

**GLENS FALLS
URBAN RENEWAL AGENCY**

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

DECEMBER 31, 2012

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Glens Falls Urban Renewal Agency

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Glens Falls Urban Renewal Agency
Glens Falls, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Glens Falls Urban Renewal Agency (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 activities 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 Glens Falls Urban Renewal Agency 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 Glens Falls Urban Renewal Agency, 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 March 26, 2013 on our consideration of Glens Falls Urban Renewal Agency'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
March 26, 2013

**GLENS FALLS URBAN RENEWAL AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Our discussion and analysis of Glens Falls Urban Renewal Agency's ("Agency") financial performance provides an overview of the Agency's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the Agency's financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

- The Agency recorded a decrease in unrestricted net assets of \$20,587 in 2012 and had a total fund balance deficit at the end of the year of \$163,449. This deficit is primarily due to an unpaid obligation of \$275,000 due to the City of Glens Falls.
- The Agency's total indebtedness decreased \$55,000 during the current fiscal year.
- The liabilities of the Agency exceeded its assets at the close of the most recent fiscal year by \$163,449 primarily as a result of the above referenced obligation to the City of Glens Falls.
- During the year, the Agency had revenue from the sales of property of \$232,135, with offsetting acquisition costs of \$227,002.

USING THE ANNUAL REPORT

The annual report consists of a series of basic financial statements. The Statement of Net Assets and the Statement of Activities (on pages 4 and 5) provide information about the Agency as a whole and present a longer-term view of the Agency's finances. Following these statements are notes that provide additional information that is essential to a full understanding of the data provided in the financial statements.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of Glens Falls Urban Renewal Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City of Glens Falls Mayor's office, at 42 Ridge Street, Glens Falls, NY 12801.

Glens Falls Urban Renewal Agency

Statement of Net Assets December 31, 2012

Assets

Current assets:

Cash - restricted	\$ 67,436
Cash - unrestricted	38,115
Total current assets	<u>105,551</u>

Land	<u>8,800</u>
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Total assets	<u>\$ 114,351</u>
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Liabilities and Net Assets

Current liabilities:

Due to City of Glens Falls	\$ 2,800
Total current liabilities	<u>2,800</u>

Long-term liabilities:

Due to City of Glens Falls	<u>275,000</u>
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Total liabilities	<u>277,800</u>
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Net assets:

Investment in capital assets, net of related debt	6,000
Restricted	67,436
Unrestricted	(236,885)
Total net assets (deficit)	<u>(163,449)</u>

Total liabilities and net assets	<u>\$ 114,351</u>
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Glens Falls Urban Renewal Agency

Statement of Activities Year Ended December 31, 2012

Operating revenue:	
Sales of property	\$ 232,135
Land rentals	1,500
Total operating revenue	<u>233,635</u>
Operating expenses:	
Property acquired for resale	227,002
Appraisal fees	1,800
Advertising	1,114
Legal fees	16,987
Audit and accounting	6,941
Miscellaneous	386
Total operating expenses	<u>254,230</u>
Loss from operations	<u>(20,595)</u>
Non-operating revenue	
Interest income	8
Total non-operating revenue	<u>8</u>
Decrease in net assets	(20,587)
Net assets (deficit), beginning of year	<u>(142,862)</u>
Net assets (deficit), end of year	<u>\$ (163,449)</u>

Glens Falls Urban Renewal Agency

Statement of Cash Flows Year Ended December 31, 2012

Cash flows from operating activities:

Cash received from sales of property	\$ 232,135
Cash received from land rentals	1,500
Cash payments for purchase of property	(227,002)
Cash payments for other operating expenses	<u>(27,228)</u>
Net cash used in operating activities	<u>(20,595)</u>

Cash flows from capital and related financing activities:

Payment on amount due to City	<u>(55,000)</u>
Net cash used in capital and related financing activities	<u>(55,000)</u>

Cash flows from investing activities:

Interest income	<u>8</u>
Net cash provided by investing activities	<u>8</u>

Net decrease in cash and cash equivalents	(75,587)
Cash and cash equivalents, beginning of year	<u>181,138</u>
Cash and cash equivalents, end of year	<u>\$ 105,551</u>

Glens Falls Urban Renewal Agency

Notes to Financial Statements
December 31, 2012

Note 1. Organization and Summary of Significant Accounting Policies

Organization and Purpose: The Glens Falls Urban Renewal Agency ("Agency") is a public benefit corporation which was established in 1965 to promote, undertake, finance and complete municipal urban renewal projects located within the bounds of the City of Glens Falls, New York ("City"); and to further the economic health and well-being of the City and its residents. The Board consists of five members, including the Mayor of the City. The Mayor appoints the other four members, who are approved by the City Common Council. The Agency does not have any paid management staff. The Director of the City's Economic and Community Development office serves as the City's in-house consultant to the Agency. The Director is appointed by the Mayor and approved by the City Common Council. The Agency's primary source of revenue is the sale of property.

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

Financial Reporting Entity: The Agency has been identified as a component unit of the City. In accordance with the criteria enumerated by the Governmental Accounting Standards Board ("GASB"), the Agency's financial statements have been presented as a blended component unit in the non-major fund category in the City's financial statements. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Accounting and Financial Statement Presentation: The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

Classification of Equity:

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

1. Invested in capital assets, net of related debt—Consists of assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets—Consists of net assets with constraints placed on the use either by (a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

The Agency applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Glens Falls Urban Renewal Agency

Notes to Financial Statements
December 31, 2012

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

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 Agency is exempt from federal, state, and local income taxes.

Cash Deposits and Investments: The Agency's investment policies are governed by New York State statutes. Agency monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Agency 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 Agency 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 Agency's deposits may not be returned to it. While the Agency does not have a specific policy for custodial credit risk, New York State statutes govern the Agency's investment policies, as described above. At December 31, 2012, the Agency's cash and cash equivalent balances were covered by the FDIC.

Revenue Recognition: Revenues are recognized when earned and expenses are recognized when incurred. The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the Agency. 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.

Land: Land is valued at the lower of cost or market.

Subsequent Events: The Agency has evaluated subsequent events through March 26, 2013, the date on which the financial statements were available to be issued. There were no subsequent events noted which require disclosure.

Note 2. Land

The Agency owns three parcels of land with a recorded historical cost of \$8,800 at December 31, 2012. The land is located in the City of Glens Falls. One of the lots is rented to a local business for three months of the year for \$1,500.

Glens Falls Urban Renewal Agency

Notes to Financial Statements
December 31, 2012

Note 2. Land, continued

One of the lots was under contract for sale at December 31, 2012 and was subsequently sold in 2013 (See Note 3). The Agency had no plans to sell the other two parcels at December 31, 2012.

Note 3. Due to City of Glens Falls

At December 31, 2012 the Agency is obligated to pay the City of Glens Falls \$2,800 for a lot acquired during 2012. This is classified as a current liability at December 31, 2012 since the lot was subsequently sold in 2013, and the liability to the City liquidated from the sale proceeds.

The Agency is also obligated to pay the City \$275,000. This obligation relates to the City's assumption of the Agency's share of infrastructure development costs of a project completed several years ago. This obligation is non-interest bearing; and repayment is to occur in increments of \$55,000, as the Agency accumulates adequate funds to make such a payment. The original obligation was \$330,000, and the Agency made its first payment of \$55,000 during 2012. Since it cannot be determined when the next payment will be made, the balance is classified as a long term liability at December 31, 2012.

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
Glens Falls Urban Renewal Agency
Glens Falls, New York

We have audited the financial statements of Glens Falls Urban Renewal Agency (the Agency") as of and for the year ended December 31, 2012, and have issued our report thereon dated March 26, 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 Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described in the following paragraph, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the following deficiency to be a material weakness. The Agency has, from its inception, failed to maintain a general ledger to adequately and accurately monitor and record the Agency's financial activity. Specifically, assets owned by the Agency, and liabilities incurred by the Agency, have not been recorded in any written fashion. Although summaries of cash receipts and disbursements are prepared on a monthly basis, failure to maintain a general ledger leaves the Agency with an incomplete accounting of its financial activity. Management of the Agency has responded to this finding by indicating that they will pursue implementing a general ledger during 2013.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 Agency, the Board of Commissioners of the Agency, officials of the City of Glens Falls, and 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 + Corlson, LLP

Glens Falls, New York
March 26, 2013