

**GLENS FALLS
URBAN RENEWAL AGENCY**

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

DECEMBER 31, 2014

Glens Falls Urban Renewal Agency

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McCarthy & Conlon, LLP

Certified Public Accountants

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, 2014 and 2013 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 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, 2014 and 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 Glens Falls Urban Renewal Agency, as of December 31, 2014 and 2013, 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 6, 2015 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* in considering Glens Fall Urban Renewal Agency's internal control over financial reporting and compliance.

McCarthy & Conlon, LLP

Queensbury, New York
February 6, 2015

**GLENS FALLS URBAN RENEWAL AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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, 2014. Please read it in conjunction with the Agency's financial statements, which begin on page 4.

FINANCIAL HIGHLIGHTS

- The Agency recorded an increase in unrestricted net assets of \$59,842 in 2014 and had a total fund balance deficit at the end of the year of \$138,510. The increase in unrestricted net assets resulted from the release of the restrictions on previously restricted funds. The deficit is primarily due to an unpaid obligation of \$175,000 due to the City of Glens Falls.
- The Agency's total indebtedness decreased \$50,000 during the current fiscal year due to a payment of \$50,000 made on its outstanding obligation to the City of Glens Falls..
- The liabilities of the Agency exceeded its assets at the close of the most recent fiscal year by \$138,510 primarily as a result of the above referenced obligation to the City of Glens Falls.

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 are 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

Statements of Net Assets December 31, 2014 and 2013

	2014	2013
<u>Assets</u>		
Current assets:		
Cash - restricted	\$ -	\$ 67,508
Cash - unrestricted	30,666	20,648
Total current assets	30,666	88,156
Land	6,000	6,000
Total assets	\$ 36,666	\$ 94,156
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 176	\$ -
Total current liabilities	176	-
Long-term liabilities:		
Due to City of Glens Falls	175,000	225,000
Total liabilities	175,176	225,000
Net assets:		
Investment in capital assets, net of related debt	6,000	6,000
Restricted	-	67,508
Unrestricted	(144,510)	(204,352)
Total net assets (deficit)	(138,510)	(130,844)
Total liabilities and net assets	\$ 36,666	\$ 94,156

Glens Falls Urban Renewal Agency

Statements of Activities Years Ended December 31, 2014 and 2013

	2014	2013
Operating revenue:		
Sales of property	\$ -	\$ 87,742
Land rentals	1,500	1,500
Total operating revenue	1,500	89,242
Operating expenses:		
Property acquired for resale	-	35,125
Appraisal fees	-	375
Advertising	330	643
Legal fees	1,142	8,273
Audit and accounting	7,806	9,347
Engineering fees	-	2,369
Miscellaneous	-	645
Total operating expenses	9,278	56,777
(Loss) income from operations	(7,778)	32,465
Non-operating revenue		
Interest income	112	140
Total non-operating revenue	112	140
Decrease (increase) in net assets	(7,666)	32,605
Net assets (deficit), beginning of year	(130,844)	(163,449)
Net assets (deficit), end of year	\$ (138,510)	\$ (130,844)

Glens Falls Urban Renewal Agency

Notes to Financial Statements
December 31, 2014

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.

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.

Net Assets:

Net assets are categorized as invested in capital assets, net of related debt; restricted; and unrestricted.

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, 2014

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, 2014 and 2013, 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, 2014 and 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.

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

Subsequent Events: The Agency has evaluated subsequent events through February 6, 2015, the date on which the financial statements were available to be issued. There were no subsequent events noted which require disclosure.

Glens Falls Urban Renewal Agency

Notes to Financial Statements
December 31, 2014

Note 2. Land

At December 31, 2014 and 2013, the Agency owned two parcels of land with a recorded historical cost of \$6,000. The land is located in the City of Glens Falls. One of the lots is rented to a local business for six months of the year for \$1,500. The Agency had no plans to sell the two parcels at December 31, 2014.

Note 3. Due to City of Glens Falls

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 and subsequent payments of only \$50,000 during 2014 and 2013. Since it cannot be determined when the next payment will be made, the balance is classified as a long term liability of \$225,000 and \$175,000 at December 31, 2014 and 2013, respectively.

Note 4. Restricted Cash and Net Assets

Restricted cash and net assets consist of U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) monies received by the City in prior years to fund the rehabilitation of residential properties owned by the City under its Acquisition, Rehabilitation, and Resale Program (the "Program"). The Agency administers the Program on behalf of the City. Program income received for the sale of property upon completion of the rehabilitation must be kept separate from other Agency funds and used in accordance with HUD CDBG regulations governing the Program. During 2014, the restrictions on this cash were released, and the entire balance was transferred to the Agency's unrestricted cash account.

**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
Glens Falls Urban Renewal 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 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, 2014 and 2013 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 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Glens Falls Urban Renewal 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 Glens Falls Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Glens Falls Urban Renewal 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 City Glens Falls Urban Renewal 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 6, 2015

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 6, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as Glens Falls Urban Renewal Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Commissioners and management of Glens Falls Urban Renewal Agency and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank Bob Curtis for all of his cooperation and assistance during our audit.

McCarthy & Conlon, LLP

McCarthy & Conlon, LLP