

CITY OF UTICA INDUSTRIAL
DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
City of Utica Industrial Development Agency
1 Kennedy Plaza
Utica, New York

We have audited the accompanying statements of net assets of the City of Utica Industrial Development Agency (the "Agency") as of December 31, 2011 and 2010, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Utica Industrial Development Agency as of December 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 23, 2012, on our consideration of the City of Utica Industrial Development Agency's internal control over financial reporting and our tests of its compliance with certain provisions, laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The management's discussion and analysis on Pages 3 through 5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Schedule of Supplemental Bond and Note Information, Schedule of Full-Time Equivalent (FTE) Jobs Created and Retained, and Schedule of Outstanding Sale and Lease Agreements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Clinton, New York
March 23, 2012

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2011

This section of the Agency's Financial Statements presents management's overview and analysis of the Agency's financial performance for the year ended December 31, 2011. This section should be read in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

The net operating loss for 2011 and 2010 was approximately \$25,000 and 28,000, respectively. Among the regular expenses that caused the 2011 loss were \$5,661 in amortization, \$135,900 in utilities, \$25,617 in repairs and maintenance and \$8,023 in insurance. The loss in the prior year was primarily caused by the rental income the Agency received not being sufficient to cover the expenses incurred for the Harza building.

Operating results for the Harza building showed some improvement during 2011. Until the building is sold or transferred, overall results will be hampered by maintenance costs. The operating expenses of the building, previously born by a tenant that is no longer in the building, are now the responsibility of the Agency. These expenses are being met by other rents received from this building, existing cash reserves and any other revenues generated by the Agency.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The notes to the financial statements also contain more detail on the information presented in the financial statements. The financial statements of the Agency report information about the Agency using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statements of Net Assets present information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. The Statements of Revenues, Expenses and Changes in Net Assets present information showing how the Agency's net assets changed during the fiscal year. All changes in net assets 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 recorded in these statements for some items that will only result in cash flows in future periods.

The financial statements can be found on Pages 6 through 8 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within financial statements. The notes to the financial statements can be found on Pages 9 to 14 of this report.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2011

FINANCIAL ANALYSIS

This section summarizes information and data as related to the Statements of Net Assets as of December 31, 2011 and 2010 and the Statements of Revenues, Expenses and Changes in Net Assets for the years ended December 31, 2011 and 2010.

Statements of Net Assets

Table 1 shows all of the assets and liabilities of the Agency and is presented on the accrual basis. Total net assets increased approximately \$4,712,000 from the prior year primarily due to a loan impairment and the City of Utica forgiving its mortgage on the Harza building during 2011.

	Table 1	
	<u>Net Assets</u>	
	<u>2011</u>	<u>2010</u>
Current assets	\$ 15,849	\$ 6,127
Capital and other assets	<u>349,951</u>	<u>352,802</u>
Total assets	<u>\$ 365,800</u>	<u>\$ 358,929</u>
Current liabilities	\$ 435,257	\$ 5,140,072
Total liabilities	<u>\$ 435,257</u>	<u>\$ 5,140,072</u>
Total net assets	<u>\$ (69,457)</u>	<u>\$(4,781,143)</u>

Statements of Revenues, Expenses and Changes in Net Assets

Table 2 shows all of the expenses and revenues of the Agency and is also presented on the accrual basis. Revenues decreased from the prior year, due to the decrease in rental income and administration fees from projects, while operating expenses decreased approximately \$18,000. These changes are more fully described in the FINANCIAL HIGHLIGHTS section.

	Table 2	
	<u>Changes in Net Assets</u>	
	<u>2011</u>	<u>2010</u>
Total revenues:		
Rents	\$ 107,452	\$ 109,884
Administration fees	<u>70,453</u>	<u>82,656</u>
Total program revenues	177,905	192,540
Program expenses	(202,746)	(220,060)
Forgiveness of debt	1,327,000	-
Loan impairment	3,409,527	
Grant income	-	244,660
Impairment loss	<u>-</u>	<u>(244,660)</u>
Change in net assets	<u>\$ 4,711,686</u>	<u>\$ (27,520)</u>

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2011

CAPITAL ASSET AND DEBT ADMINISTRATION

This section includes a description of significant capital assets and long-term debt activity during the year.

Capital Assets

The Agency owns commercial property located at 175-183 Genesee Street in Utica, New York. The following schedule shows the investment in this property:

Land	\$ 61,254
Buildings and improvements (net of impairment allowance)	3,121,790
Mortgage origination costs	206,306
Less: Accumulated depreciation and amortization	<u>(3,089,350)</u>
Net book value	<u>\$ 300,000</u>

Long-Term Debt

The Agency has long-term debt associated with the property described above at 175-183 Genesee Street in Utica, New York. Details of these debt instruments are more fully described in the footnotes to the financial statements. The following schedule summarizes this debt:

The New York State Job Development Authority	\$ 3,759,527
Less: Loan impairment	<u>(3,409,527)</u>
Total	<u>\$ 350,000</u>

ECONOMIC FACTORS AND FUTURE OUTLOOK

The City of Utica continues to pursue demolition of blighted buildings and the remediation of environmentally challenged sites. Gains in these two areas translate into construction and development opportunities resulting in more agency activity as additional developable parcels of land materialize.

The Agency has reached a settlement agreement with the New York State Job Development Authority (JDA) regarding the Harza building. Under the terms of the settlement, the Agency and the JDA will jointly market the building for sale. If the building is not sold by April 30, 2012, the ownership will revert to the JDA. Beginning in December 2011, the JDA has agreed to provide up to \$9,000 per month to the Agency to cover expenses related to the Harza building with a payment of up to \$10,000 for the month of April and up to \$9,000 for the month of May.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Agency's finances for all those who have an interest in this agency's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to the Jack Spaeth, Executive Director, Utica Industrial Development Agency, One Kennedy Plaza, Utica, New York 13502.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF NET ASSETS

December 31, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 1,501	\$ 6,127
Accounts receivable	14,348	-
Total current assets	<u>15,849</u>	<u>6,127</u>
Fixed assets:		
Land	61,254	61,254
Buildings (net of impairment allowance)	3,048,690	3,048,690
Building improvements and fixtures	73,100	73,100
	<u>3,183,044</u>	<u>3,183,044</u>
Less: Accumulated depreciation	2,883,044	2,883,044
Total net fixed assets	<u>300,000</u>	<u>300,000</u>
Other assets:		
Escrow funds	49,951	47,141
Intangible assets, net of accumulated amortization	-	5,661
Total other assets	<u>49,951</u>	<u>52,802</u>
 Total assets	 <u>\$ 365,800</u>	 <u>\$ 358,929</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current portion of long-term debt (net of impairment allowance)	\$ 350,000	\$ 5,086,527
Accounts payable	85,257	53,545
Total current liabilities	<u>435,257</u>	<u>5,140,072</u>
Net assets (deficit):		
Invested in capital assets, net of related debt	(50,000)	(4,780,866)
Designated for rental development	49,951	47,141
Unrestricted	(69,408)	(47,418)
Total net assets (deficit)	<u>(69,457)</u>	<u>(4,781,143)</u>
 Total liabilities and net assets	 <u>\$ 365,800</u>	 <u>\$ 358,929</u>

See accompanying notes.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Rental of real property	\$ 107,452	\$ 109,884
Administration fees	70,453	82,656
	<u>177,905</u>	<u>192,540</u>
Operating expenses:		
Utilities	135,900	139,617
Contracted services and consulting fees	-	125
Professional fees	24,682	35,744
Amortization	5,661	10,315
Repairs and maintenance	25,617	20,795
Telephone	888	530
Insurance	8,023	9,954
Conferences and seminars	750	1,375
Security	693	873
Miscellaneous	532	732
	<u>202,746</u>	<u>220,060</u>
Net operating loss	(24,841)	(27,520)
Impairment loss	-	(244,660)
Loan impairment	3,409,527	
Forgiveness of debt	1,327,000	-
Non-operating revenue:		
Grant income	-	244,660
	<u>4,711,686</u>	<u>(27,520)</u>
Change in net assets	4,711,686	(27,520)
Net assets (deficit), beginning of year	<u>(4,781,143)</u>	<u>(4,753,623)</u>
Net assets (deficit), end of year	<u>\$ (69,457)</u>	<u>\$ (4,781,143)</u>

See accompanying notes.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 REPORTING ENTITY

The City of Utica Industrial Development Agency (the “Agency”) is a public benefit corporation created under the mandate of Article 18-A, “New York State Industrial Development Agency Act,” of New York State General Municipal Law for the purpose of encouraging economic growth in the City of Utica. The Agency is exempt from Federal, State, and local income taxes. The Agency, although established by the City of Utica, is a separate entity and operates independently of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting - The Agency’s fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. All enterprise funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The following is a summary of the significant accounting policies followed in the preparation of the Agency’s financial statements. The accounting policies of the Agency conform to generally accepted accounting principles in the United States of America. The financial statements are presented in accordance with generally accepted accounting principles (GAAP).

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Agency’s enterprise fund is administrative fees and rents. Operating expenses for the enterprise fund includes occupancy costs, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interest on proceeds used in financing the construction of certain assets is capitalized during the construction period. Depreciation of exhaustible fixed assets used by enterprise funds is charged as an expense against operations, and accumulated depreciation is reported on the enterprise funds’ balance sheets.

Cash - For purposes of the statements of cash flows, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable is carried at its full value. Uncollectible accounts are charged to expenditures when an account is deemed uncollectible by management. The outstanding balance was \$14,348 and \$-0- at December 31, 2011 and 2010, respectively.

Allowance for Doubtful Accounts - The Agency considers all accounts receivable at year-end to be fully collectible and, accordingly, the allowance for doubtful accounts was \$-0- at December 31, 2011 and 2010.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Property - Property acquired by the Agency is stated at cost. The Agency has capitalized all fixed asset purchases over \$1,000. Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount and fair value.

Depreciation is recognized on a straight-line basis over the estimated useful lives of the buildings and improvements, which is expected to be 20 years. No depreciation was recorded in 2011 or 2010 due to the impairment of the building. (See Note 11).

Intangible Assets - Intangible assets consist of closing costs on the Harza building. They are stated at cost and are amortized on a straight-line basis over 20 years. The Agency recorded amortization expense of \$5,661 and \$10,315 for the years ended December 31, 2011 and 2010, respectively.

Industrial Revenue Bond and Note Transactions - Certain industrial development revenue bonds and notes issued by the Agency are secured by property that is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the City of Utica Industrial Development Agency or the State of New York. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising there from are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. This administrative fee income is recognized immediately upon issuance of bonds and notes. Bond and note issuances still outstanding at December 31, 2011 are summarized in the Schedule of Supplemental Bond and Note Information on Page 15.

Contributed Facilities and Services - The Agency, with the consent of the Board of Representatives from the City of Utica, is authorized to use and has shared City employees, facilities, and equipment and may reimburse the City an agreed upon proportion of the compensation or costs of the services provided.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 report period. Actual results could differ from those estimates.

Net Assets (Deficit) - The Agency reports its net assets in three components. Net assets invested in capital assets are equal to amounts reported for capital assets, net of related debt and accumulated depreciation. Restricted net assets are reported when assets (net of related debt) can only be used for a specified purpose that is established by grantors, contributors, or laws or regulations governing the Agency. For this reason, all restricted net assets are considered expendable. Unrestricted net assets are all other Agency net assets that do not meet the definitions of invested in capital assets or restricted.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Events Occurring After Reporting Date - Subsequent events were evaluated through March 23, 2012, which is the date the financial statements were available to be issued.

NOTE 3 CASH AND CASH EQUIVALENTS

New York State statutes govern the Agency's investment policies. In addition, the Agency has its own written investment policy. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within New York State. The Agency's treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 102% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations to the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and the underlying securities must be obligations of the federal government of New York State. Underlying securities must have a market value of at least 102% of the cost of the repurchase agreement.

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured or collateralized with securities held by the Agency or the Agency's agent in the Agency's name, (2) collateralized with securities held by the pledging financial institution's trust department or agent in the Agency's name, or (3) uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, its trust department, or agent but not the entity's name). Total financial institution (bank) balances at December 31, 2011, per bank were \$49,309. These deposits are categorized as follows:

<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
\$ <u>49,309</u>	\$ <u>-</u>	\$ <u>-</u>

NOTE 4 GOING CONCERN

As indicated in the accompanying financial statements, the Agency showed an increase in net assets of \$4,711,686 during the year ended December 31, 2011. As of that date, the Agency's current liabilities exceeded its current assets by \$419,408 and its total liabilities exceeded its total assets by \$69,457. In prior years, those factors, as well as the uncertain conditions that the Agency faced regarding the sale of the Harza building and satisfaction of the associated debt (as discussed in Note 5), created an uncertainty about the Agency's ability to continue as a going concern.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 GOING CONCERN (Cont.)

During 2011, the Agency reached an agreement with the New York State Job Development Authority (JDA) regarding the Harza building. The Agency will jointly market the Harza building with the JDA in the hopes of selling the building. If the building is not sold by April 30, 2012, proceedings will begin to transfer title to the JDA. If the building has not been sold or transferred to the JDA by May 31, 2012, the JDA will accept a deed-in-lieu on that date. In the meantime, the JDA will provide the Agency with up to \$9,000 a month to cover expenses for December, 2011 through March, 2012, with up to a \$10,000 payment for April, 2012 and a final payment of up to \$9,000 for May, 2012, if the Agency still owns the building after April 30.

Given these circumstances, the uncertainty about the Agency's ability to continue as a going concern no longer exist.

NOTE 5 LONG-TERM DEBT

At December 31, long-term debt consisted of the following:

	<u>2011</u>	<u>2010</u>
Mortgage payable to New York State Job Development Authority (JDA) maturing in 2011. Land and buildings collateralize the mortgage at 175-183 Genesee Street. (See Note 4)	\$ 3,759,527	\$ 3,759,527
Loan payable to the City of Utica. The terms of the loan allow for payments of interest only, at a rate of 3.00%. Collateral on the loan is the Harza building at 175-183 Genesee Street. The lender's collateral is subordinate to the JDA mortgage. The loan was discharged in 2011.	<u>-</u>	<u>1,327,000</u>
Total	3,759,527	5,086,527
Less: Loan impairment	3,409,527	-
Less: Current portion	<u>350,000</u>	<u>5,086,527</u>
Total long-term debt	<u>\$ -0-</u>	<u>\$ -0-</u>

For the years ended December 31, 2011 and 2010, the Agency did not pay interest expense.

JDA commenced action seeking foreclosure of the mortgage lien on January 27, 1998 and agreed to a forbearance and settlement agreement dated August 1, 1999. Under the forbearance and settlement agreement, the Agency is no longer required to make direct debt service payments to JDA for outstanding debt; however, monthly lease payments were made directly from Montgomery Watson Harza, Inc. to JDA through June, 2004 as a required stipulation of forbearance and settlement between JDA, the Agency, and the Company. On July 31, 2004, the Forebearance agreement between JDA, the Agency and the Company automatically expired and was to be reviewed, which at that date JDA had the option to terminate the forbearance period and pursue foreclosure. As of December 31, 2011, a new agreement with the JDA was in place (See Note 4).

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 LEASES

A. The Agency is the lessor in several operating leases for the Harza Building. These leases are currently held as month to month leases as no extended term lease agreements have been signed.

The Agency continues to search for other leasing arrangements. Various small leases have been established from time to time.

B. The Agency is the lessor in a leaseback agreement for land located at 2160 Erie Street. The term of the lease is 10 years and will terminate July 31, 2013 or 10 years from the date on which benefits commenced under the PILOT agreement. This leaseback agreement contains a purchase option whereby the lessee may purchase the property for \$1 by giving written notice to the Agency any time during this leaseback agreement. Minimum rent under this lease agreement is as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Amount</u>
2012	\$ 25,000
2013	<u>14,583</u>
	<u>\$ 39,583</u>

NOTE 7 NET DEFICIT

A net deficit of \$69,457 exists as of December 31, 2011, resulting from prior year expenses related to the operating the Harza building. Asset impairment losses related to the building have been offset by forgiveness of debt and impairment of the related mortgage.

NOTE 8 RECLASSIFICATIONS

Certain amounts appearing in the 2010 financial statements have been reclassified to facilitate comparison with the 2011 financial statements.

NOTE 9 RELATED PARTY

The Agency's governing body is selected by the Mayor of the City of Utica. In addition, the Agency's assistant secretary is also an employee of the City. During 2010, the Agency stopped carrying its own director's and officer's insurance, as it is covered through its relationship with the City.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 IMPAIRMENT LOSS

During 2008, an offer was made to purchase the Harza building for \$300,000. Due to limited buyer interest in the building, the Agency views this as the current market value of the building. As such, an impairment loss of \$3,230,849 was recorded.

In 2010, the Agency replaced the roof of the building, through a grant from New York State in the amount of \$244,660. This did not change the market value of the building, as any potential buyer would have also been able to replace the roof using the same grant. As such, the funds were recorded as income and the roof replacement was capitalized. A corresponding impairment loss was recorded to bring the carrying value of the building to \$300,000.

NOTE 12 LOAN IMPAIRMENT

On November 30, 2011, the Agency agreed to a stipulation of settlement with the JDA. Under the terms of the settlement, the two agencies will attempt to market the Harza building for sale. The proceeds of any such sale will be applied to the outstanding debt held by the JDA as full satisfaction. If the building is not sold by May 31, 2012, the JDA will accept a deed-in-lieu of foreclosure and will take possession of the building. As a result of this settlement, the Agency has recorded an impairment of the loan of \$3,409,527 to reduce the recorded amount of the loan to \$350,000, which is the recently appraised value of the building.

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CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF SUPPLEMENTAL BOND AND NOTE INFORMATION

December 31, 2011

<u>Purchaser, if different</u>	<u>Issuee</u>	<u>Issue Date</u>	<u>Price</u>	<u>Rate</u>	<u>Balance</u>	<u>Due Date</u>
Project Purpose:	North Utica Shopping Center AMA Realty Retail Trade	10/1/2005	11,250,000	5.30%	11,250,000	10/1/2015
Prudential Insurance	Utica Business Park/Widewaters Group (Met Life)	10/1/1992	7,715,000	8.25%	6,649,677	10/15/2012
Project Purpose:	Finance, Insurance and Real Estate					
Project Purpose:	Utica College Other - Education	5/1/1998	9,295,000	5.3-7.5%	6,450,000	8/1/2037
M&T Co. Project Purpose:	Munson-Williams Proctor Institute Other - Arts	6/17/1999	15,000,000	4.6-5.5%	7,175,000	6/17/2030

See auditors' report.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FULL-TIME EQUIVALENT (FTE)
JOBS CREATED AND RETAINED

Year ended December 31, 2011

	# of Current FTE Employees	# of FTE Jobs (Lost)/ Created During Fiscal Year	# of Original FTE Jobs Retained During Fiscal Year
Issue:			
Munson-Williams Proctor Institute	182	45	129
Utica College	467	0	374
Utica Converters, Inc.	81	9	72
Rhodes Drive Building	150	24	126
New Stanley Theater	17	0	15
Hampton Inn	17	0	17
Senior Development	0	0	0
Hage & Hage	11	2	6
RCIL	0	0	0
New Hartford Sheet Metal	47	(2)	20
Court Street Building	143	0	100
Holiday Express Inn	15	15	0
325 Lafayette Street	11	0	11
Advanced Physical Medicine	46	3	43
Empire Recycling	84	9	75
Colonial Square	18	0	18
ESK Realty Manufacturing Fac.	33	8	25
Memorial Parkway, LLC	125	(14)	110
Business Park Associates	25	25	0
	<u>1472</u>	<u>124</u>	<u>1141</u>

See auditors' report.

CITY OF UTICA INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from tenants and others	\$ 160,747	\$ 177,540
Cash payments to suppliers for goods and services	<u>(165,373)</u>	<u>(179,235)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(4,626)</u>	<u>(1,695)</u>
Cash flows from investing activities:		
Purchase of fixed assets	-	(244,660)
Grant proceeds	<u>-</u>	<u>244,660</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(4,626)	(1,695)
Cash, beginning of year	<u>6,127</u>	<u>7,822</u>
Cash, end of year	<u>\$ 1,501</u>	<u>\$ 6,127</u>
Reconciliation of net operating loss to net cash used in operating activities:		
Net operating loss	\$ (24,841)	\$ (27,520)
Adjustments to reconcile net operating loss to net cash used in operating and non-operating activities:		
Amortization	5,661	10,315
Changes in net assets and liabilities:		
Increase in accounts receivable	(14,348)	-
Increase in accounts payable	<u>31,712</u>	<u>15,510</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (1,816)</u>	<u>\$ (1,695)</u>

See accompanying notes.

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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*

To the Board of Directors
City of Utica Industrial Development Agency
1 Kennedy Plaza
Utica, New York

We have audited the financial statements of the City of Utica Industrial Development Agency (the "Agency") as of and for the year ended December 31, 2011, and have issued our report thereon dated April 10, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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 in 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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Utica Industrial Development 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the State of New York, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clinton, New York
March 23, 2012