

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, 2017
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

December 21, 2017

To the Board of Directors of the
Utica Urban Renewal Agency:

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, 2017, 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.

INDEPENDENT AUDITOR'S REPORT

(Continued)

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, 2017, 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, are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and the aggregate remaining fund information, of the City that is attributable to the transactions of the Agency. They do not purport to, and do not, present fairly the financial position of the City, as of March 31, 2017, 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.

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 December 21, 2017 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, 2017

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 \$56,386 in 2017 and increased by \$420,079 in 2016, as a result of the individual year's operations.
- The assets of the Agency exceeded its liabilities by \$921,090 and \$977,476 at March 31, 2017 and 2016, respectively.

FINANCIAL HIGHLIGHTS (Continued)

The analysis below summarizes the statements of net position of the Agency for the years ended March 31, 2017, and 2016.

STATEMENT OF NET POSITION

	<u>2017</u>	<u>2016</u>
ASSETS:		
Cash	\$ 1,115,908	\$ 844,583
Other receivables	40,056	40,206
Due from the City of Utica	<u>53,173</u>	<u>216,594</u>
Total assets	<u>1,209,137</u>	<u>1,101,383</u>
LIABILITIES:		
Accounts payable	49,271	9,475
Due from the City of Utica	238,776	110,209
Total liabilities	<u>288,047</u>	<u>119,684</u>
NET POSITION		
Restricted	<u>921,090</u>	<u>977,476</u>
Total net position	<u>\$ 921,090</u>	<u>\$ 977,476</u>

The Agency's cash and equivalents increased by approximately \$271,000 in 2017 due to intergovernment loans from the City of Utica.

FINANCIAL HIGHLIGHTS (Continued)

Table shows the changes in net position for the years ended March 31, 2017 and 2016.

STATEMENT OF ACTIVITIES

	<u>2017</u>	<u>2016</u>
REVENUES:		
Departmental income	\$ 33,500	\$ 191,520
Use of money and property	50,898	17,594
Sale of property and compensation for loss	343,759	568,183
Miscellaneous local sources	<u>13,523</u>	<u>27,300</u>
Total revenue	<u>441,680</u>	<u>804,597</u>
EXPENDITURES:		
Home and community services	<u>498,066</u>	<u>384,516</u>
Total expenditures	<u>498,066</u>	<u>384,516</u>
CHANGE IN NET POSITION	(56,386)	420,081
NET POSITION - beginning of year	<u>977,476</u>	<u>557,395</u>
NET POSITION - end of year	<u>\$ 921,090</u>	<u>\$ 977,476</u>

Revenues

The Agency's revenues decreased by approximately \$363,000 in 2017. During 2017, the Agency received approximately \$158,000 less in developer fees, \$224,000 less in property revenue, and \$28,000 more in rental fees than in 2016.

Expenses

Home and community expenses increased by approximately \$113,550 in 2017 due to the year's operations.

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, 2017

ASSETS:

Cash	\$ 1,115,908
Other receivables	40,056
Due from the City of Utica	<u>53,173</u>
Total assets	<u>1,209,137</u>

LIABILITIES:

Accounts payable	49,271
Due to the City of Utica	<u>238,776</u>
Total liabilities	<u>288,047</u>

NET POSITION

Restricted	<u>921,090</u>
Total net position	<u>\$ 921,090</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, 2017

	<u>2017</u>
REVENUES:	
Departmental income	\$ 33,500
Use of money and property	50,898
Sale of property and compensation for loss	343,759
Miscellaneous local sources	<u>13,523</u>
Total revenue	<u>441,680</u>
EXPENDITURES:	
Home and Community Services	<u>498,066</u>
Total expenditures	<u>498,066</u>
CHANGE IN NET POSITION	(56,386)
NET POSITION - beginning of year	<u>977,476</u>
NET POSITION - end of year	<u><u>\$ 921,090</u></u>

The accompanying notes are an integral part of these statements.

UTICA URBAN RENEWAL AGENCY

**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND
MARCH 31, 2017**

ASSETS:

Due from City of Utica Trust and Agency Fund	<u>\$ 4,457</u>
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LIABILITIES:

Developer Fees Escrow	<u>\$ 4,457</u>
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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, 2017

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, 2017, 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, located in Utica, New York, is the 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 of the Agency 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.

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, 2017, 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 \$1,115,908.

Collateral coverage is provided through the City's third-party trust arrangements and is not specifically allocated to the Agency.

3. CASH AND EQUIVALENTS (Continued)

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. DEVELOPER FEES ESCROW

Developer fees escrow are 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.

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

December 21, 2017

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, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 21, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2017-001).

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(Continued)

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*.

Agency's Response to Findings

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Section B– Financial Statement Findings

Significant Deficiencies

2017-001 Reconciliation of Funds Collected to Revenues Earned

Condition: The Agency does not routinely reconcile deposits collected and balances owed by winning bidders to the total sales price of a property sold.

Criteria: The City Comptroller accounts for Agency funds collected and the Agency prepares documentation as to the required deposit and the final balance of the sale price. There was no documentation that the total amount collected reconciled to the Agency approved sale price.

Effect: A lack of reconciliation of funds collected versus revenues earned may cause the Agency retaining more or less than the approved sale price.

Cause: The Agency does not reconcile what has been collected to what is expected to be collected.

Recommendation: The Agency should reconcile each property sale transaction to ensure the sale price compares without exception to the revenues collected.

Agency Response: The Agency began reconciling monthly with the City Comptroller's Office in 2018.

CITY OF UTICA URBAN RENEWAL AGENCY

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MARCH 31, 2017**

Financial Statement Findings

2016-001. Lack of Timely Deposits

Condition: Funds received by the City Comptroller and the Agency are not always deposited timely into the bank.

Status: This finding is not repeated for 2017.

2016-002. Lack of Approval for Annual Report

Condition: No documentation was available noting review and approval of the Agency Board for the annual financial report submission of the Public Authorities Information System.

Status: This finding is not repeated for 2017.

2016-003. Lack of Time Sheet Documentation

Condition: Agency staff are not required to submit time sheets providing detail as to time spent on Agency activities versus other City business unrelated to the Agency.

Status: This finding is not repeated for 2017.

2016-004. Lack of Agency Review and/or Approval of Treasurer's General Ledger Activity

Condition: The Agency does not review journal entries, cash receipt, cash disbursement or indirect cost allocation postings to the general ledger maintained by the Agency Treasurer (City Comptroller).

Status: This finding is not repeated for 2017.

2016-005. Reconciliation of Funds Collected to Revenues Earned

Condition: The Agency does routinely reconcile a deposit collected and the balance owed by the winning bidder to the total sale price of a property approved by the Agency Board and sold.

Status: This finding is repeated for 2017.

2016-006. Personal Services Provided by City Employees to the Agency Not Recorded

Condition: The Agency was unaware that personal services provided by a City employee had not been posted as an expenditure to the Agency's general ledger.

Status: This finding is not repeated for 2017.