

**CITY OF BINGHAMTON WATER STREET
DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of
Binghamton, New York)**

**Financial Statements as of
December 31, 2022**

**Together with Independent
Auditor's Report and Report on *Government Auditing
Standards***

Bonadio & Co., LLP
Certified Public Accountants

CITY OF BINGHAMTON WATER STREET DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

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INDEPENDENT AUDITOR'S REPORT

March 20, 2023

To the Board of Directors of the
City of Binghamton Water Street Development Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Binghamton Water Street Development Corporation (the Corporation), a blended component unit of the City of Binghamton, New York for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2023 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

CITY OF BINGHAMTON WATER STREET DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

Management's Discussion and Analysis (Unaudited)

This section of the City of Binghamton Water Street Development Corporation (the Corporation) annual financial report presents discussion and analysis of the Corporation's financial performance during the fiscal year ending December 31, 2022. Please read it in conjunction with the Corporation's financial statements and accompanying notes.

GENERAL INFORMATION

The City of Binghamton, New York (the City) formed the Corporation for the purpose of lessening the burdens of government. The Corporation shall act as a governmental issuer of debt for the purpose of providing assistance in the design, development, construction, reconstruction and financing of a City-owned parking facility located on Water Street, in the City. This project is for the purpose of providing necessary and desirable parking in the City, lessening the burdens of government and for providing such other tax exemptions and benefits as may be available under federal law and the laws of the State of New York. The Corporation will also look at increasing the tax base of the City by adding additional housing to the area that will increase the tax base that is presently tax-exempt.

Overview of the Financial Statements

This annual financial report consists of two parts: this section, the Management's Discussion and Analysis (MD&A) and the basic financial statements. The Corporation is set up to be a self-supporting entity and follows business-type activity reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Business-type activity statements offer short-term and long-term financial information about the activities and operations of the Corporation. This annual report consists of the financial statements and notes to those statements. The Statement of Net Position, Statement of Revenues, Expenses and Change in Net Position, the Statement of Cash Flows and related notes provide a detailed look at the specific financial activities of the Corporation and generally provide an indication of the Corporation's financial health. The Statement of Net Position includes all of the Corporation's assets and liabilities, using the accrual basis of accounting. The Statement of Revenue, Expenses and Change in Net Position reports all of the revenues and expenses during the time period indicated. The Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for debt.

FINANCIAL HIGHLIGHTS

- The Corporation did not have activity prior to the year ended December 31, 2022. Comparative information will be reported when available in future years.
- The Corporation had both current assets and unrestricted net position of \$471,449 as of December 31, 2022.

CITY OF BINGHAMTON WATER STREET DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

Management's Discussion and Analysis (Unaudited)

FINANCIAL ANALYSIS OF THE CORPORATION

Below is an analysis of the assets, liabilities, revenues and expenses of the Corporation.

Summary of Assets, Liabilities and Net Position

| | <u>2022</u> |
|------------------------------------|-------------------|
| Current assets | \$ <u>471,449</u> |
| Noncurrent assets | <u>-</u> |
| Current liabilities | <u>-</u> |
| Total liabilities and net position | <u>\$ 471,449</u> |

CURRENT ASSETS

Current assets at December 31, 2022 were comprised of cash and cash equivalents.

CURRENT LIABILITIES

The Corporation had no current liabilities at December 31, 2022.

Summary of Revenues and Expenses

| | <u>2022</u> |
|--|-------------------|
| OPERATING REVENUES: | |
| Government contribution - City of Binghamton | \$ <u>850,000</u> |
| Total Operating Revenues | <u>850,000</u> |
| OPERATING EXPENSES: | |
| Developer fees | 95,000 |
| Parking garage demolition and design | <u>283,858</u> |
| Total Operating Expenses | <u>378,858</u> |
| OPERATING INCOME (LOSS) | <u>471,142</u> |
| NON-OPERATING REVENUES | <u>307</u> |
| Total Non-Operating Revenues | <u>307</u> |
| CHANGE IN NET POSITION | 471,449 |
| NET POSITION – beginning of year | <u>-</u> |
| NET POSITION – end of year | <u>\$ 471,449</u> |

CITY OF BINGHAMTON WATER STREET DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

Management's Discussion and Analysis (Unaudited)

OPERATING REVENUES

Operating revenues for the year ended December 31, 2022 comprised government contributions received from the City.

OPERATING EXPENSES

Operating expenses for the year ended December 31, 2022 comprised developer fees and design and demolition costs related to the parking garage.

OPERATING RESULTS

The Corporation had operating income of \$471,449 for the year ended December 31, 2022, due to contributions from the City exceeding operating expenses.

REQUEST FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the Corporation's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Comptroller of the City of Binghamton, 2nd Floor, 38 Hawley Street, Binghamton, NY 13901.

CITY OF BINGHAMTON WATER STREET DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

Statement of Net Position
December 31, 2022

| | <u>2022</u> |
|---------------------|--------------------------|
| ASSETS | |
| CURRENT ASSETS: | |
| Cash | \$ <u>471,449</u> |
| Total assets | <u>471,449</u> |
| NET POSITION | |
| Unrestricted | <u>471,449</u> |
| Total net position | <u><u>\$ 471,449</u></u> |

The accompanying notes are an integral part of these statements.

CITY OF BINGHAMTON WATER STREET DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

Statement of Revenues, Expenses and Change in Net Position
For the year ended December 31, 2022

| | <u>2022</u> |
|--|-------------------|
| OPERATING REVENUES: | |
| Government contribution - City of Binghamton | \$ <u>850,000</u> |
| Total operating revenues | <u>850,000</u> |
| OPERATING EXPENSES: | |
| Developer fees | 95,000 |
| Parking garage demolition and design | <u>283,858</u> |
| Total operating expenses | <u>378,858</u> |
| OPERATING INCOME (LOSS) | <u>471,142</u> |
| NON-OPERATING REVENUES: | |
| Interest income | <u>307</u> |
| CHANGE IN NET POSITION | 471,449 |
| NET POSITION - beginning of year | <u>-</u> |
| NET POSITION - end of year | <u>\$ 471,449</u> |

The accompanying notes are an integral part of these statements.

CITY OF BINGHAMTON WATER STREET DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

Statement of Cash Flows
For the year ended December 31, 2022

| | <u>2022</u> |
|---|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from government contributions | \$ 850,000 |
| Cash payments for contractual expenses | <u>(378,858)</u> |
| Net cash from operating activities | <u>471,142</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest | <u>307</u> |
| Net cash from investing activities | <u>307</u> |
| CHANGE IN CASH | 471,449 |
| CASH - beginning of year | <u>-</u> |
| CASH - end of year | <u><u>\$ 471,449</u></u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Operating income (loss) | <u>\$ 471,142</u> |
| Net cash from operating activities | <u><u>\$ 471,142</u></u> |

The accompanying notes are an integral part of these statements.

CITY OF BINGHAMTON WATER STREET DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

Notes to Basic Financial Statements
December 31, 2022

1. ORGANIZATION

The City of Binghamton, New York (the City) formed the City of Binghamton Water Street Development Corporation (the Corporation), a not-for-profit local development corporation under Section 1411 of the Not-For-Profit Corporation Law of the State of New York, for the purpose of lessening the burdens of government. The Corporation was incorporated in 2021 and operations began in 2022. The Corporation shall act as a governmental issuer of debt for the purpose of providing assistance in the design, development, construction, reconstruction and financing of a City-owned parking facility located on Water Street, in the City. This project is for the purpose of providing necessary and desirable parking in the City, lessening the burdens of government and for providing such other tax exemptions and benefits as may be available under federal law and the laws of the State of New York. The Corporation will also look at increasing the tax base of the City by adding additional housing to the area that will increase the tax base that is presently tax-exempt.

The City appoints the voting majority of the Corporation’s governing body and the Corporation is financially dependent on the City. As such, in accordance with the Governmental Accounting Standards Board (GASB) standards, the Corporation is a blended component unit of the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial principles.

Measurement Focus and Basis of Accounting

The Corporation operates as a proprietary fund. Proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

The Corporation utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or an economic asset is used.

Estimates

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

CITY OF BINGHAMTON WATER STREET DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

Notes to Basic Financial Statements
December 31, 2022

Cash

Cash consisted of demand deposits at December 31, 2022.

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Corporation's investment and deposit policy, all deposits of the Corporation including certificates of deposit and time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured by a pledge of securities with an aggregate value of 100% or more of the aggregate amount of deposits.

Total financial institution (bank) balances subject to custodial credit risk at December 31, 2022, were insured or collateralized as follows:

| | |
|--|-------------------|
| FDIC Insured | \$ 250,000 |
| Uninsured and collateral held by pledging bank | <u>221,449</u> |
| Total | <u>\$ 471,449</u> |

Operating and Non-Operating Revenues and Expenses

As a business-type activity, the Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues are mostly comprised of government contributions related to the principal activity of the Corporation. Operating expenses generally result from direct expenses and administrative costs related to the Corporation's mission. Non-Operating revenues include interest income earned on deposits.

Revenue Recognition

Government contribution income is recognized when earned. In this case, the revenue is considered earned when the Corporation receives the funds from the City.

Net Position

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

- a. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Corporation reports no restricted net position at December 31, 2022.
- c. Unrestricted net position - all other net position that does not meet the definition of net investment in capital assets or restricted net position.

It is the Corporation's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

CITY OF BINGHAMTON WATER STREET DEVELOPMENT CORPORATION
(A Blended Component Unit of the City of Binghamton, New York)

Notes to Basic Financial Statements
December 31, 2022

3. PARKING GARAGE REDEVELOPMENT AGREEMENT

The Corporation entered into an agreement with the City related to the redevelopment of a parking garage owned by the City.

The City will provide funding for demolition of the existing structure and at the conclusion of the demolition and geotechnical phase, the City will convey ownership of the property to the Corporation. As of December 31, 2022, ownership has not been conveyed to the Corporation.

4. CONCENTRATIONS

100% of the operating revenue for the year ended December 31, 2022 was received in contributions from the City.

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

March 20, 2023

To the Board of Directors of the
City of Binghamton Water Street Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Binghamton Water Street Development Corporation (the Corporation), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 20, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.