractual.

	Table 2		
	<u>Statement of Activities</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenue	\$ 92,689	\$ 1,255,873	\$ 119,001
Operating expense	<u>36,129</u>	<u>128,774</u>	<u>90,078</u>
Operating income	56,560	1,127,099	28,923
Other income/expense	<u>8,992</u>	<u>(604,582)</u>	<u>1,886</u>
Change in net position	<u>\$ 65,552</u>	<u>\$ 522,517</u>	<u>\$ 30,809</u>

**CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
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**Management's Discussion and Analysis (Unaudited)
For the years ended December 31, 2020 and 2019**

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.

CONTACTING UTICA IDA'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Utica IDA's finances for all those who have an interest in this agency's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to:

Jack Spaeth, Executive Director
Utica Industrial Development Agency
One Kennedy Plaza, Utica, New York 13502

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the City of Utica)

Statements of Net Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ <u>1,141,977</u>	\$ <u>1,076,425</u>
Total current assets	<u>1,141,977</u>	<u>1,076,425</u>
Total assets	<u>\$ 1,141,977</u>	<u>\$ 1,076,425</u>
NET POSITION		
Unrestricted	\$ <u>1,141,977</u>	\$ <u>1,076,425</u>
Total net position	<u>\$ 1,141,977</u>	<u>\$ 1,076,425</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
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Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES:		
Administration fees	\$ 87,932	\$ 468,223
Proceeds from sale of property	<u>4,757</u>	<u>787,650</u>
Total operating revenues	<u>92,689</u>	<u>1,255,873</u>
OPERATING EXPENSES:		
Contracted services	10,982	50,930
Cost of property sold	-	50,000
Professional fees	14,124	19,320
Repairs and Maintenance	6,070	-
Conferences and seminars	2,706	7,272
Miscellaneous	<u>2,247</u>	<u>1,252</u>
Total operating expenses	<u>36,129</u>	<u>128,774</u>
NET OPERATING INCOME	56,560	1,127,099
NONOPERATING REVENUES (EXPENSES)		
Interest income	8,992	7,682
Transfer to City of Utica	<u>-</u>	<u>(612,264)</u>
Total nonoperating revenues (expenses)	<u>8,992</u>	<u>(604,582)</u>
CHANGE IN NET POSITION	<u>65,552</u>	<u>522,517</u>
NET POSITION - beginning of year	<u>1,076,425</u>	<u>553,908</u>
NET POSITION - end of year	<u>\$ 1,141,977</u>	<u>\$ 1,076,425</u>

The accompanying notes are an integral part of these statements.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
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Statements of Cash Flows
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 92,689	\$ 1,255,873
Cash payments to suppliers for goods and services	<u>(36,129)</u>	<u>(78,774)</u>
Net cash flow from operating activities	<u>56,560</u>	<u>1,177,099</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Cash paid to City of Utica	<u>-</u>	<u>(612,264)</u>
Net cash flow from operating activities	<u>-</u>	<u>(612,264)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest income	<u>8,992</u>	<u>7,682</u>
Net cash flow from operating activities	<u>8,992</u>	<u>7,682</u>
NET CHANGE IN CASH	65,552	572,517
CASH - beginning of year	<u>1,076,425</u>	<u>503,908</u>
CASH - end of year	<u>\$ 1,141,977</u>	<u>\$ 1,076,425</u>
Reconciliation of operating income to net cash flow from operating activities:		
Net operating income	\$ 56,560	\$ 1,127,099
Cost of property sold	<u>-</u>	<u>50,000</u>
Net cash flow from operating activities	<u>\$ 56,560</u>	<u>\$ 1,177,099</u>

The accompanying notes are an integral part of these statements.

**CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the City of Utica)**

**Notes to Basic Financial Statements
December 31, 2020 and 2019**

1. REPORTING ENTITY

The City of Utica Industrial Development Agency (Utica IDA) is a public benefit agency created under the mandate of Article 18-A, "New York State Industrial Development Agency Act," of New York State General Municipal Law for the purpose of encouraging economic growth in the City of Utica. Utica IDA is exempt from Federal, State, and local income taxes. Utica IDA is a discretely presented component unit of the City of Utica.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Utica IDA's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board for proprietary funds.

Basis of Presentation

Estimates

The preparation of financial statements in accordance 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 expenses during the reporting period. Actual results could differ from these estimates, particularly given the economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and such differences may be significant.

Cash and Cash Equivalents

Cash and equivalents include demand deposits, money market funds, and certificates of deposit with original maturities of twelve months or less. Utica IDA maintains its cash and cash equivalents in bank accounts. Interest and dividend income from cash and cash equivalents is reported in other income in the statements of revenues, expenses, and changes in net position.

Industrial Development Bonds

Utica IDA issues tax-exempt bonds and special issue bonds to provide financial assistance on behalf of certain not-for-profit organizations for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers back to the not-for-profit organization served by the bond issuance. Utica IDA is not obligated in any manner for repayment of the bonds at any time. Accordingly, related property is not reported as assets, and the bonds are not reported as liabilities in the accompanying financial statements.

**CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
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**Notes to Basic Financial Statements
December 31, 2020 and 2019**

Revenue Recognition

Fees are assessed by Utica IDA for project applications received during the year. These fees are recognized as revenue when received.

Contributed Facilities and Services

Utica IDA, with the consent of the Common Council of the City of Utica, is authorized to use and has shared City employees, facilities, and equipment and may reimburse the City an agreed upon proportion of the compensation or costs of the services provided. For the years ended December 31, 2020 and 2019, the City did not request any reimbursement and no such reimbursement was made.

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 December 31, 2020 and 2019, Utica IDA had no investment in capital assets.
- Restricted net position - This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At December 31, 2020 and 2019, Utica IDA does not have a restricted net position.
- Unrestricted net position - This component of net position consists of net position that doesn't meet the definition of invested in capital assets or restricted.

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

**CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
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**Notes to Basic Financial Statements
December 31, 2020 and 2019**

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Policies

Utica IDA follows its investment and deposit policy, the overall objective of which is to adequately safeguard the funds of Utica IDA and funds under the control of Utica IDA; 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. Utica IDA's monies must be deposited in Federal Deposit Insurance Agency (FDIC) insured commercial banks or trust companies as designated by the Board of Directors. Permissible investments include: a) obligations of the United States or of federal agencies whose principal and interest payments are fully guaranteed by the federal or state government, b) obligations of New York State or in general obligations of the State's political subdivisions, c) certificates of deposits or deposits with banks with an investment grade rating by a Rating Agency, d) commercial paper rated Prime-1 and/or A-1, and e) money market funds with AAA ratings.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. Utica IDA'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

Utica IDA'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. Governmental Accounting Standards direct that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are not covered by collateralization.

**CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
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**Notes to Basic Financial Statements
December 31, 2020 and 2019**

At December 31, 2020 and 2019, all of the Agency’s deposits were covered by FDIC insurance or collateralized with securities held by the pledging financial institution's trust department.

	2020		2019	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Cash and cash equivalents	<u>\$ 1,141,977</u>	<u>\$ 1,136,297</u>	<u>\$ 1,076,425</u>	<u>\$ 1,079,788</u>
Collateralized with securities held by the Agency or by its agent in the Agency's name		\$ 636,297		\$ 579,788
Covered by FDIC Insurance		<u>500,000</u>		<u>500,000</u>
Total deposits		<u>\$ 1,136,297</u>		<u>\$ 1,079,788</u>

4. RELATED PARTIES

Utica IDA’s governing body is appointed by the Mayor of the City of Utica. In addition, Utica IDA’s assistant secretary is an employee of the City. Utica IDA does not carry its own director’s and officer’s insurance, as it is covered through its relationship with the City.

Utica IDA and Utica Harbor Point Development Corp. are both component units of the City of Utica and share the common goal of economic development within the City.

5. CONTINGENCIES

Utica IDA is subject to litigation in the ordinary conduct of its affairs. Management does not believe that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of Utica IDA.

6. PENSION PLAN

The City of Utica participates in the New York State and Local Employee’ Retirement System, a cost-sharing multiple-employer retirement system. The retirement contributions for personnel of Utica IDA covered through the system are provided by the County at no cost to Utica IDA. Therefore, no costs associated with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27 and GASB and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*, were included in these financial statements.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
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Notes to Basic Financial Statements
December 31, 2020 and 2019

7. RECLASSIFICATIONS

Certain amounts in the 2019 financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassifications did not have any effect on total net position or change in net position as previously reported.

8. COVID-19

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.

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

March 15, 2021

To the Board of Directors of
City of Utica Industrial Development 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 City of Utica Industrial Development Agency (Utica IDA) a discretely presented component unit of the City of Utica, New York, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise City of Utica IDA's basic financial statements, and have issued our report thereon dated March 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Utica IDAs 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Utica IDA's internal control. Accordingly, we do not express an opinion on the effectiveness of Utica IDA'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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.