

**AUDITED
BASIC FINANCIAL STATEMENTS**

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

DECEMBER 31, 2019

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

Contents

| | <u>Page</u> |
|---|-------------|
| Independent Auditor’s Report | 1-2 |
| Management’s Discussion and Analysis | 3-5 |
| Basic Financial Statements: | |
| Statements of Net Position..... | 6 |
| Statements of Activities | 7 |
| Notes to the Basic Financial Statements..... | 8-12 |
| 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 | 13-14 |

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of Niagara Falls Urban Renewal Agency
City of Niagara Falls, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Niagara Falls Urban Renewal Agency (the Agency), a component unit of the City of Niagara Falls, New York, as of and for the years ended December 31, 2019 and 2018, 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 audits. We conducted our audits 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 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Agency, as of December 31, 2019 and 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Agency, a blended component unit of the City, are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities 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, 2019, and 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 Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 17, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 17, 2020

As management of the Niagara Falls Urban Renewal Agency (the Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended December 31, 2019.

The Organization

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 Agency's basic financial statements comprise two components: 1) Agency-wide financial statements and 2) notes to the financial statements.

Agency-wide financial statements. The *Agency-wide financial statements* are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net position changed during the most recent fiscal 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*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The Agency-wide financial statements can be found on pages immediately following this section as the first two pages of the Basic Financial Statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Agency-wide financial statements. The notes to the financial statements can be found following the Basic Financial Statements section of this report.

Financial Highlights

- The Agency's net position decreased by \$18,434 and \$3,556 in 2019 and 2018, respectively, as a result of the individual year's operations.
- The assets of the Agency exceeded its liabilities by \$1,679,898 and \$1,698,332 at December 31, 2019 and 2018, respectively.
- The Agency in 2019, started moving forward on the South-End Downtown Gateway Area Revitalization Project.

Statement of Net Position

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|----------------------------------|---------------------|---------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 557,662 | \$ 608,324 | \$ 609,081 |
| Grant receivable | 75,698 | 6,825 | 6,825 |
| Other receivables | 28,977 | - | - |
| Property held for development | 229,030 | 229,030 | 229,030 |
| Capital assets | 870,200 | 870,200 | 870,200 |
| Total assets | <u>\$ 1,761,567</u> | <u>\$ 1,714,379</u> | <u>\$ 1,715,136</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Due to the City of Niagara Falls | \$ - | \$ - | \$ 11,125 |
| Accounts payable | 29,511 | 16,047 | 2,123 |
| Unearned revenue | 52,158 | - | - |
| Total liabilities | <u>81,669</u> | <u>16,047</u> | <u>13,248</u> |
| NET POSITION | | | |
| Net investment in capital assets | 870,200 | 870,200 | 870,200 |
| Restricted | 809,698 | 828,132 | 831,688 |
| Total net position | <u>\$ 1,679,898</u> | <u>\$ 1,698,332</u> | <u>\$ 1,701,888</u> |

Changes in Net Position

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|---------------------|
| Revenues: | | | |
| Rental revenue | \$ 40,567 | \$ 30,477 | \$ 5,100 |
| Grant revenue | 75,698 | - | - |
| Property transferred in | - | - | 19,030 |
| Interest income | 338 | 256 | 385 |
| Total revenues | <u>116,603</u> | <u>30,733</u> | <u>24,515</u> |
| Expenses: | | | |
| Community development eligible expenditures | 17,386 | 17,151 | 50,356 |
| Administrative fees | 28,643 | 13,925 | 13,784 |
| Professional fees | 88,498 | 2,800 | 6,200 |
| Office supplies | 510 | 413 | 578 |
| Advertising | - | - | 46 |
| Total expenses | <u>135,037</u> | <u>34,289</u> | <u>70,964</u> |
| Change in net position | (18,434) | (3,556) | (46,449) |
| Net position - beginning of year | <u>1,698,332</u> | <u>1,701,888</u> | <u>1,748,337</u> |
| Net position - end of year | <u>\$ 1,679,898</u> | <u>\$ 1,698,332</u> | <u>\$ 1,701,888</u> |

Financial Highlights (continued)

Cash and cash equivalents

The Agency's cash and cash equivalents decreased by approximately \$50,662, or 9%, in 2019 due to the year's operations

Capital assets and property held for development

The Agency's capital assets consisted of land and buildings at December 31, 2018 and 2017. There were no additions to the Agency's capital assets in 2019.

There were no additions to the Agency's capital assets in 2019.

Revenues

Revenues increased by \$85,870 in 2019 from 2018, mainly due to the lease of 3625 Highland Avenue.

Expenses

In 2018, the Urban Renewal Agency was approved a grant for the South-End Gateway Area Revitalization project. The City of Niagara Falls will leverage \$8 million in private investment including acquisition, blight removal and soft costs, for renovation or new construction of commercial or mix-use properties to be developed individually or as a group in the City's South End. The project will receive from New York State an incentive valued at \$1,500,000. During 2019, a \$75,698 grant receivable was recorded for payments that were made to consultants working on the South-End Downtown Gateway Area Revitalization project. Funds will be reimbursed by NYS Empire State Development Corporation. These were the only expenses incurred in 2019 that were related to this project.

Requests for Information

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Office of Counsel, Niagara Falls Urban Renewal Agency, 1022 Main Street, P.O. Box 69, Niagara Falls, New York 14302.

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NIAGARA FALLS URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of
Niagara Falls, New York)
STATEMENTS OF NET POSITION
DECEMBER 31,

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 557,662 | \$ 608,324 |
| Grant receivable | 75,698 | 6,825 |
| Other receivables | 28,977 | - |
| Total current assets | <u>662,337</u> | <u>615,149</u> |
| Non-current assets: | | |
| Property held for development | 229,030 | 229,030 |
| Capital assets | 870,200 | 870,200 |
| Total non-current assets | <u>1,099,230</u> | <u>1,099,230</u> |
| Total assets | <u>1,761,567</u> | <u>1,714,379</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Due to the City of Niagara Falls | 29,511 | 16,047 |
| Unearned revenue | 52,158 | - |
| Total liabilities | <u>81,669</u> | <u>16,047</u> |
| NET POSITION | | |
| Investment in capital assets | 870,200 | 870,200 |
| Restricted | 809,698 | 828,132 |
| Total net position | <u>\$ 1,679,898</u> | <u>\$ 1,698,332</u> |

See accompanying notes to financial statements.

NIAGARA FALLS URBAN RENEWAL AGENCY
(A Blended Component Unit of the City of
Niagara Falls, New York)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Expenses: | | |
| General government | | |
| Community development eligible expenditures | \$ 17,386 | \$ 17,151 |
| Administrative fees | 28,643 | 13,925 |
| Professional fees | 88,498 | 2,800 |
| Office supplies | 510 | 413 |
| Total expenses | <u>135,037</u> | <u>34,289</u> |
| Program Revenue: | | |
| Grant revenue | 75,698 | - |
| Rental revenue | <u>40,567</u> | <u>30,477</u> |
| Total program revenue | 116,265 | 30,477 |
| Net program expense | (18,772) | (3,812) |
| General Revenues: | | |
| Interest income | <u>338</u> | <u>256</u> |
| Total general revenue | <u>338</u> | <u>256</u> |
| Change in net position | (18,434) | (3,556) |
| Net position - beginning of year | <u>1,698,332</u> | <u>1,701,888</u> |
| Net position - end of year | <u>\$ 1,679,898</u> | <u>\$ 1,698,332</u> |

See accompanying notes to financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

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, 2019, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenues, expenses, gains, and losses are classified into three classes of net position - restricted, unrestricted and net investment in capital assets - which are displayed in the statement of net position.

B. NET POSITION

Equity is classified as net position and displayed in three components:

- a. Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position - Consists of net position with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. All of the Agency's net position was considered restricted at December 31, 2019 and 2018 because the Agency is subject to the Community Development Block Grant requirements of the U.S. Department of Housing and Urban Development.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "investment in capital assets." None of the Agency's net position is unrestricted.

Fund Balances

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. There are five classifications of fund balances. The Agency only has fund balances classified in the Restricted classification. This classification has the same characteristics as restricted net position.

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

NOTES TO BASIC FINANCIAL STATEMENTS

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.

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, 2019 and 2018 are as follows:

| | <u>2019</u> | <u>2018</u> |
|-------------------------|--------------------------|-------------------|
| Net position | \$ 1,679,898 | \$ 1,698,332 |
| Less: Capital assets | <u>870,200</u> | <u>870,200</u> |
| Restricted fund balance | <u>\$ 809,698</u> | <u>\$ 828,132</u> |

C. 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.

D. 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.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes demand deposits, money markets, and certificates of deposit with original maturities of ninety days or less. The Agency maintains its cash and cash equivalents in bank accounts. Interest and dividend income from cash and cash equivalents is reported in non-operating revenue in the Statement of Activities.

F. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended December 31, 2019, the Agency has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The primary objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

The Agency has evaluated the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, and Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which became effective for the fiscal year ended December 31, 2019, and determined that they have no significant impact on the Agency’s financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS

The following are GASB Statements that have been issued recently and are currently being evaluated, by the Agency, for their potential impact in future years.

- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2020.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending December 31, 2020.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending December 31, 2021.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending December 31, 2021.

H. REVENUES

Revenues consist principally of rental revenue received from the leasing of certain real property of the Agency. Expense-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. The Agency defines non-operating revenue as investment income.

NOTE 3. DETAILS ON TRANSACTION CLASSES/ACCOUNTS

A. ASSETS

1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include a demand deposit account and a money market account, which totaled \$557,662 and \$608,324 at December 31, 2019 and 2018 respectively. The Agency's investment policies are governed by State statutes. The Agency's monies must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts, money markets, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities.

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 municipalities and school districts.

The Agency's aggregate bank balances were fully collateralized at December 31, 2018 and 2019.

Investment and Deposit Policy

The Agency currently follows an investment and deposit policy as directed by State statutes, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Executive Director.

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. The Agency's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

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

NOTES TO BASIC FINANCIAL STATEMENTS

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. In accordance with the Agency’s investment and deposit policy, all deposits of the Agency including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of government securities.

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

NOTE 4. PROPERTY HELD FOR DEVELOPMENT

A summary of property held for development at December 31, 2019 is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|------|------------------------------|------------------|------------------|---------------------------|
| Land | \$ <u>229,030</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>229,030</u> |

NOTE 5. CAPITAL ASSETS

A summary of capital assets at December 31, 2019 is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|------|------------------------------|------------------|------------------|---------------------------|
| Land | \$ <u>870,200</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>870,200</u> |

NOTE 6. GRANTS

Grants are made available through program income under the Community Development Block Grant program. During 2019, the Agency awarded no grant monies to Housing Visions Consultants, Inc. Grant payments to the Grantees are made after supporting documentation is obtained to reimburse payment of the contractors. Grants are recorded as an expense by the Agency when disbursed to the grantees.

NOTE 7. PURCHASE OPTION

The Agency granted a purchase option of \$865,000 to a leased property owner that has not been exercised as of December 31, 2019. The option may be exercised at any time the lease is in effect, including the initial three year term and the additional three year term if the right to extend the lease is exercised. If the option is exercised, one-half of the rent paid shall be applied against the purchase price when the sale takes place.

NOTE 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 17, 2020 which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles, other than the purchase option previously noted.



**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**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Niagara Falls Urban Renewal Agency
City of Niagara Falls, 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 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, 2019, 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 17, 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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Freed Maxick CPAs, P.C.

Buffalo, New York
March 17, 2020