

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
AT THE CONCLUSION OF THE AUDIT**

Board of Directors
Ithaca Urban Renewal Agency
Ithaca, New York

We have audited 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, for the year ended December 31, 2019, and have issued our report thereon dated March 26, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 19, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Ithaca Urban Renewal Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the Agency's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures related to loans receivable and debt in Notes 4 and 5 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were detected as the result of audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 26, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restrictions on Use

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

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 26, 2020

ITHACA URBAN RENEWAL AGENCY

Ithaca, New York

FINANCIAL REPORT

For the Year Ended
December 31, 2019



ITHACA URBAN RENEWAL AGENCY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ithaca Urban Renewal Agency
Ithaca, New York

Report on the Financial Statements

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, 2019, 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.

Auditors' 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 of 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 auditors' 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 Agency'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 Agency's internal controls. 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 Ithaca Urban Renewal Agency, whose activity is reported in the Special Grant Fund of the City of Ithaca, as of December 31, 2019, and the 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 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, 2019, 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.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require 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 Management's Discussion and Analysis 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 Management's Discussion and Analysis 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 26, 2020, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Other Reporting Required by New York State Public Authorities Law

In accordance with New York State Public Authorities Law, we have also issued our report dated March 26, 2020 on our consideration of the Agency's compliance with §2925(3)(f) of the New York State Public Authorities Law. The purpose of that report is to describe anything that 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, and §2925(3)(f) of the New York State Public Authorities Law.

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 26, 2020

ITHACA URBAN RENEWAL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2019

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, 2019. 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 \$1,249,916 decreased by \$386,334 in 2019, from \$1,636,250 in 2018.

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 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 vests or accumulates, are charged as an expenditure when paid.

ITHACA URBAN RENEWAL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2019

FINANCIAL ANALYSIS

The Agency's fund balance for the fiscal years ended December 31, 2019 and 2018 decreased by \$386,334 and \$241,210, respectively. The reason for the decrease in fund balance was due to an increase in non-grant related expenses. 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>2018</i>	<i>2019</i>	<i>Total Dollar Change</i>
			<i>2018 - 2019</i>
<i>Cash</i>	\$ 2,420,891	\$ 1,925,530	\$ (495,361)
<i>Other Receivables</i>	7,795	17,372	9,577
<i>Loans Receivable</i>	7,152,784	6,648,951	(503,833)
<i>Total Assets</i>	9,581,470	8,591,853	(989,617)
<i>Accounts Payable</i>	162,017	162,986	969
<i>Accrued Liabilities</i>	419	-	(419)
<i>Bond Anticipation Note Payable</i>	630,000	530,000	(100,000)
<i>Total Liabilities</i>	792,436	692,986	(99,450)
<i>Unavailable Revenue</i>	7,152,784	6,648,951	(503,833)
<i>Total Deferred Inflows of Resources</i>	7,152,784	6,648,951	(503,833)
<i>Restricted</i>	1,636,250	1,249,916	(386,334)
<i>Total Fund Balance</i>	\$ 1,636,250	\$ 1,249,916	\$ (386,334)

Our analysis in *Figure 2* considers the operations of the Agency's fund.

Figure 2

<i>Changes in Fund Balance</i>	<i>2018</i>	<i>2019</i>	<i>Total Dollar Change</i>
			<i>2018 - 2019</i>
<i>Revenues</i>			
<i>Use of Money and Property</i>	\$ 3,258	\$ 5,679	\$ 2,421
<i>Departmental Income</i>	674,518	906,300	231,782
<i>Federal Sources</i>	967,795	1,059,031	91,236
<i>Total Revenues</i>	\$ 1,645,571	\$ 1,971,010	\$ 325,439
<i>Expenditures</i>			
<i>Home and Community Services</i>	\$ 1,946,781	\$ 2,457,344	\$ 510,563
<i>Total Expenditures</i>	\$ 1,946,781	\$ 2,457,344	\$ 510,563
<i>Other Sources</i>			
<i>BANs Redeemed from Appropriations</i>	\$ 60,000	\$ 100,000	\$ 40,000
<i>Total Other Sources</i>	\$ 60,000	\$ 100,000	\$ 40,000
<i>CHANGE IN FUND BALANCE</i>	\$ (241,210)	\$ (386,334)	\$ (145,124)

ITHACA URBAN RENEWAL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2019

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 derives approximately 53% of its annual revenues to support operations from federal funding sources, primarily the HUD Entitlement Grant program which awards formula funding to the City of Ithaca which totaled \$994,369 in FY2019. Of this amount, approximately \$174,000 can be applied to operating expenses. President Trump's proposed budgets each year have recommended termination of the HUD Entitlement Grant program, but the final adopted federal budget has continued to appropriate level funding for this program. Any significant downward change in future HUD Entitlement Grant program funding will impact operations, so this remains a budgetary concern for the Agency.

Offsetting a potential reduction in federal funds is the opportunity to generate increased revenues from the sale and redevelopment services of Agency- or City-owned real property for urban renewal. This includes projects located at Cherry Street Industrial Park, Inlet Island, and the Green Street Parking Garage. If such disposition and development agreements are structured to include owner-financed loans, these projects may generate a significant stream of future revenue for the Agency.

In 2019, one industrial park parcel was sold. The Agency has designated a Sponsor to potentially acquire a 5-acre parcel located at the southerly end of Cherry Street for an urban renewal project. A land sale will increase Agency revenue.

In 2018, the City requested the Agency secure private sector partners to redevelop the Green Street parking garage site for mixed-use development. The City of Ithaca agreed to reimburse the IURA for redevelopment services associated with developing and structuring this urban renewal project. In 2019, the IURA received reimbursements of over \$20,000 for such redevelopment services. Redevelopment services on this project are projected to continue at least through 2021.

The Agency also applies for a variety of grant applications that may strengthen the Agency's finances if awarded. One such application is the EPA Brownfield Assessment Grant application that fell just below the threshold for funding in 2019. The EPA grant was resubmitted in 2020 and will provide \$300,000 to evaluate and redevelop brownfield sites throughout the community if awarded. This grant includes over \$20,000 for administration expenses which could positively impact the Agency operational budget if awarded.

ITHACA URBAN RENEWAL AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2019

Finally, 86% of the Agency's operational 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, requiring the Agency to continue to make up for increased personnel expense from other funding sources. Health care insurance premiums also continue to increase at double the rate of inflation and now consume 12% of the annual budget. In the long term, the Agency will need to continue diversifying its reliance on federal funding revenues to maintain staff funding levels.

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, 2019

ASSETS

Cash and Cash Equivalents - Unrestricted	\$ 675,614
Cash and Cash Equivalents - Restricted	1,249,916
Other Receivables, Net	17,372
Loans Receivable	6,648,951
Total Assets	<u>\$ 8,591,853</u>

LIABILITIES

Accounts Payable	\$ 162,986
Bond Anticipation Notes Payable	530,000
Total Liabilities	<u>692,986</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue - Loans Receivable	6,648,951
Total Deferred Inflows of Resources	<u>6,648,951</u>

FUND BALANCE

Restricted	<u>1,249,916</u>
Total Fund Balance	<u>1,249,916</u>

Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 8,591,853</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, 2019

REVENUES

Use of Money and Property	\$ 5,679
Departmental Income	906,300
Federal Sources	<u>1,059,031</u>
Total Revenues	<u>1,971,010</u>

EXPENDITURES

Home and Community Services	<u>2,457,344</u>
Total Expenditures	<u>2,457,344</u>

Excess of Expenditures (486,334)

OTHER FINANCING SOURCES

BANs Redeemed from Appropriations	<u>100,000</u>
Total Other Financing Sources	<u>100,000</u>

Net Change in Fund Balance (386,334)

Fund Balance, Beginning 1,636,250

Fund Balance, Ending **\$ 1,249,916**

See Notes to Financial Statements

ITHACA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

***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 (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, 2019 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, 2019

***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, i.e. 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 vests or accumulates, are charged as an expenditure when paid.

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, 2019

***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.

ITHACA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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

- **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.
- **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 non-spendable 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, 2019 were \$1,898,450, which were insured, and collateral, when required, was held by the Agency's agent in the Agency's name. Cash in the amount of \$1,249,916 is reported as restricted and represents the amount of restricted fund balance.

ITHACA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

Note 3 Other Receivables

Other receivables at December 31, 2019 are as follows:

Other Reimbursements	\$ 17,372
Total	<u>\$ 17,372</u>

Note 4 Loans Receivable

Loans receivable consist of various economic development loans with ranging terms and interest rates. \$1,182,869 of the loans at December 31, 2019 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, 2018	\$ 7,152,784
Prior Year Adjustment	10,779
Interest Accrued	37,136
Loans Issued	315,887
Loans Forgiven	(350,000)
Loan Payments	<u>(517,635)</u>
Balance December 31, 2019	<u>\$ 6,648,951</u>

Note 5 Short-term Debt

State law requires bond anticipation notes (BANs) issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided stipulated annual reductions of principal are made.

The Agency issued a Neighborhood Housing Initiative Program BAN in the amount of \$530,000 on April 12, 2019 at an interest rate of 2.35% per annum, with a maturity date of April 10, 2020. The BAN was issued to provide funding for the Agency's Neighborhood Housing Initiative Program.

Under Article XVIII §4 of the State Constitution, the City is permitted to guarantee principal of and interest on the City Urban Renewal Agency's BANs. The City has guaranteed payment of the BAN's principal and interest. These BANs are not included in the City's debt limit.

ITHACA URBAN RENEWAL AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

Note 5 Short-term Debt - Continued

Because the City recognizes BAN principal and interest payments in its General Fund, the Agency has not reported those expenditures. As the City makes BAN principal payments, the Agency recognizes the reduction of the BAN payable as BANs redeemed from appropriations, an other financing source.

The following is a summary of changes in the Agency's indebtedness for the period ended December 31, 2019:

<u>Description</u>	<u>Balance 12/31/18</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Payments</u>	<u>Balance 12/31/19</u>
BANs	\$ 630,000	\$ -	\$ (100,000)	\$ 530,000

Note 6 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, 2019, the amount of pension expense was \$25,514, or 11% of total gross payroll.

Note 7 Concentrations - Significant Sources of Revenues

During the year ended December 31, 2019, the Agency received \$1,059,031; or 53.7% of its total revenue from U.S. Department of Housing and Urban Development grants.

Note 8 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.

**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, 2019, and related notes to the basic financial statements, and have issued our report thereon dated March 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 26, 2020

**INDEPENDENT AUDITOR'S 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, 2019, 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 26, 2020.

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 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 26, 2020