

ITHACA URBAN RENEWAL AGENCY

Ithaca, New York

FINANCIAL REPORT

**For the Year Ended
December 31, 2021**



ITHACA URBAN RENEWAL AGENCY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ithaca Urban Renewal Agency
Ithaca, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Ithaca Urban Renewal Agency (the Agency), a blended component unit of the City of Ithaca, whose activity is reported in the Special Grant Fund, a governmental fund in the City of Ithaca's financial statements, as of and for the year ended December 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the fund information of the Ithaca Urban Renewal Agency, as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Special Grant Fund and do not purport to, and do not, present fairly the financial position of the City of Ithaca, as of December 31, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance 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 requires that the Management's Discussion and Analysis on pages 4-4c 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 March 28, 2022 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 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 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.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 28, 2022

ITHACA URBAN RENEWAL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021

The following is a discussion and analysis of the Ithaca Urban Renewal Agency's (the Agency) financial performance for the fiscal year ended December 31, 2021. The Agency is a blended component unit reported in the Special Grant Fund, a special revenue fund of the City of Ithaca. This section is a summary of the Agency's financial activities based on currently known facts, decisions, or conditions. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the Agency's financial statements, which immediately follow this section.

The Ithaca Urban Renewal Agency is a public benefit corporation established in 1965 as an urban renewal agency. The Agency has a corporate identity separate from the City and works in close conjunction with the City to revitalize urban neighborhoods and strengthen the local economy. The Agency is composed of the Mayor and four members appointed by the Mayor with the concurring approval of the Common Council. The Director of Planning and Development for the City of Ithaca serves as the Executive Director of the Agency.

FINANCIAL HIGHLIGHTS

Fund balance of \$1,705,785 decreased by \$81,389 in 2021, from \$1,787,174 in 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: MD&A (this section) and the financial statements of the Special Grant Fund.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

The Agency's financial statements include the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance, and they are reported using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include state and federal aid. Revenues deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are that 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vest or accumulate, are charged as an expenditure when paid.

ITHACA URBAN RENEWAL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021

FINANCIAL ANALYSIS

The Agency's fund balance for the fiscal years ended December 31, 2021 decreased by \$81,389 and increased in 2020 by \$537,258. The reason for the decrease in fund balance was due to a decrease in non-grant related revenues greater than an increase in federal grant revenue. Our analysis below focuses on the fund balance (*Figure 1*) and changes in fund balance (*Figure 2*) of the Agency's fund.

Figure 1

<i>Balance Sheet</i>	<i>2021</i>	<i>2020</i>	<i>Total Dollar Change</i>
<i>Cash and Cash Equivalents</i>	\$ 1,830,912	\$ 1,876,716	\$ (45,804)
<i>Other Receivables</i>	14,461	20,498	(6,037)
<i>Loans Receivable</i>	6,347,332	6,480,532	(133,200)
<i>Total Assets</i>	8,192,705	8,377,746	(185,041)
<i>Accounts Payable</i>	139,588	109,131	30,457
<i>Accrued Liabilities</i>	-	909	(909)
<i>Total Liabilities</i>	139,588	110,040	29,548
<i>Unavailable Revenue</i>	6,347,332	6,480,532	(133,200)
<i>Total Deferred Inflows of Resources</i>	6,347,332	6,480,532	(133,200)
<i>Restricted</i>	1,705,785	1,787,174	(81,389)
<i>Total Fund Balance</i>	\$ 1,705,785	\$ 1,787,174	\$ (81,389)

Figure 2

<i>Changes in Fund Balance</i>	<i>2021</i>	<i>2020</i>	<i>Total Dollar Change</i>
<i>Revenues</i>			
<i>Use of Money and Property</i>	\$ 1,326	\$ 3,114	\$ (1,788)
<i>Departmental Income</i>	865,991	1,307,593	(441,602)
<i>Federal Sources</i>	1,076,063	892,279	183,784
<i>Total Revenues</i>	\$ 1,943,380	\$ 2,202,986	\$ (259,606)
<i>Expenditures</i>			
<i>Home and Community Services</i>	\$ 2,024,769	\$ 2,195,728	\$ (170,959)
<i>Total Expenditures</i>	\$ 2,024,769	\$ 2,195,728	\$ (170,959)
<i>Other Sources</i>			
<i>BANs Redeemed from Appropriations</i>	\$ -	\$ 530,000	\$ (530,000)
<i>Total Other Sources</i>	\$ -	\$ 530,000	\$ (530,000)
<i>CHANGE IN FUND BALANCE</i>	\$ (81,389)	\$ 537,258	\$ (618,647)

ITHACA URBAN RENEWAL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021

Grant income from the City of Ithaca is determined by the level of funding of the City's HOME and CDBG programs by HUD. The Agency continues to create program income from federal funds that no longer have ongoing federal compliance requirements and uses these funds to further economic development in the City.

FACTORS BEARING ON THE AGENCY'S FUTURE

The Agency derived approximately 55.4% of its annual revenues to support operations from federal funding sources, primarily the HUD Entitlement Grant program that awards formula funding to the City of Ithaca totaling over \$1,000,000 in FY2021. Of this amount, approximately \$170,000 (~16%) can be applied to operating expenses to support the IURA operating budget of approximately \$400,000.

Special COVID-19 related HUD CDBG funding allocated to the City of Ithaca provides an additional \$156,000 for administration for FY 2021 and 2022. A special HUD HOME-ARP award provides an additional \$180,000 for planning and administrative expenses that will primarily be utilized in 2023 after completion of a needs assessment and submission to HUD of an allocation plan.

The recently adopted FY 2022 Omnibus Appropriations bill provides stable funding for the CDBG program and increases HOME Partnership Investment Program funds by over 8% for this program that expands affordable housing. Recognizing that increased federal government investment is necessary to increase the supply of affordable housing bodes well for the IURA's budgetary. However, it is important to recall that the prior Trump administration proposed federal budgets that terminated the HUD Entitlement Grant program in each year 2016-2020, though final enacted budgets appropriated level funding for the program. Overall, no major reduction in federal funding is anticipated through 2024. Nevertheless, reliance on the HUD Entitlement Grant program for core funding remains a budgetary concern for the Agency.

86% of the Agency's operating budget is allocated to salaries and employee benefits for the 3.5 FTE Agency staff. Though salary levels have tracked closely with the rate of inflation, HUD Entitlement Grant funding has remained essentially flat for over a decade, notwithstanding the one-time CARES and ARPA act funding. This difference has been covered primarily from revenues derived from small business loan repayments and leases of IURA properties.

Historic trends for health insurance premiums have significantly exceeded the rate of inflation, which creates a long-term budgetary concern. Employees pay 20% of the premium for a platinum health insurance plan that approximates benefits provided to City of Ithaca employees.

ITHACA URBAN RENEWAL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021

The recent 8%+ annual inflation rate poses a challenge for future IURA budgeting, as IURA funding sources have not generally increased by 8% annually. Federal budgeting for the HUD Entitlement Program does not necessarily factor in CPI increases. If the inflation rate is not mitigated, the Agency will likely face expenses increasing at a rate faster than revenues. Offsetting the above budgetary constraints and trends are one-time COVID-19-related grant revenues, some increases in federal funding for affordable housing, and opportunities for increased revenues from undertaking private-public urban renewal projects, such as the project to redevelop public lands on Inlet Island.

In 2022, the IURA is structuring a proposed private-public redevelopment project on Inlet Island with a preferred developer approved by the City of Ithaca Common Council. The project may result in sale of 2.65 acres of underutilized IURA- and City-owned waterfront property on Inlet Island that carry an assessed value exceeding \$1 million. Should this project result in an approved urban renewal project and a development agreement is structured to include owner-financed loan, this project may generate a significant stream of future revenues for the Agency.

In the longer term, the Agency will continue to work to reduce its reliance on federal funding revenues by diversifying its revenue streams to include urban renewal projects, real property sales, small business loans, and property leases to ensure continued financial stability and retain current staffing capacity.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Agency's Director, City Hall, 108 E. Green Street, 3rd Floor, Ithaca, New York 14850.

ITHACA URBAN RENEWAL AGENCY

BALANCE SHEET SPECIAL GRANT FUND DECEMBER 31, 2021

ASSETS

Cash and Cash Equivalents - Unrestricted	\$ 125,127
Cash and Cash Equivalents - Restricted	1,705,785
Other Receivables	14,461
Loans Receivable	6,347,332
Total Assets	<u><u>\$ 8,192,705</u></u>

LIABILITIES

Accounts Payable	\$ 139,588
Total Liabilities	<u>139,588</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue - Loans Receivable	6,347,332
Total Deferred Inflows of Resources	<u>6,347,332</u>

FUND BALANCE

Restricted	<u>1,705,785</u>
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Total Fund Balance	<u>1,705,785</u>
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Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 8,192,705</u></u>
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See Notes to Financial Statements

ITHACA URBAN RENEWAL AGENCY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE SPECIAL GRANT FUND FOR THE YEAR ENDED DECEMBER 31, 2021

REVENUES

Use of Money and Property	\$ 1,326
Departmental Income	865,991
Federal Sources	<u>1,076,063</u>
Total Revenues	<u>1,943,380</u>

EXPENDITURES

Home and Community Services	<u>2,024,769</u>
Total Expenditures	<u>2,024,769</u>

Excess of Expenditures	<u>(81,389)</u>
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Net Change in Fund Balance	<u>(81,389)</u>
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Fund Balance, Beginning	<u>1,787,174</u>
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Fund Balance, Ending	<u><u>\$ 1,705,785</u></u>
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See Notes to Financial Statements

ITHACA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

***Note 1* Summary of Significant Accounting Policies**

The financial statements of the Ithaca Urban Renewal Agency (the Agency), a blended component unit of the City of Ithaca (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

The Ithaca Urban Renewal Agency is a public benefit corporation established in 1965 as an urban renewal agency. The Agency has a corporate identity separate from the City and works in close conjunction with the City to revitalize urban neighborhoods and strengthen the local economy. The Agency is composed of the Mayor and four members appointed by the Mayor with the concurring approval of the Common Council. The Director of Planning and Development for the City of Ithaca serves as the Executive Director of the Agency.

Through a variety of means, including site acquisition and disposition, the Agency works to implement the Urban Renewal Plan that seeks to stabilize neighborhoods and enhance the vitality of the downtown and community. Through the City, the Agency applies for and receives various grants to address community development needs. On an annual basis, the Agency manages the City's HUD Entitlement Grant award of Community Development Block Grant (CDBG) and Home Investment Partnerships Program (HOME) funds to undertake activities in the areas of housing, community facilities, public services, and economic development that benefit Ithaca's low- and moderate-income neighborhoods and households, or eliminate blighting conditions. In addition, the Agency administers various economic development loan programs, the Cherry Street Industrial Park, and leases to facilitate private/public real estate projects.

The City is ultimately responsible for the proper disposition of grant funds and any debt incurred by the Agency. Because of the close governing, administrative, and financial relationship with the City, the Agency is considered to be a component unit of the City for financial reporting purposes, and the Agency's financial information presented here is to be presented within the City's financial statements as the Special Grant Fund as of December 31, 2021 and for the year then ended.

Basic Financial Statements

The Agency's basic financial statements include governmental fund financial statements. The financial transactions of the Agency are reported as a Special Revenue Fund in the governmental fund financial statements of the City. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

ITHACA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, such as expenditures or expenses. The Agency reports on the modified accrual basis of accounting.

Modified Accrual Basis - Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include state and federal aid. Revenues deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are that 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vest or accumulate, are charged as an expenditure when paid.

Budgetary Compliance

An annual legal budget is not adopted for the Special Grant Fund. Budgetary controls for the Special Grant Fund are established in accordance with applicable grant agreements.

Deferred Inflows of Resources

In addition to liabilities, the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental fund balance sheet. The Governmental Fund reports unavailable revenues from loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Loans Receivable

Loans receivable represent amounts owed to the Agency for rehabilitation and economic development loans. Loans receivable are offset by unavailable revenue in the same amount. Because the loans are offset by unavailable revenue, no provision has been made for uncollectible accounts reported as loans receivable.

ITHACA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

***Note 1* Summary of Significant Accounting Policies - Continued**

Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments with initial maturities of three months or less are considered cash equivalents.

Insurance

The City assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired, or a liability has been incurred, and the amount of loss can be reasonably estimated.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the Agency's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Equity Classifications

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- **Nonspendable:** Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- **Restricted:** Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally or through constitutional provisions or enabling legislation.
- **Committed:** Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- **Assigned:** Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

ITHACA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

***Note 1* Summary of Significant Accounting Policies - Continued**

- Unassigned: Represents the residual classification of the government's General Fund and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The Agency has not adopted any resolutions to commit fund balance. The Agency's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, and assigned fund balance. Because the Agency's activities are restricted to economic development, remaining fund balance is reported as restricted.

***Note 2* Cash and Investments**

The Agency's investment policies are governed by state statutes. In addition, the Agency has its own written investment policy. Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks, trust companies, or credit unions located within the state, preferably located within the City of Ithaca and the urban renewal project boundary area. The Agency is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury.

Collateral is required for demand and time deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

Deposits and investments are valued at cost or cost plus interest. Total financial institution (bank) balances at December 31, 2021 were \$1,858,174, which were insured, and collateral, when required, was held by the Agency's agent in the Agency's name. Cash in the amount of \$1,705,785 is reported as restricted and represents the amount of restricted fund balance.

***Note 3* Other Receivables**

Other receivables at December 31, 2021 are as follows:

Other Reimbursements	<u>\$ 14,461</u>
Total	<u><u>\$ 14,461</u></u>

ITHACA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

***Note 4* Loans Receivable**

Loans receivable consist of various economic development loans with ranging terms and interest rates. \$832,869 of the loans at December 31, 2021 will be forgiven over time as long as certain conditions are met by the loan recipient. Activity in loans receivable during the year follows:

Balance December 31, 2020	\$ 6,480,532
Interest Accrued	44,442
Loans Issued	380,866
Loans Written Off	(350,000)
Loan Payments	<u>(208,508)</u>
Balance December 31, 2021	<u>\$ 6,347,332</u>

***Note 5* Simplified Employee Pension Plan**

The Agency sponsors a Simplified Employee Pension Plan which covers all full-time and part-time employees. Contributions to the Plan are determined annually by the Board of Directors. For the year ended December 31, 2021, the amount of pension expense was \$26,810, 11% of total gross payroll.

***Note 6* Concentrations - Significant Sources of Revenues**

During the year ended December 31, 2021, the Agency received \$1,076,063, or 55.4% of its total revenue, from U.S. Department of Housing and Urban Development grants.

***Note 7* Summary of Significant Commitments and Contingencies**

General Information

The Agency is exposed to various risks of loss related to, but not limited to, torts, theft of, damage to, and destruction of assets, injuries to employees, errors and omissions, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

State and Federally Assisted Programs

Through the City, the Agency receives state and federal grants. These grants are generally conditioned on compliance with certain statutory, regulatory, and/or contractual requirements. The Agency makes every effort to comply with all applicable requirements. However, because these grants are audited from time to time, it is possible that the Agency or the City will be required, upon audit, to repay portions of the grant monies received and recorded as revenue in a prior year. Agency and City officials do not anticipate material grant-in-aid disallowances, and no provision, therefore, is reflected in the basic financial statements.

ITHACA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

Note 8 **Related Party Transactions**

The City is reimbursed for projects funded through federal grants administered by the Agency. At December 31, 2021, the Agency owed the City \$139,588 in reimbursements.

Note 9 **Economic Uncertainty - COVID 19**

In March 2020, the COVID-19 coronavirus outbreak was declared a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Agency operates. Although there is still uncertainty, the Agency feels that it will be able to maintain operations in a fiscally sound manner.



**INDEPENDENT AUDITORS' 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***

Board of Directors
Ithaca Urban Renewal Agency
Ithaca, New York

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 Ithaca Urban Renewal Agency (the Agency), a blended component unit of the City of Ithaca, whose activity is reported in the Special Grant Fund, a governmental fund in the City of Ithaca's financial statements, as of and for the year ended December 31, 2021, and related notes to the basic financial statements, and have issued our report thereon dated March 28, 2022.

Report on 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 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. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 28, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
§2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW**

Board of Directors
Ithaca Urban Renewal Agency
Ithaca, New York

We have audited, 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, the financial statements of the Ithaca Urban Renewal Agency (the Agency), a blended component unit of the City of Ithaca, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our opinion thereon dated March 28, 2022.

In connection with our audit, nothing came to our attention that caused us to believe the Agency failed to comply with the Agency's Investment Guidelines, the New York State Comptroller's Investment Guidelines, or §2925(3)(f) of the New York State Public Authorities Law (collectively, Investment Guidelines), which are the responsibility of the Agency's management, insofar as they relate to the financial accounting knowledge of noncompliance with such Investment Guidelines.

This communication is intended solely for the information and use of the Board of Directors and management of the Ithaca Urban Renewal Agency, and the Office of the Comptroller of the State of New York and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 28, 2022