

NIAGARA FALLS URBAN RENEWAL AGENCY
(A Blended Component Unit of the
City of Niagara Falls, New York)

Financial Statements
as of December 31, 2013
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

NIAGARA FALLS URBAN RENEWAL AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF NIAGARA FALLS, NEW YORK)

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INDEPENDENT AUDITOR'S REPORT

March 10, 2014

To the Board of Directors of the
Niagara Falls Urban Renewal Agency:

We have audited the accompanying financial statements of the governmental activities of the Niagara Falls Urban Renewal Agency (the Agency), a blended component unit of the City of Niagara Falls, New York (the City) as of and for the year ended December 31, 2013, 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 opinions.

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 December 31, 2013, 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 2, 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, 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 December 31, 2013, 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 that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 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 10, 2014 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.

**NIAGARA FALLS URBAN RENEWAL AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF NIAGARA FALLS, NEW YORK)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2013**

THE ORGANIZATION

Niagara Falls Urban Renewal Agency (the Agency) was created to revitalize, redevelop and eliminate slums and blighted areas of the established Urban Renewal District in the City of Niagara Falls (the 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) (this section), the statement of net position, statement of activities, 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 and change in net position 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 \$29,394 in 2013 and by \$7,743 in 2012, as a result of the individual year's operations.
- The assets of the Agency exceeded its liabilities by \$1,817,158 and \$1,846,552 at December 31, 2013 and 2012, respectively.

FINANCIAL HIGHLIGHTS (Continued)

The analysis below summarizes the statements of net position and change in net position of the Agency as of and for the years ended December 31, 2013, and 2012.

STATEMENT OF NET POSITION

	<u>2013</u>	<u>2012</u>
ASSETS:		
Cash and equivalents	\$ 947,426	\$ 974,731
Capital assets	<u>872,400</u>	<u>872,400</u>
Total assets	<u>1,819,826</u>	<u>1,847,131</u>
LIABILITIES:		
Due to other funds	-	579
Accounts payable	<u>2,668</u>	<u>-</u>
Total liabilities	<u>2,668</u>	<u>579</u>
NET POSITION:		
Invested in capital assets	872,400	872,400
Restricted	<u>944,758</u>	<u>974,152</u>
Total net position	<u>\$ 1,817,158</u>	<u>\$ 1,846,552</u>

The Agency's cash and equivalents decreased by approximately \$27,300, or 3%, in 2013 due to the year's operations.

The Agency's capital assets consisted of land at December 31, 2013 and 2012. There were no changes to the Agency's capital assets in 2013 and 2012.

FINANCIAL HIGHLIGHTS (Continued)

Table shows the changes in net position for the years ended December 31, 2013 and 2012.

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION

	<u>2013</u>	<u>2012</u>
REVENUES:		
Rental revenue	\$ 5,400	\$ 5,400
Interest income	1,440	1,314
Miscellaneous income	<u>-</u>	<u>7,098</u>
Total revenues	<u>6,840</u>	<u>13,812</u>
EXPENSES:		
Community development eligible expenditures	82	10,382
Administrative fees	22,472	9,459
Advertising	8,071	1,610
Professional fees	5,500	-
Office supplies	<u>109</u>	<u>104</u>
Total expenses	<u>36,234</u>	<u>21,555</u>
CHANGE IN NET POSITION	(29,394)	(7,743)
NET POSITION - beginning of year	<u>1,846,552</u>	<u>1,854,295</u>
NET POSITION - end of year	<u>\$ 1,817,158</u>	<u>\$ 1,846,552</u>

Revenues

Rental revenues remained consistent in 2013 and 2012. In 2012, the Agency received miscellaneous income as a result of recognizing funds originally held as a deposit from prior years as revenue. This did not occur in 2013.

Expenses

Community development expansion continued to decrease as the downtown revitalization plan has winded down. Professional fees increased as a result of the audit requirement stipulated in the Public Authorities Accountability Act. Payroll costs increased as a result of the new Downtown Housing Incentive Program.

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 the Office of Counsel, Niagara Falls Urban Renewal Agency, 1022 Main Street, P.O. Box 69, Niagara Falls, New York 14302.

NIAGARA FALLS URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of Niagara Falls, New York)

STATEMENT OF NET POSITION
DECEMBER 31, 2013

ASSETS

CURRENT ASSETS:

Cash and equivalents \$ 947,426

Total current assets 947,426

CAPITAL ASSETS 872,400

Total assets 1,819,826

LIABILITIES

CURRENT LIABILITIES:

Accounts payable 2,668

Total liabilities 2,668

NET POSITION

Invested in capital assets 872,400

Restricted 944,758

Total net position \$ 1,817,158

The accompanying notes are an integral part of these statements.

NIAGARA FALLS URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of Niagara Falls, New York)

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

EXPENSES:	
General government -	
Community development eligible expenditures	\$ 82
Administrative fees	22,472
Advertising	8,071
Professional fees	5,500
Office supplies	<u>109</u>
Total expenses	<u>36,234</u>
PROGRAM REVENUE:	
Rental revenue	<u>5,400</u>
Net program revenue (expense)	(30,834)
GENERAL REVENUES - INVESTMENT INCOME AND OTHER	<u>1,440</u>
CHANGE IN NET POSITION	(29,394)
NET POSITION - beginning of year	<u>1,846,552</u>
NET POSITION - end of year	<u>\$ 1,817,158</u>

The accompanying notes are an integral part of these statements.

**NIAGARA FALLS URBAN RENEWAL AGENCY
(A BLENDED COMPONENT UNIT OF THE CITY OF NIAGARA FALLS, NEW YORK)**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

1. ORGANIZATION AND REPORTING ENTITY

Reporting Entity

The financial statements of the Niagara Falls Urban Renewal Agency (the 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 Niagara Falls, New York (the City), as of December 31, 2013, 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 Niagara Falls, 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, City Council, and 4 private sector members appointed by the City. The Agency was established in 1964 under General Municipal Law Section 593. 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 three components as follows:

- **Invested in Capital Assets**

This category consists of capital assets, net of accumulated depreciation that are attributable to the acquisition, construction, or improvement of those assets.

- **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” or “invested in capital assets.” None of the Agency’s net position is unrestricted.

Fund Balances - Fund Financial Statements

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

- **Nonspendable Fund Balances**

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

- **Restricted Fund Balances**

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

- **Committed Fund Balances**

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

- **Assigned Fund Balances**

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

- **Unassigned Fund Balances**

These are all other spendable amounts.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances - Fund Financial Statements (Continued)

As a governmental fund, the Agency is required to report fund balance in accordance with generally accepted accounting principles. The only difference between the net position reported and the Agency's fund balance at December 31, 2013 is as follows:

Net position	\$ 1,817,158
Less: Capital assets	<u>(872,400)</u>
Fund balance	<u>\$ 944,758</u>

All of the Agency's fund balance was considered restricted at December 31, 2013 because the Agency is subject to the Community Development Block Grant requirements of the U.S. Department of Housing and Urban Development.

Capital Assets

Capital assets are stated at cost, or if donated, at fair value at the date of contribution. The Agency capitalizes items greater than \$1,000, which have useful lives greater than one year. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for routine repairs and maintenance are expensed as incurred. Depreciation, if applicable, is computed on a straight-line basis.

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 December 31, 2013, cash and equivalents are composed entirely of a demand deposit account and a money market account. All deposits are carried at cost, which approximates fair value. The bank balance of the Agency's cash and equivalents was \$947,426.

Collateral coverage is provided by the City 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. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Land	\$ 872,400	\$ -	\$ -	\$ 872,400

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

March 10, 2014

To the Board of Directors of the
Niagara Falls 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 of the Niagara Falls Urban Renewal Agency (the Agency) a blended component unit of the City of Niagara Falls, New York (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 10, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(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*.

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.