

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

Independent Auditors' Report

Statutory Financial Statements

Year Ended December 31, 2010



**Whittemore, Downen & Ricciardelli, LLP
333 Aviation Road - Building B
Queensbury, NY 12804**

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

Table of Contents

	Page
Independent Auditors' Report	1-2
Annual Financial Report Update Document	3-7
Notes to Statutory Financial Statements	8-9
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	10-11
Schedule of Findings (Schedule 1)	12



WHITTEMORE, DOWEN & RICCIARDELLI, LLP
Certified Public Accountants and Consultants

333 Aviation Road, Building B • Queensbury, NY 12804
Phone: (518) 792-0918 • Fax: (518) 743-0882
112 Spring Street, Suite 307 • Saratoga Springs, NY 12866
Phone: (518) 584-0770
www.wdr CPA.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statutory financial statements of the Community Development Agency, a component unit of the City of Gloversville, New York, as of and for the year ended December 31, 2010 as presented in the Annual Financial Report Update Document and notes. These statutory financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these statutory 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 statutory financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statutory financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statutory financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in the notes to the financial statements, the City of Gloversville prepared these statutory 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 effects on the statutory financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the statutory 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, 2010, or the results of its operations for the year then ended.

In our opinion, the statutory financial statements referred to above 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, 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 September 28, 2011 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. 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.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP

September 28, 2011

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

Annual Financial Report Update Document

December 31, 2010

(CD) SPECIAL GRANT

Balance Sheet

Code Description	2009	EdpCode	2010
Assets			
Cash	\$ 161,371	CD200	\$ 89,033
Total Cash	161,371		89,033
Rehabilitation Loans Receivable	53,507	CD390	68,112
Total Other Receivables	53,507		68,112
State and Federal Aid Receivables	9,910	CD410	34,892
Total State and Federal Aid Receivables	9,910		34,892
Due From Other Funds	-	CD391	-
Total Due From Other Funds	-		-
Total Assets	224,788		192,037

See Independent Auditors' Report and Notes

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

Annual Financial Report Update Document

December 31, 2010

(CD) SPECIAL GRANT

Balance Sheet

Code Description	2009	EdpCode	2010
Liabilities And Fund Equity			
Accounts Payable	\$ 24,830	CD600	\$ 8,866
Total Accounts Payable	24,830		8,866
Due To Other Funds	2,370	CD630	1,767
Total Due To Other Funds	2,370		1,767
Due To Other Governments	2,192	CD631	2,295
Total Due To Other Governments	2,192		2,295
Deferred Revenues	60,802	CD691	71,315
Total Deferred Revenues	60,802		71,315
Total Liabilities	90,194		84,243
Unreserved Fund Balance Unappropriated	134,594	CD911	107,794
Total Unreserved Fund Balance - Unappropriated	134,594		107,794
Total Fund Equity	134,594		107,794
Total Liabilities And Fund Equity	224,788		192,037

See Independent Auditors' Report and Notes

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

Annual Financial Report Update Document

For the Year Ended December 31, 2010

(CD) SPECIAL GRANT

Results Of Operations

Code Description	2009	EdpCode	2010
Detail Revenues And Other Sources			
Community Development Income	\$ 9,661	CD2170	\$ 10,396
Total Departmental Income	9,661		10,396
Interest And Earnings	448	CD2401	395
Total Use of Money And Property	448		395
Unclassified (Specify)	473	CD2770	28,852
Total Miscellaneous Local Sources	473		28,852
Federal Aid - Other	609,515	CD4089	299,600
Total Federal Aid	609,515		299,600
Total Revenues	620,097		339,243
Total Detail Revenues And Other Sources	620,097		339,243

See Independent Auditors' Report and Notes

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

Annual Financial Report Update Document

For the Year Ended December 31, 2010

(CD) SPECIAL GRANT

Results of Operation

Code Description	2009	EdpCode	2010
Expenditures			
Rehab Loans & Grant, Pers Serv	\$ 5,281	CD86681	\$ -
Rehab Loans & Grant, Contr Expend	571,232	CD86684	289,122
Rehab Loans & Grant, Empl Bnfts	417	CD86688	-
Rehab Loans & Grant, Business Loan	-	CD86689	25,000
Total Rehab Loans & Grant	576,930		314,122
Administration, Pers Serv	31,431	CD86861	20,945
Administration, Cont Expend	19,369	CD86864	21,425
Administration, Empl Bnfts	13,550	CD86868	9,550
Total Administration	64,350		51,920
Total Home And Community Services	641,280		366,042
Total Expenditures	641,280		366,042
Total Detail Expenditures And Other Uses	641,280		366,042

See Independent Auditors' Report and Notes

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

Annual Financial Report Update Document

For the Year Ended December 31, 2010

(CD) SPECIAL GRANT

Changes in Fund Equity

Code Description	<u>2009</u>	<u>EdpCode</u>	<u>2010</u>
ANALYSIS OF CHANGES IN FUND EQUITY			
Fund Equity - Beginning of Year	\$ 155,777	CD8021	\$ 134,594
Prior Period Adj. - Decrease In Fund Equity	-	CD8015	(1)
Restated Fund Equity - Beginning of Year	155,777	CD8022	134,593
ADD - REVENUES AND OTHER SOURCES	620,097		339,243
DEDUCT - EXPENDITURES AND OTHER USES	641,280		366,042
Fund Equity - End of Year	134,594	CD8029	107,794

See Independent Auditors' Report and Notes

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

Notes to Statutory Financial Statements

December 31, 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.

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 modified accrual 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. Expenditures are recorded when the liability is incurred.

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 City 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.

Detail Notes on Account Groups

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.

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

Notes to Statutory Financial Statements

December 31, 2010

Detail Notes on Account Groups – Continued

At year end, bank balances of the CDA's deposits totaled \$89,237. 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. This fund is 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 \$34,892 as of December 31, 2010.

Interfund Receivables and Payables:

Balances receivable and payable at December 31, 2010 are as follows:

Due to General Fund	<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 \$2,295 as of December 31, 2010.

Deferred Revenues

CDA had deferred revenue recorded in the amount of \$71,315 as of December 31, 2010 related to note receivable and federal grant receivable balances that had not been received by February 28, 2011.

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 September 28, 2011, the date which these financial statements were available to be issued, and determined that there are no subsequent events which require disclosure.



WHITTEMORE, DOWEN & RICCIARDELLI, LLP
Certified Public Accountants and Consultants

333 Aviation Road, Building B • Queensbury, NY 12804
Phone: (518) 792-0918 • Fax: (518) 743-0882
112 Spring Street, Suite 307 • Saratoga Springs, NY 12866
Phone: (518) 584-0770
www.wdr CPA.com

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 statutory financial statements of the Community Development Agency (a component unit of the City of Gloversville, New York), as of and for the year ended December 31, 2010, and have issued our report thereon dated September 28, 2011. In our report, our opinion was qualified because the Community Development Agency's statutory 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 statutory 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 statutory 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2011-1.

City of Gloversville Community Development Agency's response to the finding identified in our audit is described in the accompany schedule of findings. We did not audit the Community Development Agency's response and, accordingly, we express no opinion on it.

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

September 28, 2011

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

Schedule of Findings
(Schedule 1)

December 31, 2010

Findings:

2011-01 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.

Effect: Non compliance with federal Regulations may jeopardize future funding of the program.

Recommendation: Management should remit the funds annually as required. (\$2,295 as of December 31, 2010).

Management Response: The funds will be remitted as required.