

**GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2012

Greater Glens Falls Local Development Corporation

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Greater Glens Falls Local Development Corporation
Glens Falls, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Glens Falls Local Development Corporation (a component unit of the City of Glens Falls, New York) which comprise the statement of net assets as of December 31, 2012 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

As described in Note 1, the financial statements present only the financial position, changes in financial position, and cash flows of the Greater Glens Falls Local Development Corporation and do not purport to, and do not, present fairly the financial position of the City of Glens Falls, New York, as of December 31, 2012, and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Glens Falls Local Development Corporation, as of December 31, 2012, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with accounting principles 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.

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*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2013 on our consideration of the Greater Glens Falls Local Development 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 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* and should be considered in assessing the results of our audit.

McCarthy + Conlon, LLP

Glens Falls, New York
February 20, 2013

Greater Glens Falls Local Development Corporation
42 Ridge Street
Glens Falls, NY 12801

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the Greater Glens Falls Local Development Corporation's (LDC) financial performance provide an overview of the LDC's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the LDC's financial statements.

HIGHLIGHTS

Financial and LDC Highlights:

- Total current assets increased from a December 31, 2011 amount of \$1,068,188 to a December 31, 2012 amount of \$1,421,092, primarily due to the recognition of \$321,869 due from the EDA for costs incurred on the Tech Meadows Project, that were billed to the EDA in November, 2012. Grant revenue recognized during 2012 increased by a similar amount.
- Total current liabilities increased from a December 31, 2011 amount of \$7,236 to a December 31, 2012 amount of \$403,664, primarily due to short term bank financing for the Tech Meadows Project, in anticipation of the receipt of federal and New York State Grant Funds.

USING THIS ANNUAL REPORT

This annual report consists of two parts: management's discussion and analysis and financial statements. The financial statements also include notes that explain in more detail some of the information in the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the LDC's special purpose financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Special Purpose Financial Statements. The special purpose financial statements are designed to provide readers with a broad overview of the LDC's finances.

The statement of net assets presents information on all of the LDC's assets and net assets. Over time, increases or decreases in net assets may serve as a useful indication of whether the financial position of the LDC is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets presents information showing how the LDC's net assets changed during the most recent 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.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the special purpose financial statements.

FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position.

The following table presents a summary of the LDC's derivation of net assets for the fiscal years ended December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Total Operating Revenues	\$ 827,645	\$ 58,196
Total Operating Expenses	(314,816)	(270,295)
Non-Operating Income	<u>1,109</u>	<u>2,201</u>
Increase (Decrease) in Net Assets	513,938	(209,898)
Net Assets at Beginning of Year	<u>1,895,290</u>	<u>2,105,188</u>
Net Assets at End of Year	<u>\$ 2,409,228</u>	<u>\$ 1,895,290</u>

The LDC had the following liabilities outstanding as of December 31, 2012:

Note Payable Glens Falls National Bank- Short term bridge financing to fund the installation of water and sewer lines to Tech Meadows Industrial Park.	\$347,153
Accounts payable	21,619
Deferred Revenue	<u>34,892</u>
Total	<u>\$403,664</u>

CASH AND INVESTMENT POLICY

The LDC finds it necessary to place funds in various deposit accounts or certificates of deposit. Article 18A, Section 858(14) of the State General Municipal Law authorizes the LDC to designate depositories. In accordance with this article, two banks are designated as depositories for the LDC's funds. Rates are competitively procured for deposits.

CONTACTING THE LDC'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the LDC's finances and to demonstrate the LDC's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the LDC at 518-761-3833.

Greater Glens Falls Local Development Corporation

Statement of Net Assets December 31, 2012

Assets

Current assets:	
Cash - unrestricted	\$ 844,588
Cash - restricted	193,631
Grants receivable - restricted	321,869
Interest receivable	4,892
Loans receivable, current portion	26,112
Escrow funds receivable	30,000
Total current assets	<u>1,421,092</u>
Property and equipment:	
Tech Meadows campus	388,195
Tech Meadows infrastructure	635,032
Incubator property	329,961
Total property and equipment	<u>1,353,188</u>
Loans receivable, net of current portion	<u>38,612</u>
Total assets	<u>\$ 2,812,892</u>

Liabilities and Net Assets

Current liabilities:	
Note payable	\$ 347,153
Accounts payable	21,619
Deferred revenue	34,892
Total current liabilities	<u>403,664</u>
Net assets:	
Unrestricted	1,893,728
Temporarily restricted	515,500
Total net assets	<u>2,409,228</u>
Total liabilities and net assets	<u>\$ 2,812,892</u>

Greater Glens Falls Local Development Corporation

Statement of Revenues, Expenses, and Changes in Net Assets Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Operating revenues:			
Grant revenue - state and local	\$ -	\$ 718,198	\$ 718,198
Fee revenue	1,275	-	1,275
Interest on loans	3,716	-	3,716
Gain on sale of lots	-	104,456	104,456
Total operating revenues	<u>4,991</u>	<u>822,654</u>	<u>827,645</u>
Net assets released from restriction	<u>629,038</u>	<u>(629,038)</u>	<u>-</u>
Total operating revenues and net assets released from restriction	<u>373,969</u>	<u>453,676</u>	<u>827,645</u>
Operating expenses:			
Consulting fees	42,977	-	42,977
Contractual grant expenses	199,844	-	199,844
Contractual program expenses	24,709	-	24,709
Insurance	3,556	-	3,556
Interest	397	-	397
Miscellaneous	3,453	-	3,453
Office expense	4,547	-	4,547
Professional fees	35,333	-	35,333
Total operating expenses	<u>314,816</u>	<u>-</u>	<u>314,816</u>
Income from operations	<u>319,213</u>	<u>193,616</u>	<u>512,829</u>
Non-operating revenue (expense):			
Interest revenue on time deposits, net of amounts returned to HUD	<u>1,362</u>	<u>(253)</u>	<u>1,109</u>
Total non-operating revenue (expense)	<u>1,362</u>	<u>(253)</u>	<u>1,109</u>
Increase in net assets	<u>320,575</u>	<u>193,363</u>	<u>513,938</u>
Net assets, beginning of year	<u>1,573,153</u>	<u>322,137</u>	<u>1,895,290</u>
Net assets, end of year	<u>\$ 1,893,728</u>	<u>\$ 515,500</u>	<u>\$ 2,409,228</u>

Greater Glens Falls Local Development Corporation

Statement of Cash Flows Year Ended December 31, 2012

Cash flows from operating activities:	
Grant and fee revenue received	\$ 397,604
Loans disbursed	(10,000)
Loan principal payments received	27,672
Interest on loan payment received	3,716
Payments for operating expenses	<u>(301,414)</u>
Net cash provided by operating activities	<u>117,578</u>
Cash flows from investing activities:	
Proceeds from sale of lots	169,155
Purchase of property and equipment	(622,161)
Interest revenue on time deposits	1,109
Net cash used in investing activities	<u>(451,897)</u>
Cash flows from financing activities:	
Proceeds of note	<u>347,153</u>
Net cash provided by financing activities	<u>347,153</u>
Net increase in cash and cash equivalents	12,834
Cash and cash equivalents, beginning of year	<u>1,025,385</u>
Cash and cash equivalents, end of year	<u>\$ 1,038,219</u>
Reconciliation of operating income to net cash provided by operating activities:	
Income from operations	\$ 512,829
Adjustments to reconcile operating income to net cash provided by operating activities:	
Gain on sale of lots	(104,456)
Changes in:	
Grants and interest receivable	(319,072)
Loans receivable	1,983
Prepaid expense	7,019
Escrow funds receivable	(30,000)
Deferred revenue	27,656
Accounts payable	<u>21,619</u>
Net cash provided by operating activities	<u>\$ 117,578</u>

Greater Glens Falls Local Development Corporation

Notes to Financial Statement
December 31, 2012

Note 1. Organization and Summary of Significant Accounting Policies

Organization and Purpose: The Greater Glens Falls Local Development Corporation ("LDC") was incorporated in November, 1984 under the Not-for-Profit Law of the State of New York for the purpose of relieving and reducing unemployment by promoting and providing job opportunities in the City of Glens Falls, New York ("City"). This is accomplished by making revolving loans to local businesses to enhance redevelopment, as well as further development of the central business district of the City. The LDC's primary source of operating revenue is from interest payments on loans issued and federal and New York State grant revenue. The LDC's primary source of non-operating revenue is interest earned on time deposits.

A summary of significant accounting policies applied in the preparation of the accompanying financial statements follows.

Financial Reporting Entity: The LDC has been identified as a component unit of the City. In accordance with the criteria enumerated in Governmental Accounting Standards Board ("GASB") Statement No. 14, the LDC's financial statements have been discretely presented in the City's financial statements.

Basis of Accounting and Financial Statement Presentation: The LDC's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The LDC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

New Accounting Standard Adopted: During the year ended December 31, 2012, the LDC adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62). GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

Use of 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 to the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status: The LDC is exempt from federal, state, and local income taxes.

Greater Glens Falls Local Development Corporation

Notes to Financial Statement
December 31, 2012

Note 1. Organization and Summary of Significant Accounting Policies, continued

Cash Deposits and Investments: The LDC's investment policies are governed by New York State statutes. LDC monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The LDC is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities. At December 31, 2012, the LDC had no investments.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of New York State, its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure, the LDC's deposits may not be returned to it. While the LDC does not have a specific policy for custodial credit risk, New York State statutes govern the LDC's investment policies, as described above. At December 31, 2012, the LDC's cash and cash equivalent balances were covered by the FDIC and pledged collateral.

Revenue Recognition: Revenues are recognized when earned and expenses are recognized when incurred. The LDC distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the LDC. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsequent Events: The LDC has evaluated subsequent events through February 20, 2013, the date on which the financial statements were available to be issued. There were no subsequent events noted which require disclosure.

Allowance for Bad Debts: Bad debts are provided on the allowance method based on management's evaluation of outstanding loans receivable at the end of each year. As of December 31, 2012, the allowance for bad debts is \$-0-, as management considers all loans receivable to be collectible.

Greater Glens Falls Local Development Corporation

Notes to Financial Statement December 31, 2012

Note 2. *Loans Receivable*

Loans receivable consisted of the following at December 31:

Loaned \$25,000 in May of 2011, due in monthly payments of \$354, including interest at 5% through July 2016.	\$ 20,386
Loaned \$29,500 in August 2011, due in monthly payments of \$1,294, including interest at 5%, through August 2013.	10,162
Loaned \$50,000 in August 2009, due in monthly payments of \$931, including interest at 4.5%, through August 2014.	25,562
Loaned \$10,000 in April 2012, due in monthly payments of \$228, including interest at 4.5%, through April 2015.	<u>8,614</u>
Total loans receivable	64,724
Less current portion	26,112
Loans receivable, net of current portion	<u>\$ 38,612</u>

Note 3. *Note Payable*

This is a short term construction loan secured by a mortgage on the Tech Meadows real estate. The total approved loan amount is \$925,000, of which \$347,153 had been drawn down as of December 31, 2012. This loan is payable in full by July 24, 2013, with monthly interest payments at a variable rate set as the highest Wall Street Journal prime rate on the last day of each calendar month. The rate in effect at December 31 was 3.25%.

Note 4. *Related Party Transactions*

The LDC is related to the City of Glens Falls Industrial Development Agency ("Agency") in that they have an interlocking board of directors and they are both component units of the City of Glens Falls. During the year ended December 31, 2012 the Agency provided funding to the LDC in the amount of \$12,000.

McCarthy & Conlon, LLP
Certified Public Accountants

**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**

Board of Commissioners
Greater Glens Falls Local Development Corporation
Glens Falls, New York

We have audited the financial statements of the Greater Glens Falls Local Development Corporation ("LDC") as of and for the year ended December 31, 2012, and have issued our report thereon dated February 20, 2013. 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

Management of the LDC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the LDC'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 LDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the LDC'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 on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 the LDC's financial statements are free of material statement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the LDC, the Board of Commissioners of the LDC, officials of the City of Glens Falls, the New York State Office of the State Comptroller, and is not intended to be and should not be used by anyone other than these specified parties.

McCarthy + Conlon, LLP

Glens Falls, New York
February 20, 2013