

**GREATER GLENS FALLS
LOCAL DEVELOPMENT CORPORATION**

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

DECEMBER 31, 2013

Greater Glens Falls Local Development Corporation

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McCarthy & Conlon, LLP

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of 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, 2013 and the related statement of activities and cash flows for the year 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 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 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, 2013, 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 Greater Glens Falls Local Development Corporation, as of December 31, 2013, 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 Summarized Comparative Information

We have previously audited Greater Glens Falls Local Development Corporation's 2012 financial statements, and our report dated February 20, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 Greater Glens Falls Local Development Corporation 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 Greater Glens Falls Local Development Corporation internal control over financial reporting and compliance.

McCarthy + Conlon, LLP

Queensbury, New York
February 24, 2014

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

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of 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, 2013. Please read it in conjunction with the LDC's financial statements.

HIGHLIGHTS

Financial and LDC Highlights:

- Total current assets increased from a December 31, 2012 amount of \$1,421,092 to a December 31, 2013 amount of \$1,618,096, primarily due to the recognition of an additional \$146,229 due from the Economic Development Administration (EDA) for costs incurred on the Tech Meadows Project; and a reduction in operating expenses from \$314,816 in 2012, to \$127,547 in 2013.
- Total current liabilities decreased from a December 31, 2012 amount of \$403,664 to a December 31, 2013 amount of \$325,828, primarily due to a principal reduction on the note payable for the Tech Meadows project.

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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Total Operating Revenues	\$ 777,023	\$ 827,645
Total Operating Expenses	(127,547)	(314,816)
Non-Operating Income	<u>2,092</u>	<u>1,109</u>
Increase (Decrease) in Net Assets	651,568	513,938
Net Assets at Beginning of Year	<u>2,409,228</u>	<u>1,895,290</u>
Net Assets at End of Year	<u><u>\$ 3,060,796</u></u>	<u><u>\$ 2,409,228</u></u>

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

	<u>2013</u>	<u>2012</u>
Note Payable Glens Falls National Bank - Short term bridge financing to fund the installation of water and sewer lines to Tech Meadows Industrial Park	\$ 302,033	\$ 347,153
Accounts Payable	8,874	21,619
Deferred Revenue - Other	14,921	34,892
	<u><u>\$ 325,828</u></u>	<u><u>\$ 403,664</u></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. The CEO's annual report provides additional information about the LDC's 2013 activities and future plans. If you have any questions about this report, would like to review the CEO's annual report, or need additional financial information, contact the LDC at 518-761-3833.

Greater Glens Falls Local Development Corporation

Statements of Net Assets December 31, 2013 and 2012

	2013	2012
<u>Assets</u>		
Current assets:		
Cash - unrestricted	\$ 672,911	\$ 844,588
Cash - restricted	304,698	193,631
Grants receivable	627,799	321,869
Interest receivable	2,922	4,892
Loans receivable, current portion	9,044	26,112
Escrow funds receivable	-	30,000
Prepaid expenses	722	-
Total current assets	1,618,096	1,421,092
Property and improvements:		
Tech Meadows campus	390,829	388,195
Tech Meadows infrastructure	1,025,098	635,032
Incubator property	329,961	329,961
Total property and improvements	1,745,888	1,353,188
Loans receivable, net of current portion and reserve	22,640	38,612
Total assets	\$ 3,386,624	\$ 2,812,892
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Note payable	\$ 302,033	\$ 347,153
Accounts payable	8,874	21,619
Deferred revenue - other	14,921	34,892
Total current liabilities	325,828	403,664
Net assets:		
Unrestricted	2,756,098	2,215,597
Temporarily restricted	304,698	193,631
Total net assets	3,060,796	2,409,228
Total liabilities and net assets	\$ 3,386,624	\$ 2,812,892

Greater Glens Falls Local Development Corporation

Statement of Revenues, Expenses, and Changes in Net Assets Year Ended December 31, 2013 (With Comparative Totals for 2012)

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
Operating revenues:				
Grant revenue - state and local	\$ 627,799	\$ 146,229	\$ 774,028	\$ 718,198
Fee revenue	960	-	960	1,275
Interest on loans	2,035	-	2,035	3,716
Gain on sale of lots	-	-	-	104,456
Total operating revenues	<u>630,794</u>	<u>146,229</u>	<u>777,023</u>	<u>827,645</u>
Net assets released from restriction	<u>34,961</u>	<u>(34,961)</u>	<u>-</u>	<u>-</u>
Total operating revenues and net assets released from restriction	<u>665,755</u>	<u>111,268</u>	<u>777,023</u>	<u>827,645</u>
Operating expenses:				
Consulting fees	13,380	-	13,380	42,977
Contractual grant expenses	14,550	-	14,550	199,844
Contractual program expenses	22,874	-	22,874	24,709
Insurance	4,161	-	4,161	3,556
Interest	9,307	-	9,307	397
Miscellaneous	1,766	-	1,766	3,453
Office expense	7,409	-	7,409	4,547
Professional fees	32,750	-	32,750	35,333
Bad debts	21,350	-	21,350	-
Total operating expenses	<u>127,547</u>	<u>-</u>	<u>127,547</u>	<u>314,816</u>
Income from operations	<u>538,208</u>	<u>111,268</u>	<u>649,476</u>	<u>512,829</u>
Non-operating revenue (expense):				
Interest revenue on time deposits, net of amounts returned to HUD	<u>2,293</u>	<u>(201)</u>	<u>2,092</u>	<u>1,109</u>
Total non-operating revenue (expense)	<u>2,293</u>	<u>(201)</u>	<u>2,092</u>	<u>1,109</u>
Increase in net assets	540,501	111,067	651,568	513,938
Net assets, beginning of year	<u>2,215,597</u>	<u>193,631</u>	<u>2,409,228</u>	<u>1,895,290</u>
Net assets, end of year	<u>\$ 2,756,098</u>	<u>\$ 304,698</u>	<u>\$ 3,060,796</u>	<u>\$ 2,409,228</u>

Greater Glens Falls Local Development Corporation

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

	2013	2012
Cash flows from operating activities:		
Grant and fee revenue received	\$ 481,087	\$ 397,604
Loans disbursed	(9,500)	(10,000)
Loan principal payments received	21,190	27,672
Interest on loan payment received	2,035	3,716
Payments for operating expenses	(119,694)	(301,414)
Net cash provided by operating activities	375,118	117,578
Cash flows from investing activities:		
Proceeds from sale of lots	-	169,155
Purchase of property and improvements	(392,700)	(622,161)
Interest revenue on time deposits	2,092	1,109
Net cash used in investing activities	(390,608)	(451,897)
Cash flows from financing activities:		
Proceeds of note	-	347,153
Principal payments on note	(45,120)	-
Net cash (used in) provided by financing activities	(45,120)	347,153
Net (decrease) increase in cash and cash equivalents	(60,610)	12,834
Cash and cash equivalents, beginning of year	1,038,219	1,025,385
Cash and cash equivalents, end of year	\$ 977,609	\$ 1,038,219
Reconciliation of operating income to net cash provided by operating activities:		
Income from operations	\$ 649,476	\$ 512,829
Adjustments to reconcile operating income to net cash provided by operating activities:		
Gain on sale of lots	-	(104,456)
Bad debts	21,350	-
Changes in:		
Grants and interest receivable	(303,960)	(319,072)
Loans receivable	11,690	1,983
Prepaid expense	(722)	7,019
Escrow funds receivable	30,000	(30,000)
Deferred revenue	(19,971)	27,656
Accounts payable	(12,745)	21,619
Net cash provided by operating activities	\$ 375,118	\$ 117,578

Greater Glens Falls Local Development Corporation

Notes to Financial Statement
December 31, 2013

Note 1. Organization and Summary of Significant Accounting Policies

Organization and Purpose: 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 Greater 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, 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 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.

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.

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 LDS 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, 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.

Greater Glens Falls Local Development Corporation

Notes to Financial Statement
December 31, 2013

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

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, 2013, 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.

Property and Improvements: The LDC capitalizes the cost of property and improvements. The costs associated with Tech Meadows (See Note 3) are for land and infrastructure. The LDC uses the modified approach to account for infrastructure assets and is not required to report depreciation expense on those assets. The cost of maintaining the infrastructure is expensed as incurred. The incubator property (See Note 3) is not being depreciated because it is not in service.

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, 2013, the allowance for bad debts is \$21,350.

Comparative amounts: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the LDC's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Reclassifications: Certain 2012 amounts have been reclassified to conform to the current year presentation. \$321,869 in grants receivable was incorrectly classified as temporarily restricted at December 31, 2012 and has been properly presented as unrestricted grants receivable at December 31, 2013.

Greater Glens Falls Local Development Corporation

Notes to Financial Statement
December 31, 2013

Note 2. *Loans Receivable*

Loans receivable consisted of the following at December 31, 2013:

Loaned \$25,000 in May of 2011, due in monthly payments of \$354, including interest at 5% through July 2016.	\$ 17,083
Loaned \$9,500 in August 2013, due in monthly payments of \$286, including interest at 5.2%, through August 2016.	8,516
Loaned \$10,000 in April 2012, due in monthly payments of \$228, including interest at 4.5%, through April 2015.	<u>6,085</u>
Total loans receivable, net	31,684
Less current portion	<u>9,044</u>
Loans receivable, net of current portion	<u><u>\$ 22,640</u></u>

Note 3. *Property and Improvements*

Incubator property - The LDC originally acquired this warehouse building with the intention of using it to house start-up businesses that would share common services. The LDC has since determined that this will not be feasible and is exploring other uses for the property. This property is not being depreciated because it is not in use.

Tech Meadows Campus and Infrastructure is a parcel of land in Glens Falls, NY that has been developed by the LDC to attract manufacturing and other businesses. The Campus consists of multiple building lots which will be sold to business entities that construct and operate their facilities on the site. The infrastructure consists of roads, water, sewer, and utilities to make the lots ready for immediate development. The LDC uses the modified approach to account for infrastructure assets and is not required to report depreciation expense on those assets. The cost of maintaining the infrastructure is expensed as incurred.

The LDC did not record any depreciation expense during the year ended December 31, 2013.

Note 4. *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 \$302,033 had been drawn down and is outstanding as of December 31, 2013. The due date of the loan has been extended to April 1, 2014 (see Note 7), 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, 2013 was 3.25%.

Greater Glens Falls Local Development Corporation

Notes to Financial Statement
December 31, 2013

Note 5. *Related Party Transactions*

The LDC is related to the Glens Falls Industrial Development Agency ("Agency") in that they have an interlocking board of directors and they are both component units of the Greater Glens Falls. During the year ended December 31, 2013 the Agency did not provide funding to the IDA.

Note 6. *Restricted Cash and Net Assets*

Restricted cash and net assets consist of the following:

Monies received in prior years from the U.S. Department of Housing and Urban Development (HUD). These funds must be utilized for economic development activities that are in accordance with HUD guidelines.	\$ 126,120
Monies received from the New York State Economic Development Agency, to be used for the Terch Meadows project.	15,934
The balance in a revolving loan fund that was established with the local share as required by a U.S. Department of Agriculture (USDA) grant agreement. This fund is used to make loans for USDA eligible projects in the City of Glens Falls. As the loans are repaid, the fund is replenished.	54,059
Funds accumulated from area businesses and municipalities to develop a small business incubation building in the City of Glens Falls. (See Note 3)	96,585
Funds received from a Glens Falls business owner as the owner's share of a project to be completed in 2014.	<u>12,000</u>
	<u>\$ 304,698</u>

Note 7. *Subsequent Events*

In February 2014, the LDC renewed its promissory note payable (see Note 4). The due date of the loan has been extended to April 1, 2014, 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.

Evaluation Date:

Subsequent events have been evaluated through February 24, 2014, the date the financial statements were available to be issued.

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
Greater Glens Falls Local Development Corporation
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 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, 2013 and the related statements of activities and cash flows for the year 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 audit of the financial statements, we considered Greater Glens Falls Local Development Corporation'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Greater Glens Falls Local Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Greater Glens Falls Local Development 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greater Glens Falls Local Development 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 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