

**CITY OF GLENS FALLS  
INDUSTRIAL DEVELOPMENT AGENCY**

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

**DECEMBER 31, 2013**



# City of Glens Falls Industrial Development Agency

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# McCarthy & Conlon, LLP

## Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
City of Glens Falls Industrial Development Agency  
Glens Falls, New York

We have audited the accompanying financial statements of the City of Glens Falls Industrial Development Agency (a component unit of the City of Glens Falls, New York) which comprise the statement of net assets as of December 31, 2013 and 2012 and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the 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.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 opinions.

As described in Note 1, the financial statements present only the financial position, changes in financial position, and cash flows of the City of Glens Falls Industrial Development 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, 2013 and 2012, and the changes in its financial position, or where applicable, its cash flows for the years 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 City of Glens Falls Industrial Development Agency, as of December 31, 2013 and 2012, and the changes in financial position and cash flows for the years 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 page 3 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2014 on our consideration of the City of Glens Falls Industrial Development 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* in considering the City of Glens Falls Industrial Development Agency's internal control over financial reporting and compliance.

McCarthy + Conlon, LLP

Queensbury, New York  
February 24, 2014

**City of Glens Falls**  
**Industrial Development Agency**  
42 Ridge Street  
Glens Falls, NY 12801

## **MANAGEMENT DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Glens Falls Industrial Development Agency's financial performance provide an overview of the Agency's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the Agency's financial statements.

### **HIGHLIGHTS**

#### **Financial and Agency Highlights:**

- Cash and cash equivalents decreased by \$22,360 during 2013 mainly because the Agency disbursed \$18,000 in cash during 2013 that was restricted at 12/31/12 for payment of three grants of \$6,000 each that were approved prior to December 31, 2012, and also because of the \$4,652 loss from operations in 2013.
- During 2013, the Agency incurred approximately \$55,000 less in contractual and other expenses than it did in 2012, while charges for services increased approximately \$9,000. During 2012, a previous grant of \$17,000 was returned to the Agency. The net effect of these changes resulted in a decrease in the loss from operations of approximately \$47,000 from 2012 to 2013.
- During 2013, expenses exceeded revenue, resulting in a decrease in net assets of \$4,465.

### **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 Agency'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 Agency's finances.

The statement of net assets presents information on all of the Agency'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 Agency is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets presents information showing how the Agency'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 a government agency's financial position.

The following table presents a summary of the Agency's derivation of net assets for the fiscal years ended December 31, 2013 and 2012.

	2013	2012
Total Operating Revenues	\$ 39,328	\$ 47,277
Total Operating Expenses	(43,980)	(98,594)
Non-Operating Income	187	200
Decrease in Net Assets	(4,465)	(51,117)
Net Assets at Beginning of Year	134,073	185,190
Net Assets at End of Year	\$ 129,608	\$ 134,073

The Agency had the following liabilities outstanding as of December 31, 2013 and 2012:

Accounts payable	\$ 2,280	\$ 6,140
Deferred revenue	-	14,305
	\$ 2,280	\$ 20,445

### CASH AND INVESTMENT POLICY

The Agency 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 Agency to designate depositories. In accordance with this article, one bank is designated as a depository for the Agency's funds. Rates are competitively procured for deposits.

### CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

## City of Glens Falls Industrial Development Agency

### Statements of Net Assets December 31, 2013 and 2012

	2013	2012
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 131,888	\$ 136,518
Cash and cash equivalents - restricted	-	18,000
Total current assets	131,888	154,518
Total assets	\$ 131,888	\$ 154,518
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Deferred revenue	\$ -	\$ 14,305
Accounts payable	2,280	6,140
Total current liabilities	2,280	20,445
Net assets:		
Unrestricted	129,608	116,073
Restricted	-	18,000
Total net assets	129,608	134,073
Total liabilities and net assets	\$ 131,888	\$ 154,518

# City of Glens Falls Industrial Development Agency

## Statements of Revenue, Expenses, and Changes in Net Assets Years Ended December 31, 2013 and 2012

	2013	2012
Operating revenue:		
Reimbursements and refunds	\$ 370	\$ 17,277
Charges for services	38,958	30,000
Total operating revenue	<u>39,328</u>	<u>47,277</u>
Operating expenses:		
Contractual expenses	41,912	92,415
Miscellaneous expense	2,068	6,179
Total operating expenses	<u>43,980</u>	<u>98,594</u>
Loss from operations	<u>(4,652)</u>	<u>(51,317)</u>
Non-operating revenue:		
Interest income	187	200
Total non-operating revenues	<u>187</u>	<u>200</u>
Decrease in net assets	(4,465)	(51,117)
Net assets, beginning of year	<u>134,073</u>	<u>185,190</u>
Net assets, end of year	<u>\$ 129,608</u>	<u>\$ 134,073</u>

## City of Glens Falls Industrial Development Agency

### Statements of Cash Flows Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Cash received from providing services	\$ 24,653	\$ 44,305
Cash received from reimbursements and refunds	370	17,277
Cash payments for contractual expenses	(45,772)	(86,355)
Cash payments for other operating expenses	(2,068)	(6,099)
	(22,817)	(30,872)
Net cash used in operating activities		
Cash flows from investing activities:		
Interest income	187	200
	(22,630)	(30,672)
Net decrease in cash and cash equivalents		
Cash and cash equivalents, beginning of year	154,518	185,190
Cash and cash equivalents, end of year	\$ 131,888	\$ 154,518
Reconciliation of operating loss to net cash used in operating activities:		
Loss from operations	\$ (4,652)	\$ (51,317)
Changes in:		
Deferred revenue	(14,305)	14,305
Accounts payable	(3,860)	6,140
	\$ (22,817)	\$ (30,872)
Net cash used in operating activities		

# City of Glens Falls Industrial Development Agency

Notes to Financial Statements  
December 31, 2013

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## **Note 1. Organization and Summary of Significant Accounting Policies**

Organization and Purpose: The City of Glens Falls Industrial Development Agency ("Agency") was created during 1976 by the Common Council of the City of Glens Falls, New York ("City") to operate independently for the purpose of encouraging economic growth within the City of Glens Falls. The Agency, although established by the Common Council of the City of Glens Falls, operates as an independent entity.

The Agency's function is to authorize the issuance of industrial revenue bonds for industrial development projects and to assist businesses in acquiring or constructing various facilities in order to provide job opportunities and increase economic welfare. In return for its efforts, the Agency receives application and closing fees related to this business financing.

A summary of the 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 in Governmental Accounting Standards Board ("GASB"), the Agency's financial statements have been discretely presented in the City's financial statements.

Basis of Accounting and Financial Statement Presentation: The Agency'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 Agency 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.

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.

Industrial Revenue Bond and Note Transactions: Industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and are retired by lease payments. The bonds and notes are *not* obligations of the Agency or New York State. The Agency does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives administrative fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

# City of Glens Falls Industrial Development Agency

Notes to Financial Statements  
December 31, 2013

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

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, 2013 and 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, 2013, 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.

Subsequent Events: The Agency has evaluated subsequent events through February 24, 2014, the date on which the financial statements were available to be issued. There were no subsequent events noted which require disclosure.

## **Note 2. Deferred Revenue**

Deferred revenue of \$14,305 at December 31, 2012, represents a deposit on a project received in 2012, which was applicable to 2013 and subsequently recognized during 2013.

# City of Glens Falls Industrial Development Agency

Notes to Financial Statements  
December 31, 2013

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## **Note 3. *Related Party Transactions***

The Agency is related to the Greater Glens Falls Local Development Corporation in that they have an interlocking board of directors and they are both component units of the City of Glens Falls. During the years ended December 31, 2013 and 2012, the Agency provided funding to the Greater Glens Falls Local Development Corporation in the amount of \$0 and \$12,000, respectively.

## **Note 4. *Commitments***

Prior to December 31, 2012, the Agency approved three grants of \$6,000 each for the Façade Improvement Program. The total of \$18,000 is reflected as restricted cash and restricted net assets at December 31, 2012. These funds were subsequently disbursed in 2013 to the grant recipients. There were no restricted net assets at December 31, 2013.

# McCarthy & Conlon, LLP

## Certified Public Accountants

### 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*

Board of Commissioners  
The City of Glens Falls Industrial Development Agency  
Glens Falls, New York

We have audited, in accordance with the 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 Glens Falls Industrial Development Agency (a component unit of the City of Glens Falls, New York) which comprise the statement of net assets as of December 31, 2013 and 2012 and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements. and have issued our report thereon dated February 24, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the City of Glens Falls Industrial Development Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Glens Falls Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Glens Falls Industrial Development Agency'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 may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Glens Falls Industrial Development Agency'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 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*.

## 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.

McCarthy + Conlon, LLP

Queensbury, New York  
February 24, 2014