Urban Renewal Agency of the City of Mount Vernon, New York

Community Development Block Grant Program,
Continuum of Care Grant Program and
Home Investment Partnership Act Program

Financial Statements

Year Ended December 31, 2016

Urban Renewal Agency of the
City of Mount Vernon, New York

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Independent Auditors' Report

The Honorable Mayor and Chairman of the
Mount Vernon Urban Renewal Agency
of the City of Mount Vernon, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Development Block Grant Program, Continuum of Care Grant Program and Home Investment Partnership Act Program ("Selected Funds") of the Urban Renewal Agency of the City of Mount Vernon, New York (“Agency”) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Agency’s 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. 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 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Selected Funds of the Agency, as of December 31, 2016, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

We draw attention to Note 1A in the notes to financial statements which describes that these financial statements present only the Selected Funds of the Agency and do not purport to, and do not, present fairly the financial position of the City of Mount Vernon, New York as of December 31, 2016 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 5 in the notes to financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of COVID-19 (“Coronavirus”). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Harrison, New York
July 27, 2020

Urban Renewal Agency of the
City of Mount Vernon, New York

Selected Programs
Balance Sheet
December 31, 2016

ASSETS	
Cash and equivalents	$ 670,473
Receivables	
Accounts	51,871
State and Federal aid	187,985
Due from other governments	358
Mortgages, net of allowance of $882,509	4,226,407
	4,466,621
Prepaid expenditures	17,795
Total Assets	$ 5,154,889
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (DEFICIT)	
Liabilities	
Accounts payable and accrued liabilities	$ 336,426
Advances from the City of Mount Vernon	1,400,811
Unearned revenues - Other	54,037
Total Liabilities	1,791,274
Deferred inflows of resources	
Deferred mortgage principal repayments	4,226,407
Total Liabilities and Deferred Inflows of Resources	6,017,681
Fund balance (deficit)	
Nonspendable	17,795
Unassigned	(880,587)
Total Fund Deficit	(862,792)
Total Liabilities, Deferred Inflows of Resources and Fund Deficit	$ 5,154,889

The accompanying notes are an integral part of the financial statements.

Urban Renewal Agency of the City of Mount Vernon, New York

Selected Programs
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended December 31, 2016

REVENUES	
Departmental income	$ 9,417
Federal aid	2,083,847
Miscellaneous	952,572
Total Revenues	3,045,836
EXPENDITURES	
Current	
Economic opportunity and development	
Continuum of care	872,859
HOME program	26,238
Community development program	1,201,096
Total Expenditures	2,100,193
Excess of Revenues Over Expenditures	945,643
FUND DEFICIT	
Beginning of Year	(1,808,435)
End of Year	$ (862,792)

The accompanying notes are an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

The Community Development Block Grant Program was created by Title I of the Housing and Community Development Act of 1974 which became effective January 1, 1975. The primary objective of Title I was "the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income."

Additional programs administered include the Continuum of Care Program and the Home Investment Partnership Act Program.

The Urban Renewal Agency of the City of Mount Vernon, New York ("Agency") administers various Federal grant programs, principal of which are programs funded by the U.S. Department of Housing and Urban Development ("HUD") which provides grant assistance for locally determined activities.

The Agency obtains funds under a HUD entitlement grant. Entitlement grants are allocated to communities which qualify for such grants on the basis of the application of a formula which considers the community's population, extent of poverty and housing overcrowding. Entitlement grants are contingent only upon the submission of an acceptable annual application and the implementation of an acceptable program.

In addition to the above programs, the Agency operates a Housing Opportunities for Persons with AIDS Program. The financial statements of this program are being issued under separate cover.

The accounting policies of the Agency conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Agency's more significant accounting policies:

A. Basis of Presentation

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. The Selected Funds of the Agency are treated as a governmental fund.

The accompanying financial statements present only the activities of the Selected Funds of the Agency and do not purport to, and do not, present fairly the financial position of the City of Mount Vernon, New York ("City") as of December 31, 2016 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.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. The reported unassigned fund balance is a measure of "available spendable resources".

Note 1 - Summary of Significant Accounting Policies (Continued)

The modified accrual basis of accounting is followed in the Agency's governmental fund type. Under the modified accrual basis of accounting, revenues are recorded in the accounting period in which they are "measurable" and "available" to finance current operations. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A ninety day availability period is generally used for revenue recognition for most governmental fund revenues. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures, under the modified accrual basis, are generally recognized when the related fund liability is incurred.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Balance

Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

The Agency's deposit and investment policies are governed by State statutes. The Agency has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The Agency is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The Agency has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions. The Agency follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application",* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Note 1 - Summary of Significant Accounting Policies (Continued)

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Agency does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. GASB Statement No. 40 "*Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3"* directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Agency's name. The Agency's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at December 31, 2016.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Agency does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Agency's investment policy limits the amount on deposit at each of its banking institutions.

Receivables - Receivables include amounts due from other governments and individuals for services provided by the Agency. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred.

Mortgages Receivable - The Agency has outstanding mortgages receivable of $4,226,407 at December 31, 2016. Mortgages are issued to qualifying small and minority businesses for housing rehabilitation projects at or below market interest rates. Allowances are recorded when deemed appropriate.

Prepaid Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method. Prepaid expenditures consist of costs which have been satisfied prior to the end of the fiscal year, but represent amounts for subsequent years that will benefit such periods. Reported amounts are equally offset by nonspendable fund balance, which indicates that these amounts do not constitute "available spendable resources", even though they are a component of current assets.

Advances From the City of Mount Vernon - Advances from the City represent loans to the Agency which are not expected to be repaid within the subsequent annual operating cycle. The advances are offset by nonspendable fund balance in the City's General Fund, which indicates that the funds are not "available" for appropriation and are not expendable available financial resources.

Note 1 - Summary of Significant Accounting Policies (Continued)

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. The Agency has reported unearned revenues for Selected Funds of $54,037 for amounts received in excess of certain expenditures. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Agency has reported deferred inflows of resources of $4,226,407 for mortgages receivable not expected to be collected within the first sixty days of the subsequent fiscal year. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Compensated Absences - The Agency provides for the payment of accumulated vacation and sick leave upon an employee's separation from service. The liability for such accumulated leave is reflected in the City's government-wide and proprietary fund financial statements to which the Agency contributes its respective share. The liability for compensated absences includes salary related payments, where applicable.

Fund Balance - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. Governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance, if any, includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance, if any, is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for items contained in General Municipal Law of the State of New York.

Committed fund balance, if any, is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity’s highest level of decision making authority. The Chairman of the Agency is the highest level of decision making authority

Note 1 - Summary of Significant Accounting Policies (Continued)

for the Agency that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment.

Assigned fund balance, if any, represents amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned.

In order to calculate amounts to report as restricted and unrestricted fund balance, a flow assumption must be made about the order in which resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Agency's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Agency's policy to use fund balance in the following order: committed, assigned, and unassigned.

D. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

E. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is July 27, 2020.

Note 2 - Stewardship, Compliance and Accountability

A. Fund Deficit

The Selected Funds reflect an unassigned deficit of $880,587 at December 31, 2016.

Note 2 - Stewardship, Compliance and Accountability (Continued)

B. Miscellaneous Revenues

During the year, the Agency made a determination that certain accounts payable obligations were not required to be satisfied. As such, these amounts aggregating $952,572 have been written off and included within miscellaneous revenues in the current year's statement of revenues, expenditures and changes in fund balance.

Note 3 - Detailed Notes on Governmental Fund

A. Pension Plan

The Agency participates in the New York State and Local Employees' Retirement System ("ERS"). ERS is a cost-sharing multiple-employer defined benefit pension plan. ERS provides retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all assets and record changes in fiduciary net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Agency also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The ERS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31. The employer contribution rates for the plan's year ending in 2017 are as follows:

Tier/Plan	Rate
3 A14	16.0%
4 A15	16.0
6 A15	9.3

Note 3 - Detailed Notes on Governmental Fund (Continued)

Contributions made or accrued to the System and charged to the Agency's programs for the current and two preceding years were as follows:

2016	$	110,885
2015		105,103
2014		109,515

These contributions were equal to 100% of the actuarially required contributions for each respective fiscal year.

The Agency's net pension liability, calculated in accordance with GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions"*, is reflected within the amounts reported in the City's government-wide financial statements.

B. Compensated Absences

Vacation time is generally taken in the year earned but can be carried over to succeeding years, subject to limitations as provided in the respective collective bargaining agreements. The Agency's total liability for compensated absences at December 31, 2016 was $16,243, and this amount has been reflected in the City's Compensated Absences - Internal Service Fund.

C. Post-Employment Health Care Benefits

In addition to providing pension benefits, the Agency provides certain health care benefits for retired employees though a single employer defined benefit plan. Employees hired prior to September 1, 1982 may become eligible for these benefits if they reach normal retirement age while working for the Agency. The cost of retiree health care benefits is recognized as an expenditure as claims are paid. During the year, payments were paid on behalf of 7 retirees and this amount was recorded as an expenditure. Employees hired after September 1, 1982 are not entitled to paid post-employment health care benefits.

The Agency's other post employment benefit obligation ("OPEB"), calculated in accordance with GASB Statement No. 45, including the unfunded actuarial accrued liability, the annual required contribution ($187,000) and the net OPEB obligation ($859,000) at the end of the year is reflected within the amounts reported in the City's government-wide financial statements.

D. Fund Balance

Prepaid expenditures have been provided to account for retirement payments made in advance. The amount is classified as nonspendable to indicate that funds are not "available" for appropriation or expenditure even though they are a component of current assets.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned.

Note 4 - Summary Disclosure of Significant Contingencies

The Agency participates in various Federal grant programs, principal of which are programs of the U.S. Department of Housing and Urban Development. These programs are subject to program compliance audits pursuant to Uniform Grant Guidance. Accordingly, the Agency's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time.

In the normal course of business there are a number of actions against the Agency that involve personal injury and/or contractual disputes. While the Agency has been named in many of these actions, in the opinion of management based on consultation with legal counsel, the ultimate resolution of such litigation should not result in any liability to the Agency.

Note 5 - Subsequent Event

In 2020, the Coronavirus pandemic has resulted in substantial economic volatility on a global scale. As a result, the Agency's economically sensitive revenues (i.e. state and federal aid) might be negatively impacted and collection rates on state and federal aid might be slowed or reduced. Meanwhile, the Agency's expenditures and pension benefits (due to stock market declines) would all be expected to increase. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the actual impact on the Agency's financial position at this time.

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