

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

Independent Auditors' Report

Regulatory Financial Statements

Years Ended December 31, 2011 and 2010



Whittemore, Downen & Ricciardelli, LLP  
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COMMUNITY DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF THE CITY OF GLOVERSVILLE, NEW YORK)

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## INDEPENDENT AUDITORS' REPORT

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

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, 2011 and 2010 as presented in the Annual Financial Report Update Document and notes. These regulatory financial statements are the responsibility of the City's management. 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 regulatory financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the regulatory financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall regulatory financial statement presentation. We believe that our audit and the reports of the other auditors provides a reasonable basis for our opinions.

As described more fully in the notes to the financial statements, the City of Gloversville prepared these regulatory financial statements using accounting practices prescribed or permitted by the Office of the State Comptroller of the State of New York, which practices differ from accounting principles generally accepted in the United States of America. The differences between regulatory accounting practices and accounting principles generally accepted in the United States of America are described in the notes.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the regulatory financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Community Development Agency as of December 31, 2011 and 2010, or the results of its operations for the year then ended. Further, the Community Development Agency has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the regulatory financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund equity of the Community Development Agency (a component unit of the City of Gloversville, New York) as of December 31, 2011 and 2010, and the results of its operations for the year then ended in conformity with the basis of accounting described in the notes to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated April 12, 2012 on our consideration of the Community Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the City of Gloversville Community Development Agency's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the supplementary information of the City's preparation of regulatory financial statements as described in the third paragraph, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP

April 12, 2012

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

Annual Financial Report Update Document  
Regulatory Basis

December 31, 2011 and 2010

(CD) SPECIAL GRANT

Balance Sheet

<b>Code Description</b>	<b>2010</b>	<b>EdpCode</b>	<b>2011</b>
<b>Assets</b>			
Cash	\$ 89,033	CD200	\$ 104,987
<b>Total Cash</b>	<b>89,033</b>		<b>104,987</b>
Rehabilitation Loans Receivable	68,112	CD390	66,098
<b>Total Other Receivables</b>	<b>68,112</b>		<b>66,098</b>
State and Federal Aid Receivables	34,892	CD410	-
<b>Total State and Federal Aid Receivables</b>	<b>34,892</b>		-
Due From Other Funds	-	CD391	-
<b>Total Due From Other Funds</b>	-		-
<b>Total Assets</b>	<b>192,037</b>		<b>171,085</b>

See Independent Auditors' 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, 2011 and 2010

(CD) SPECIAL GRANT

Balance Sheet

<b>Code Description</b>	<b>2010</b>	<b>EdpCode</b>	<b>2011</b>
<b>Liabilities And Fund Equity</b>			
Accounts Payable	\$ 8,866	CD600	\$ 11,950
<b>Total Accounts Payable</b>	<b>8,866</b>		<b>11,950</b>
Due To Other Funds	1,767	CD630	1,673
<b>Total Due To Other Funds</b>	<b>1,767</b>		<b>1,673</b>
Due To Other Governments	2,295	CD631	14
<b>Total Due To Other Governments</b>	<b>2,295</b>		<b>14</b>
Deferred Revenues	71,315	CD691	66,098
<b>Total Deferred Revenues</b>	<b>71,315</b>		<b>66,098</b>
<b>Total Liabilities</b>	<b>84,243</b>		<b>79,735</b>
Unreserved Fund Balance Unappropriated	107,794	CD911	91,350
<b>Total Unreserved Fund Balance - Unappropriated</b>	<b>107,794</b>		<b>91,350</b>
<b>Total Fund Equity</b>	<b>107,794</b>		<b>91,350</b>
<b>Total Liabilities And Fund Equity</b>	<b>192,037</b>		<b>171,085</b>

See Independent Auditors' Report and Notes

COMMUNITY DEVELOPMENT AGENCY  
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Annual Financial Report Update Document  
Regulatory Basis

For the Years Ended December 31, 2011 and 2010

(CD) SPECIAL GRANT

Results Of Operations

<b>Code Description</b>	<b>2010</b>	<b>EdpCode</b>	<b>2011</b>
<b>Detail Revenues And Other Sources</b>			
Community Development Income	\$ 10,396	CD2170	\$ 2,013
<b>Total Departmental Income</b>	<b>10,396</b>		<b>2,013</b>
Interest And Earnings	395	CD2401	643
<b>Total Use of Money And Property</b>	<b>395</b>		<b>643</b>
Unclassified (Specify)	28,852	CD2770	8,093
<b>Total Miscellaneous Local Sources</b>	<b>28,852</b>		<b>8,093</b>
Federal Aid - Other	299,600	CD4089	291,979
<b>Total Federal Aid</b>	<b>299,600</b>		<b>291,979</b>
<b>Total Revenues</b>	<b>339,243</b>		<b>302,728</b>
<b>Total Detail Revenues And Other Sources</b>	<b>339,243</b>		<b>302,728</b>

See Independent Auditors' Report and Notes

COMMUNITY DEVELOPMENT AGENCY  
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Annual Financial Report Update Document  
Regulatory Basis

For the Years Ended December 31, 2011 and 2010

(CD) SPECIAL GRANT

Results of Operation

Code Description	2010	EdpCode	2011
<b>Expenditures</b>			
Rehab Loans & Grant, Pers Serv	\$ -	CD86681	\$ -
Rehab Loans & Grant, Contr Expend	289,122	CD86684	271,197
Rehab Loans & Grant, Empl Bnfts	-	CD86688	-
Rehab Loans & Grant, Business Loan	25,000	CD86689	-
<b>Total Rehab Loans &amp; Grant</b>	<b>314,122</b>		<b>271,197</b>
Administration, Pers Serv	20,945	CD86861	16,838
Administration, Cont Expend	21,425	CD86864	26,740
Administration, Empl Bnfts	9,550	CD86868	4,397
<b>Total Administration</b>	<b>51,920</b>		<b>47,975</b>
<b>Total Home And Community Services</b>	<b>366,042</b>		<b>319,172</b>
<b>Total Expenditures</b>	<b>366,042</b>		<b>319,172</b>
<b>Total Detail Expenditures And Other Uses</b>	<b>366,042</b>		<b>319,172</b>

See Independent Auditors' Report and Notes



COMMUNITY DEVELOPMENT AGENCY  
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Annual Financial Report Update Document  
Regulatory Basis

For the Years Ended December 31, 2011 and 2010

(CD) SPECIAL GRANT

Changes in Fund Equity

<b>Code Description</b>	<b>2010</b>	<b>EdpCode</b>	<b>2011</b>
<b>ANALYSIS OF CHANGES IN FUND EQUITY</b>			
<b>Fund Equity - Beginning of Year</b>	<b>\$ 134,594</b>	<b>CD8021</b>	<b>\$ 107,794</b>
Prior Period Adj. - Decrease In Fund Equity	(1)	CD8015	-
<b>Restated Fund Equity - Beginning of Year</b>	<b>134,593</b>	<b>CD8022</b>	<b>107,794</b>
ADD - REVENUES AND OTHER SOURCES	339,243		302,728
DEDUCT - EXPENDITURES AND OTHER USES	366,042		319,172
<b>Fund Equity - End of Year</b>	<b>107,794</b>	<b>CD8029</b>	<b>91,350</b>

See Independent Auditors' Report and Notes

COMMUNITY DEVELOPMENT AGENCY  
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Notes to Regulatory Financial Statements

December 31, 2011 and 2010

**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 state funds 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 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, 45 or 54, and therefore, its financial statements are not presented in accordance with U.S. Generally Accepted Accounting Principals.

**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 City 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 \$109,710 and \$89,237 as of December 31, 2011 and 2010, respectively. The balances are covered in full by Federal Deposit Insurance Corporation (FDIC) insurance.

COMMUNITY DEVELOPMENT AGENCY  
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Notes to Regulatory Financial Statements

December 31, 2011 and 2010

**Summary of Significant Accounting Policies – Continued**

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.

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 \$-0- and \$34,892 as of December 31, 2011 and 2010, respectively.

Interfund Receivables and Payables:

Balances receivable and payable were as follows:

	<u>2011</u>	<u>2010</u>
Due to General Fund	<u>\$ 1,673</u>	<u>\$ 1,767</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 \$14 and \$2,295 as of December 31, 2011 and 2010, respectively.

Deferred Revenues

CDA had deferred revenue recorded in the amount of \$66,098 and \$71,315 as of December 31, 2011 and 2010 related to note receivable and federal grant receivable balances that had not been received by February 29, 2012.

**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, City management believes such disallowances, if any, would not be material.

**Subsequent Events**

The CDA has evaluated all events through April 12, 2012, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure.

COMMUNITY DEVELOPMENT AGENCY  
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Schedule of Expenditures of Federal Awards  
 (Schedule 1)

Year Ended December 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Disbursements/ Expenditures	Total By Federal Agency
U.S. Dept. of HUD:			
Direct Programs:			
Community Development Block Grant			
Entitlement Grants	14.228	\$ -	
Passed-Through New York State:			
HOME Investment Partnership Program	14.239	<u>288,776</u>	
Total			<u>\$ 288,776</u>

See Independent Auditors' Report and Notes

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2011

**General**

The accompanying schedule of expenditures of federal awards presents the activity of all Federal financial assistance programs of the Community Development Agency (a component unit of the City of Gloversville, New York). The Community Development Agency's reporting entity is defined in the notes to the general purpose financial statements. All Federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies are included on the schedule.

**Basis of Accounting**

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in the notes to the Community Development Agency's basic financial statements.

**Sub-Recipients**

There were no sub-recipients of these grants.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
ANNUAL FINANCIAL REPORT UPDATE DOCUMENT PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To The Mayor and Common Council  
Community Development Agency  
City of Gloversville, New York

We have audited 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, 2011 and 2010, and have issued our report thereon dated April 12, 2012. The report on the Community Development Agency was qualified because the regulatory financial statements were prepared using accounting practices prescribed or permitted by the Office of the State Comptroller of the State of New York, which practices differ from U.S. generally accepted accounting principles. Except as discussed in the preceding sentence, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Community Development Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Community Development Agency's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

This report is intended solely for the information and use of management, members of the Common Council and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP

April 12, 2012



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

To The Mayor and Common Council  
Community Development Agency  
City of Gloversville, New York

Compliance

We have audited the compliance of the Community Development Agency (a component unit of the City of Gloversville, New York) with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2011. Community Development Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Community Development Agency's management. Our responsibility is to express an opinion on the Community Development Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 requires that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Community Development Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Community Development Agency's compliance with those requirements.

In our opinion, Community Development Agency complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the Community Development Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Community Development Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose



of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Community Development Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Common Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP

April 12, 2012

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

Schedule of Findings and Questioned Costs  
(Schedule 2)

December 31, 2011

Section 1 – Summary of Auditor's Results

I. Financial Statements

- A. Type of auditor's report issued:
  - 1. A qualified opinion has been issued on the financial statements.
- B. Internal control over financial reporting:
  - 1. No material weaknesses were identified.
  - 2. No deficiencies were identified that are not considered to be material weaknesses.
- C. No instances of noncompliance were noted.

II. Federal Awards

- A. Internal control over major programs:
  - 1. No material weaknesses were identified.
  - 2. No significant deficiencies were identified.
- B. Type of auditor's report issued on compliance for major programs:
  - 1. An unqualified opinion has been issued on the Community Development Agency's compliance for major programs.
- C. No audit findings were disclosed that is required to be reported in accordance with Section 510(a) of Section A-133.

D. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
14.239	Home Investment Partnership Program

- E. The dollar threshold used to distinguish Type A and Type B programs is \$300,000.
- F. The auditee does not qualify as a low-risk auditee.

Section III – Federal Awards Findings

NONE

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

Schedule of Status of Findings and Questioned Costs From 2010 Report  
(Schedule 3)

Findings:

2010-01 Criteria: Federal Regulation § 570.500(a)(2)(ii) requires interest income earned on the use of Community Block Development Grants, specifically in the Revolving Loan account, to be remitted to HUD for transmittal to the U.S. Treasury no less frequently than annually.

Condition: Interest payable to HUD is not being remitted to the U.S. Treasury as required.

Status: Not a recurring finding.