

CITY OF GLENS FALLS
INDUSTRIAL DEVELOPMENT AGENCY
GLENS FALLS, NEW YORK

Independent Auditor's Report
Financial Statements
And Supplementary
Information

Year Ended December 31, 2014

CITY OF GLENS FALLS INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of City of Glens Falls Industrial Development Agency, a component unit of the City of Glens Falls, New York, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Glens Falls Industrial Development Agency's 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 opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of City of Glens Falls Industrial Development Agency, a component unit of the City of Glens Falls, New York, as of December 31, 2014, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 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 auditing standards 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 May 5, 2015 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 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 City of Glens Falls Industrial Development Agency's internal control over financial reporting and compliance.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

March 5, 2015

CITY OF GLENS FALLS INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

For the Year Ended December 31, 2014

OVERVIEW OF FINANCIAL STATEMENTS

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, 2014. Please read it in conjunction with the Agency's financial statements.

HIGHLIGHTS

Financial Highlights:

- Cash and cash equivalents decreased by \$26,839 during 2014 mainly because the Agency had very little activity during 2014, and operating expenses exceeded revenues by \$59,117.
- During 2014, the Agency incurred approximately \$28,431 more in contractual expenses, primarily related to a new downtown parking garage project that began the planning phase late in 2014.
- During 2014, total expenses exceeded total revenues, resulting in a decrease in net assets of \$59,117.

Agency Highlight:

- During 2014, the Agency approved a project that will consist of a downtown parking garage, and large commercial structure which will house retail, professional, and residential tenants. The planning phase for the garage portion of the project began in late 2014.

USING THIS ANNUAL REPORT

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements and Required Supplementary Information. 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 Position* presents information on all of the Agency's assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 Position* presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

CITY OF GLENS FALLS INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

For the Year Ended December 31, 2014

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 position may serve over time as a useful indicator of a government agency's financial position. In the case of the Agency, assets exceeded liabilities by \$70,491 as of December 31, 2014.

The following table present a summary of the Agency's derivation of net position for the fiscal years ended December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Total Current Assets	\$ 105,049	\$ 131,888
Total Assets	105,049	131,888
Total Liabilities	<u>34,558</u>	<u>2,280</u>
Unrestricted	<u>70,491</u>	<u>129,608</u>
Total Net Position	<u>\$ 70,491</u>	<u>\$ 129,608</u>

Changes in the Agency's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses and Change in Net Position at the end of the year.

	<u>2014</u>	<u>2013</u>
Total Operating Revenues	\$ 11,250	\$ 39,328
Total Operating Expenses	(70,493)	(43,980)
Non-Operating Income	<u>126</u>	<u>187</u>
Decrease in Net Position	(59,117)	(4,465)
Net Position at Beginning of Year	<u>129,608</u>	<u>134,073</u>
Net Position at End of Year	<u>\$ 70,491</u>	<u>\$ 129,608</u>

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.

CITY OF GLENS FALLS INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

For the Year Ended December 31, 2014

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. The CEO's annual report provides additional information about the Agency's 2014 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 agency at 518-761-3833 or by mail: City of Glens Falls Industrial Development Agency, 42 Ridge Street, Glens Falls, New York 12801.

CITY OF GLENS FALLS INDUSTRIAL DEVELOPMENT AGENCY

Statement of Net Position

December 31, 2014

ASSETS

Current Assets:

Cash and cash equivalents - unrestricted	<u>\$ 105,049</u>
Total Current Assets	<u>105,049</u>
Total Assets	<u>105,049</u>

LIABILITIES

Accounts payable	<u>34,558</u>
Total Liabilities	<u>34,558</u>

NET POSITION

Unrestricted	<u>70,491</u>
Total Net Position	<u><u>\$ 70,491</u></u>

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS INDUSTRIAL DEVELOPMENT AGENCY

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2014

Operating Revenues:	
Charges for services	<u>\$ 11,250</u>
Operating Expenses:	
Contractual expenses	70,343
Miscellaneous expense	<u>150</u>
Total Operating Expenses	<u>70,493</u>
Operating Loss	<u>(59,243)</u>
Non-Operating Revenues (Expenses):	
Interest income	<u>126</u>
Total Non-Operating Revenues (Expenses)	<u>126</u>
Decrease in Net Position	(59,117)
Net Position - Beginning of Year	<u>129,608</u>
Net Position - End of Year	<u><u>\$ 70,491</u></u>

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS INDUSTRIAL DEVELOPMENT AGENCY

Statement of Cash Flows

Year Ended December 31, 2014

Cash Flows From Operating Activities:	
Cash received from providing services	\$ 11,250
Cash payments for contractual expenses	(38,065)
Other operating expenses	<u>(150)</u>
Net Cash Provided (Used) by Operating Activities	<u>(26,965)</u>
Cash Flows From Investing Activities:	
Interest income	<u>126</u>
Net Cash Provided (Used) by Investing Activities	<u>126</u>
Net Decrease in Cash and Cash Equivalents	(26,839)
Cash and Cash Equivalents at Beginning of Year	<u>131,888</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 105,049</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Net Operating Loss	\$ (59,243)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Increase (Decrease) in:	
Accounts payable	<u>32,278</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (26,965)</u></u>

See Independent Auditor's Report and Notes

CITY OF GLENS FALLS INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements

December 31, 2014

Summary of Significant Accounting Policies

The summary of significant accounting policies of the City of Glens Falls Industrial Development Agency (the Agency) is presented to assist in understanding the Agency's financial statements. The financial statements and notes are representations of the Agency's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization and Purpose

The Agency was created in 1976 by the Common Council of the City of Glens Falls, New York to operate independently for the purpose of encouraging economic growth within the City of Glens Falls. The Agency is a Component Unit of the City of Glens Falls. The purposes of the Agency are to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing and commercial facilities and thereby advance the job opportunities, health, general prosperity and economic welfare of the City of Glens Falls, New York and the residents thereof; and to improve their recreational opportunities, prosperity and standards of living.

The Agency accomplishes its purposes through arranging for issuance of taxable and tax-exempt Industrial Development Revenue Bonds, granting of sales and mortgage tax exemptions and the arranging and administration of payment-in-lieu-of-taxes agreements, to prospective businesses upon an application and approval process.

Enterprise Fund

The Agency records its transactions in this proprietary-type fund, which is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The financial statements of the agency are prepared using the accrual basis of accounting. 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 expense include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Income Taxes

The Agency, although established by the Common Council of the City of Glens Falls, operates as an independent entity and is exempt from federal, state and local income taxes.

Bad Debts

The Agency uses the direct write-off method for recording amounts deemed uncollectible. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Cash and Cash Equivalents

The Agency considers all checking, savings and certificates of deposit accounts with a maturity of three months or less to be cash equivalents for purposes of the statement of cash flows.

CITY OF GLENS FALLS INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements

December 31, 2014

Summary of Significant Accounting Policies – Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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.

Net Position

The Agency is required to report information regarding its financial position and activities according to a net position format (assets plus deferred outflows of resources less liabilities less deferred inflows of resources) and shown with three components: net amounts invested in capital assets, restricted and unrestricted. The entire net position is unrestricted at December 31, 2014.

It is the Agency's policy to first use restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Future Impacts of Accounting Pronouncements

The Agency has not completed the process of evaluating the impact that will result from adopting GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. These pronouncements were not effective as of December 31, 2014. The Agency is, therefore, unable to disclose the impact that adopting these pronouncements will have on the financial position and results of operations in the future.

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 is retired by lease payments. The bonds and notes are not obligations of the Agency or the State of New York. The Agency does not record the assets or liabilities resulting from completed bond and note issues 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.

The Agency receives an administration fee calculated as a percentage of the amount of bonds issued or cost of the project in the case of a straight lease transaction, in addition to reimbursements for any legal costs incurred by the Agency. Such administrative fee income is recognized immediately upon the closing of the project.

Industrial development revenue bonds and notes issued by the Agency which remain outstanding at December 31, 2014, are as follows:

Bonds issued for the Crandall Library construction project with interest ranging from 4% to 5%. Payments are due annually in amounts ranging from \$215,000 to \$460,000, maturing on October 1, 2037

\$ 11,180,000

Total bonds outstanding

\$ 11,180,000

CITY OF GLENS FALLS INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements

December 31, 2014

Straight Lease Transactions

The Agency has the ability to enter into straight lease agreements with companies. These agreements allow companies sales and property tax exemptions. For providing this service, the Agency receives an administrative fee from the companies.

Cash and Investments

The Agency's investment policies are governed by State statutes. Agency monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The treasurer 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, the Agency had no investments.

Collateral is required for demand and time deposits and certificates of deposit not covered by the Federal Deposit Insurance Corporation. Obligations that may be pledged as collateral include obligations guaranteed by the government of the United States or by the State of New York and obligations issued by a municipal corporation or school district of such State.

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.

The Agency's aggregate bank balances were covered by depository insurance at year-end.

The Agency does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk. The Agency does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign current risk.

Related Party

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 year ended December 31, 2014 the Agency did not provide funding to the Greater Glens Falls Local Development Corporation.

Subsequent Event

The Agency has evaluated all events through March 5, 2015, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure.



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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*

To The Board of Directors
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, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Glens Falls Industrial Development Agency's basic financial statements, and have issued our report thereon dated March 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Glens Falls Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP
Queensbury, New York

March 5, 2015