

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

Community Development Block Grant Program,
Rental Rehabilitation Program,
Emergency Shelter Grant Program and
Home Investment Partnership Act Program

Financial Statements

Year Ended December 31, 2014

**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 financial statements of the Housing Opportunities for Persons with AIDS Program of the Urban Renewal Agency of the City of Mount Vernon, New York ("Agency") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

O'CONNOR DAVIES, LLP

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O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Opportunities for Persons with AIDS Program of the Agency, as of December 31, 2014, 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 a Matter

We draw attention to Note 1,A in the notes to the financial statements which describes that these financial statements present only the Housing Opportunities for Persons with AIDS Program 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, 2014 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
January 19, 2016

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

Selected Programs
Balance Sheet
December 31, 2014

ASSETS

Cash and equivalents	\$ 1,267,404
Receivables	
Accounts	56,629
State and Federal aid	364,178
Mortgages	<u>2,925,614</u>
	<u>3,346,421</u>
Prepaid expenditures	<u>49,694</u>
Total Assets	<u><u>\$ 4,663,519</u></u>

LIABILITIES AND FUND BALANCE (DEFICIT)

Liabilities	
Accounts payable	\$ 1,367,352
Due to the City of Mount Vernon	657,171
Advances from the City of Mount Vernon	596,349
Unearned revenues - Mortgages	2,925,614
Unearned revenues - Other	<u>164,401</u>
Total Liabilities	<u>5,710,887</u>
Fund balance (deficit)	
Nonspendable	49,694
Unassigned	<u>(1,097,062)</u>
Total Fund Deficit	<u>(1,047,368)</u>
Total Liabilities and Fund Deficit	<u><u>\$ 4,663,519</u></u>

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, 2014

REVENUES

Departmental income	\$ 512,195
Use of money and property	21
Federal aid	<u>3,388,022</u>
Total Revenues	<u>3,900,238</u>

EXPENDITURES

Current

Home and community services	
Administration	207,486
Rehabilitation loans and grants	1,415,616
Provision for public services	373,589
Continuum of care	842,297
HOME program	<u>20,905</u>

Total Expenditures	<u>2,859,893</u>
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Excess of Revenues Over Expenditures	1,040,345
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OTHER FINANCING USES

Transfers out - City of Mount Vernon	<u>(798,671)</u>
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Net Change in Fund Balance	241,674
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FUND DEFICIT

Beginning of Year	<u>(1,289,042)</u>
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End of Year	<u><u>\$ (1,047,368)</u></u>
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The accompanying notes are an integral part of the financial statements.

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

Selected Programs
Notes to Financial Statements
December 31, 2014

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 Rental Rehabilitation Program, Emergency Shelter Grant 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, 2014 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".

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

Selected Programs
Notes to Financial Statements (Continued)
December 31, 2014

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 used for revenue recognition for all 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

Deposits and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

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. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions, and accordingly, the Agency's policy provides for no credit risk on investments.

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.

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 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, 2014.

The Agency was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

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

Selected Programs
Notes to Financial Statements (Continued)
December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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 \$2,925,614 at December 31, 2014. Mortgages are issued to qualifying small and minority businesses for housing rehabilitation projects at or below market interest rates.

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.

Due To the City of Mount Vernon - During the course of its operations, the Agency has numerous transactions with the City to finance operations, provide services and construct assets. To the extent that certain transactions between the Agency and the City had not been paid or received as of December 31, 2014, balances of interfund amounts receivable or payable have been recorded.

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.

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 \$2,925,614 for mortgages receivable and \$164,401 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.

As of December 31, 2014, no amounts were required to be reported as deferred outflows/inflows of resources.

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.

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

Selected Programs

Notes to Financial Statements (Continued)

December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Balance - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the financial statements, 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.

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 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

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

Selected Programs
Notes to Financial Statements (Continued)
December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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 January 19, 2016.

Note 2 - Stewardship, Compliance and Accountability

A. Fund Deficit

The Selected Funds reflect an unassigned deficit of \$1,097,062 at December 31, 2014.

Note 3 - Detailed Notes on Governmental Fund

A. Pension Plan

The Agency participates in the New York State and Local Employees' Retirement System ("System"). This System is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12224.

Funding Policy - The System is non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary, employees in tier 5 who contribute 3% of their salary without regard to their years of service and employees in tier 6 who contribute between 3% and 6% depending on salary levels and also without regard to years of service. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion and regular pension contributions. Contribution rates for the plan year ended March 31, 2015 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
3 A14	20.3%
4 A15	20.3
6 A15	10.9

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

Selected Programs
Notes to Financial Statements (Concluded)
December 31, 2014

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:

2014	\$	109,696
2013		103,927
2012		89,839

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

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, 2014 was \$13,987, and this amount has been reflected in the City's Compensated Absences - Internal Service Fund. Of this amount, \$12,688 represents the liability for the Selected Funds of the Agency.

C. Post-Employment Health Care Benefits

In addition to providing pension benefits, the Agency provides certain health care benefits for retired employees through 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, \$70,767 was 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 and the net OPEB obligation 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 has 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 the Single Audit Act. 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, although the Agency anticipates such amounts, if any, to be immaterial.

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

Housing Opportunities for Persons with Aids Program

Financial Statements

Year Ended December 31, 2014

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 financial statements of the Community Development Block Grant Program, Rental Rehabilitation Program, Emergency Shelter 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, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Selected Funds of the Agency, as of December 31, 2014, 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 a Matter

We draw attention to Note 1,A in the notes to the 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, 2014 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.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016 on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
January 19, 2016

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

Housing Opportunities for Persons With Aids Program
Balance Sheet
December 31, 2014

ASSETS

Cash and equivalents	<u>\$ 6,334</u>
Receivables	
Accounts	6,275
Due from other governments	<u>278,299</u>
	<u>284,574</u>
Prepaid Expenditures	<u>7,869</u>
Total Assets	<u><u>\$ 298,777</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable	\$ 99,230
Due to the City of Mount Vernon	190,757
Unearned revenues	<u>8,616</u>
Total Liabilities	<u>298,603</u>
Fund balance (deficit)	
Nonspendable	7,869
Unassigned	<u>(7,695)</u>
Total Fund Balance	<u>174</u>
Total Liabilities and Fund Balance	<u><u>\$ 298,777</u></u>

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

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

Housing Opportunities for Persons With Aids Program
Statement of Revenues, Expenditures and
Changes in Fund Balance
Year Ended December 31, 2014

REVENUES

Use of money and property	\$	7
Federal aid		<u>474,241</u>
Total Revenues		<u>474,248</u>

EXPENDITURES

Current		
Home and community services		
Administrative		382,568
Contractual		<u>91,653</u>
Total Expenditures		<u>474,221</u>
Excess of Expenditures over Revenues		27

FUND BALANCE

Beginning of Year		<u>147</u>
End of Year	\$	<u><u>174</u></u>

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

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

Housing Opportunities for Persons with Aids Program
Notes to Financial Statements
December 31, 2014

Note 1 - Summary of Significant Accounting Policies

The Housing Opportunities for Persons with AIDS ("HOPWA") Program was created by the AIDS Housing Opportunity Act of 1990. The primary objective of the Act is "to provide states and localities with the resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons with "Acquired Immune Deficiency Syndrome".

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 is a subrecipient of the City of New York, who has been authorized to administer the HOPWA program for the City of Mount Vernon, New York ("City") and other communities in the region.

In addition to the above program, the Agency operates a Community Development Block Grant Program, a Rental Rehabilitation Program, an Emergency Shelter Grant Program and the Home Investment Partnership Act Program. The financial statements of these programs 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 HOPWA Program of the Agency is treated as a governmental fund.

The accompanying financial statements present only the activities of the HOPWA Program and do not purport to, and do not, present fairly the financial position of the City as of December 31, 2014 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".

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

Housing Opportunities for Persons with Aids Program (Continued)
Notes to Financial Statements
December 31, 2014

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 used for revenue recognition for all 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 Balances

Deposits and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

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. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions, and accordingly, the Agency's policy provides for no credit risk on investments.

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.

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 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, 2014.

The Agency was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

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

Housing Opportunities for Persons with Aids Program (Continued)
Notes to Financial Statements
December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Due To the City of Mount Vernon - During the course of its operations, the Agency has numerous transactions with the City to finance operations, provide services and construct assets. To the extent that certain transactions between the Agency and the City had not been paid or received as of December 31, 2014, balances of interfund amounts receivable or payable have been recorded.

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. The Agency has reported unearned revenues for HOPWA of \$8,616 for Federal aid received in excess of 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.

As of December 31, 2014, no amounts were required to be reported as deferred outflows/inflows of resources.

Compensated Absences - The Agency provides for the payment of accumulated vacation and sick leave upon an employees 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. In the financial statements, 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.

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

Housing Opportunities for Persons with Aids Program (Continued)

Notes to Financial Statements

December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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 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 January 19, 2016.

Note 2 - Stewardship, Compliance and Accountability

A. Fund Deficit

The Housing Opportunities for Persons with AIDS Program of the Agency reflects an unassigned deficit of \$7,695 at December 31, 2014.

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

Housing Opportunities for Persons with Aids Program (Continued)
Notes to Financial Statements
December 31, 2014

Note 3 - Detailed Notes on Governmental Fund

A. Pension Plan

The Agency participates in the New York State and Local Employees' Retirement System ("System"). This System is a cost-sharing multiple-employer defined benefit pension plan. The System provides retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12224.

Funding Policy - The System is non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary, employees in tier 5 who also contribute 3% of their salary without regard to their years of service and employees in tier 6 who contribute between 3% and 6% depending on salary levels and also without regard to years of service. Contributions are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions consist of a life insurance portion and regular pension contributions. Contribution rates for the plan year ended March 31, 2015 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
3 A14	20.3%
4 A15	20.3
6 A15	10.9

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

2014	\$	109,696
2013		103,927
2012		89,839

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

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, 2014 was \$13,987, and this amount has been reflected in the City's Compensated Absences - Internal Service Fund. Of this amount, \$1,299 represents the liability for the HOPWA Program of the Agency.

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

Housing Opportunities for Persons with Aids Program (Concluded)
Notes to Financial Statements
December 31, 2014

Note 3 - Detailed Notes on Governmental Fund (Continued)

C. Post-Employment Health Care Benefits

In addition to providing pension benefits, the Agency provides certain health care benefits for retired employees through 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. Employees hired after September 1, 1982 are not entitled to paid post-employment health care benefits. No amounts were paid on behalf of retirees during 2014.

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 and the net OPEB obligation at the end of the year is reflected within the amounts reported in the City's government-wide financial statements.

D. Fund Balance

Unassigned fund balance represent 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 the Single Audit Act. 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, although the Agency anticipates such amounts, if any, to be immaterial.
