

COMMUNITY DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF  
GLOVERSVILLE, NEW YORK)

Independent Auditor's Report

Regulatory Financial Statements

Years Ended December 31, 2014 and 2013

COMMUNITY DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF GLOVERSVILLE, NEW YORK)

Table of Contents

	Page
Independent Auditor's Report	1-2
Annual Financial Report Update Document – Regulatory Basis	3-7
Notes to Regulatory Financial Statements	8-10
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Regulatory Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11-12
Schedule of Findings and Responses (Schedule 1)	13
Schedule of Status of Findings and Responses From 2013 Report (Schedule 2)	14



WHITTEMORE, DOWEN  
& RICCIARDELLI, LLP

333 Aviation Road, Building B  
Queensbury, NY 12804

112 Spring Street, Suite 307  
Saratoga Springs, NY 12866

P: (518) 792-0918  
F: (518) 743-0882  
www.wdr CPA.com

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
Members of the Common Council of the  
City of Gloversville, New York

### **Report on the Financial Statements**

We have audited the accompanying regulatory financial statements of the Community Development Agency, a component unit of the City of Gloversville, New York, as of and for the years ended December 31, 2014 and 2013 as presented in the Annual Financial Report Update Document and the related notes to the regulatory financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these regulatory financial statements in accordance with the accounting practices prescribed and permitted by and the financial reporting provisions of the Office of the Comptroller of the State of New York. Management is also responsible for 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 error or fraud.

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

Our responsibility is to express an opinion on these regulatory 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 opinions.

### ***Opinion***

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the assets, liabilities, deferred inflows of resources and fund balance of the Community Development

Agency (a component unit of the City of Gloversville, New York) as of December 31, 2014 and 2013, and the revenues and expenditures thereof for the years then ended in accordance with the requirements of the New York State Comptroller as described in the notes to the regulatory financial statements.

### **Basis of Accounting**

We draw attention to the footnotes to the regulatory financial statements, which describe the basis of accounting. The regulatory financial statements are prepared on the basis of the accounting practices prescribed or permitted by and the financial reporting provisions of the Office of the State Comptroller of the State of New York, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015 on our consideration of the Community Development Agency's (a component unit of the City of Gloversville, New York) 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 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 Community Development Agency's (a component unit of the City of Gloversville, New York) internal control over financial reporting and compliance.

### **Restriction on Use**

This report is intended solely for the information and use of management, City of Gloversville, New York's Common Council, others within the City of Gloversville, New York, the Office of the Comptroller of the State of New York and the U.S. Department of HUD and is not intended to be and should not be used by anyone other than these specified parties.

*Whittemore, Dowen & Ricciardelli, LLP*

Whittemore, Dowen & Ricciardelli, LLP  
Queensbury, New York

March 25, 2015

COMMUNITY DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF GLOVERSVILLE, NEW YORK)

Annual Financial Report Update Document  
Regulatory Basis

December 31, 2014 and 2013

(CD) SPECIAL GRANT

Balance Sheet

<b>Code Description</b>	<b>2013</b>	<b>EdpCode</b>	<b>2014</b>
<b>Assets</b>			
Cash	\$ 37,027	CD200	\$ 174,740
<b>Total Cash</b>	<b>37,027</b>		<b>174,740</b>
Rehabilitation Loans Receivable	64,030	CD390	59,764
<b>Total Other Receivables</b>	<b>64,030</b>		<b>59,764</b>
State And Federal Aid Receivables	100,674	CD410	184,520
<b>Total State And Federal Aid Receivables</b>	<b>100,674</b>		<b>184,520</b>
<b>Total Assets</b>	<b>\$ 201,731</b>		<b>\$ 419,024</b>

See Independent Auditor's Report and Notes

COMMUNITY DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF GLOVERSVILLE, NEW YORK)

Annual Financial Report Update Document  
Regulatory Basis

December 31, 2014 and 2013

(CD) SPECIAL GRANT

Balance Sheet

Code Description	2013	EdpCode	2014
<b>Liabilities, Deferred Inflows And Fund Balance</b>			
Accounts Payable	\$ 69,494	CD600	\$ 163,898
<b>Total Accounts Payable</b>	<b>69,494</b>		<b>163,898</b>
Accrued Liabilities	7,250	CD601	7,400
<b>Total Accrued Liabilities</b>	<b>7,250</b>		<b>7,400</b>
Due To Other Funds	100	CD630	150,000
<b>Total Due To Other Funds</b>	<b>100</b>		<b>150,000</b>
Due To Other Governments	6	CD631	-
<b>Total Due To Other Governments</b>	<b>6</b>		<b>-</b>
<b>Total Liabilities</b>	<b>76,850</b>		<b>321,298</b>
<b>Deferred Inflows of Resources</b>			
Deferred Revenues	64,030	CD691	72,863
<b>Total Deferred Inflows of Resources</b>	<b>64,030</b>		<b>72,863</b>
Assigned Fund Balance - Unappropriated	60,851	CD915	24,863
<b>Total Assigned Fund Balance - Unappropriated</b>	<b>60,851</b>		<b>24,863</b>
<b>Total Fund Balance</b>	<b>60,851</b>		<b>24,863</b>
<b>Total Liabilities, Deferred Inflows And Fund Balance</b>	<b>\$ 201,731</b>		<b>\$ 419,024</b>

See Independent Auditor's Report and Notes

COMMUNITY DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF GLOVERSVILLE, NEW YORK)

Annual Financial Report Update Document  
Regulatory Basis

Years Ended December 31, 2014 and 2013

(CD) SPECIAL GRANT

Results Of Operations

<b>Code Description</b>	<b>2013</b>	<b>EdpCode</b>	<b>2014</b>
<b>Detail Revenues And Other Sources</b>			
Interest And Earnings	\$ 2	CD2401	\$ -
<b>Total Use Of Money And Property</b>	<b>2</b>		<b>-</b>
Unclassified (Specify)-Program Income	9,325	CD2770	5,498
<b>Total Miscellaneous Local Sources</b>	<b>9,325</b>		<b>5,498</b>
Federal Aid - Other	241,978	CD4089	480,666
<b>Total Federal Aid</b>	<b>241,978</b>		<b>480,666</b>
<b>Total Revenues</b>	<b>251,305</b>		<b>486,164</b>
<b>Total Detail Revenues And Other Sources</b>	<b>\$ 251,305</b>		<b>\$ 486,164</b>

See Independent Auditor's Report and Notes

COMMUNITY DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF GLOVERSVILLE, NEW YORK)

Annual Financial Report Update Document  
Regulatory Basis

Years Ended December 31, 2014 and 2013

(CD) SPECIAL GRANT

Results of Operation

<b>Code Description</b>	<b>2013</b>	<b>EdpCode</b>	<b>2014</b>
<b>Expenditures</b>			
Rehab Loans & Grant, Contr Expend	\$ 207,773	CD86684	\$ 476,066
<b>Total Rehab Loans &amp; Grant</b>	<b>207,773</b>		<b>476,066</b>
Administration, Pers Serv	12,496	CD86861	12,472
Administration, Cont Expend	33,216	CD86864	28,843
Administration, Empl Bnfts	4,809	CD86868	4,771
<b>Total Administration</b>	<b>50,521</b>		<b>46,086</b>
<b>Total Home And Community Services</b>	<b>258,294</b>		<b>522,152</b>
<b>Total Expenditures</b>	<b>258,294</b>		<b>522,152</b>
<b>Total Detail Expenditures And Other Uses</b>	<b>\$ 258,294</b>		<b>\$ 522,152</b>

See Independent Auditor's Report and Notes

COMMUNITY DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF GLOVERSVILLE, NEW YORK)

Annual Financial Report Update Document  
Regulatory Basis

Years Ended December 31, 2014 and 2013

(CD) SPECIAL GRANT

Changes in Fund Equity

<b>Code Description</b>	<b>2013</b>	<b>EdpCode</b>	<b>2014</b>
<b>ANALYSIS OF CHANGES IN FUND EQUITY</b>			
<b>Fund Equity - Beginning Of Year</b>	\$ 67,840	CD8021	\$ 60,851
Prior Period Adj. - Decrease In Fund Equity	-	CD8015	-
<b>Restated Fund Equity - Beginning Of Year</b>	<b>67,840</b>	<b>CD8022</b>	<b>60,851</b>
ADD - REVENUES AND OTHER SOURCES	251,305		486,164
DEDUCT - EXPENDITURES AND OTHER USES	258,294		522,152
<b>Fund Equity - End Of Year</b>	<b>\$ 60,851</b>	<b>CD8029</b>	<b>\$ 24,863</b>

See Independent Auditor's Report and Notes

COMMUNITY DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF GLOVERSVILLE, NEW YORK)

Notes to Regulatory Financial Statements

December 31, 2014 and 2013

**Summary of Significant Accounting Policies**

The Office of the State Comptroller (OSC) Annual Financial Report Update Document (AFRUD) for the City of Gloversville Community Development Agency has been prepared in conformity with OSC guidelines. The more significant government's accounting policies are described below:

Financial Reporting Entity

The City of Gloversville Community Development Agency (CDA) is a legally separate entity, governed by a board appointed by the City Council. The CDA's sole activity is to administer federal funds passed through New York State received by the City for urban renewal including Community Development Block Grants, Urban Development Action Grants and other community development programs. The CDA is accounted for in the City of Gloversville, New York's Special Grant Fund as a blended component unit.

Basis of Accounting/Measurement Focus

Basis of accounting refers to the timing of when revenues and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. Measurement focus is the determination of what is being measured.

The regulatory basis of accounting (which is the modified accrual basis) is followed by the CDA. Grant revenue, where expenditures are the prime factor for determining eligibility, is recognized when the expenditure is made unless the revenues are not received by 60 days after year end. In that case, the amounts are recorded as deferred revenues. Expenditures are recorded when the liability is incurred. Also, the CDA has not adopted GASB 34 and thus does not present government-wide financial statements in accordance with U.S Generally Accepted Accounting Principles.

Fund Balances

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories and their purposes are:

Nonspendable fund balance – Amounts that are not in a spendable form such as inventory, prepaid expenses or long-term portion of loans receivable.

Restricted fund balance – Amounts subject to a constraint imposed by providers such as creditors, grantors, contributors or higher levels of government or through constitutional provisions or enabling legislation.

Committed fund balance – Amounts subject to a purpose imposed by a formal action of the governments highest level of decision-making authority before the end of the fiscal year and that require the same level of formal action to remove the constraint.

Assigned fund balance – Amounts subject to a constraint that represents an intended use established by government's highest level of decision-making authority or by their designated body or official, which is the Common Council.

Unassigned fund balance – Amounts available for any purpose, which are only found in the general fund or as a deficit balance in any other fund.

COMMUNITY DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF GLOVERSVILLE, NEW YORK)

Notes to Regulatory Financial Statements

December 31, 2014 and 2013

**Summary of Significant Accounting Policies – Continued**

Fund balances - Continued

Order of use of fund balance:

In determining the order that expenditures will be applied to the various classifications of fund balance, it is the CDA's policy to first determine the total fund balance that is nonspendable and to then determine the amount of restricted fund balance. Any remaining fund balance is first committed and/or assigned to a specific purpose. In addition, any deficit fund balance in any other fund is considered to be unassigned.

The fund balance at December 31, 2014 and 2013 in the amounts of \$24,863 and \$60,851, respectively, are assigned.

Future Impacts of Accounting Pronouncements

The Agency has not completed the process of evaluating the impact that will result from adopting; GASB Statement No. 72, *Fair Value Measurement and Applications*. This pronouncement is not effective as of December 31, 2014. The Agency is, therefore, unable to disclose the impact that adopting this pronouncement will have on the financial position and results of operations in the future.

General Budget Policies

The CDA operates within the constraint of grant budgets.

Estimates

The preparation of the AFRUD requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

Risk Management

The CDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The CDA has assumed the risk for the losses.

Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

Cash Deposits and Investments

The CDA's investment policies are governed by the statutes of the State. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the state.

Bank balances of the CDA's deposits totaled \$176,877 and \$39,824 as of December 31, 2014 and 2013, respectively. The balances are covered in full by Federal Deposit Insurance Corporation (FDIC) insurance.

Rehabilitation Loans Receivable

The Community Development Agency is a recipient of several community development block grants to operate a revolving loan fund. These funds are to be loaned to industry for the purpose of creating and retaining permanent jobs within the City. The loans require periodic payments of principal and interest and each loan may be collateralized by machinery and/or equipment.

COMMUNITY DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF GLOVERSVILLE, NEW YORK)

Notes to Regulatory Financial Statements

December 31, 2014 and 2013

**Summary of Significant Accounting Policies – Continued**

State and Federal Aid Receivables

The CDA is reimbursed for amounts expended under community development grants. The balance of expenditures incurred not yet received under the grants was \$184,520 and \$100,674 as of December 31, 2014 and 2013, respectively.

Interfund Receivables and Payables:

Interfund balances receivable and payable to the City of Gloversville were as follows:

	<u>2014</u>	<u>2013</u>
Due to General Fund	<u>\$ 150,000</u>	<u>\$ 100</u>

Due to Other Governments

The revolving loan cash balances are required to be held in an interest bearing account. Interest received on the account is considered interest earned on grant advances and must be remitted to HUD. The balance payable to HUD was \$- and \$6 as of December 31, 2014 and 2013, respectively.

Deferred Revenues

CDA had deferred revenue recorded in the amount of \$72,863 and \$64,030 as of December 31, 2014 and 2013, respectively, related to note receivables and federal grant receivable balances that had not been received by February 28, 2015.

**Commitments and Contingencies**

The CDA has received several state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, CDA management believes such disallowances, if any, would not be material.

**Subsequent Events**

The CDA has evaluated all events through March 25, 2015, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF THE REGULATORY FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Mayor and Common Council  
Community Development Agency  
City of Gloversville, 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 regulatory financial statements of the Community Development Agency (a component unit of the City of Gloversville, New York), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements which collectively comprise the Community Development Agency's (a component unit of the City of Gloversville, New York) basic financial statements and have issued our report thereon dated March 25, 2015.

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

In planning and performing our audit of the regulatory financial statements, we considered the Community 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 regulatory financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Community 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. (2014-01).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Community Development Agency's regulatory financial statements are free of 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*.

### **Community Development Agency Response to Findings**

Community Development Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Community Development Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP  
Queensbury, New York

March 25, 2015

COMMUNITY DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF GLOVERSVILLE, NEW YORK)

Schedule of Findings and Responses  
(Schedule 1)

December 31, 2014

No. 2014-01

Condition: The general ledger for the Gloversville Community Development Agency did not reflect \$29,419 in expenditures and accounts payable for 2014. In addition the general ledger did not reflect \$150,147 in federal revenues and due from federal/deferred revenue.

Criteria: The Gloversville Community Development Agency should ensure all of the current year expenditures and revenues are properly reflected.

Cause of Condition: Oversight

Effect of Condition: Inaccurate financial reporting for the current year.

Recommendation: We recommend the Agency review all subsequent receipt of invoices and review all subsequent request for reimbursement to ensure all revenues and expenditures are properly reflected in the general ledger for the current year.

Management Response:

Due to time constraints, management neglected to examine all transactions and subsequent requests for reimbursements. In the future management will ensure that all transactions and subsequent requests for reimbursements are examined and properly recorded.

COMMUNITY DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF GLOVERSVILLE, NEW YORK)

Schedule of Status of Findings and Responses From 2013 Report  
(Schedule 2)

None