

*TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY*

FINANCIAL STATEMENTS

DECEMBER 31, 2011

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2011

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-5
Statements of Net Assets	6
Statements of Revenue, Expenses and Changes in Net Assets	7
Statements of Cash Flows	8
Notes to Financial Statements	9-13
Supplemental Information	
Schedule of Revenues, Expenditures, and Changes in Net Assets - Budget (Non-GAAP Basis) and Actual	14
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15-16
Appendix I	
Annual Financial Report for Industrial Development Agencies	

CUSACK & COMPANY
Certified Public Accountants LLC
7 AIRPORT PARK BOULEVARD
LATHAM, NEW YORK 12110
(518) 786-3550
FAX (518) 786-1538
E-MAIL ADDRESS: INFO@CUSACKCPA.COM
WWW.CUSACKCPA.COM

CLIFTON PARK/HALFMOON OFFICE
(518) 664-7063
FAX (518) 541-3083

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
AND
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Town of Bethlehem Industrial Development Agency
Bethlehem, New York

We have audited the accompanying financial statements of the Town of Bethlehem Industrial Development Agency (the Agency) (a public benefit corporation), as of and for the year ended December 31, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on those financial statements based on our audit. The financial statements as of and for the year ended December 31, 2010 were audited by other auditors whose report dated March 14, 2011, expressed an unqualified opinion.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2011, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2012 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and budgetary comparison information on page 14 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The accompanying Governance information and additional schedules presented in Appendix I, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The Governance information and additional schedules presented in Appendix I have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
March 23, 2012

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

The following discussion and analysis of the Town of Bethlehem Industrial Development Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2011. This document should be read in conjunction with the Agency's financial statements.

Financial Highlights

With the support of an improving economy, the Agency issued a new conduit bond and executed two new agreements for payments in lieu of taxes (PILOTs) in 2011.

As reported in the project analysis section of the December 31, 2011 Annual Report, total PILOT payments received were close to \$8.6 million which exceeded the tax exemptions granted by a net total of \$4.4 million.

The Agency is also eligible to receive supplemental fees from PSEG Power New York, Inc., assuming certain energy production levels are exceeded. Agency operating revenues of \$2,436,193 include \$64,307 in energy reimbursement fees from PSEG Power New York, Inc.

Projects and New Developments:

Vista Technology Campus Project: The Agency continued to support the Vista Technology Campus project owned by Vista Development Group, LLC which calls for construction of roads and infrastructure to support the future development of 1.4 million square feet of building space. In 2011, the Agency spent hundreds of hours planning and implementing the financing of Vista Boulevard, a 3/4 mile access road with water lines, sewer lines, utilities, storm water basin and pump station ("Infrastructure") in the Campus. This project called for the Agency to issue a bond not to exceed \$6,750,000, to acquire the real estate footprint for the Infrastructure and to construct the Infrastructure improvements. Contracts for engineering, construction and construction management were entered into through a public bidding process. The Agency provided "financial assistance" in the form of a tax exempt bond, exemption from sales tax and exemption from mortgage tax. This project closed on December 30, 2011.

The Agency provided "financial assistance" to SRS Bethlehem, LLC to construct a ShopRite supermarket with a project cost of \$12,300,000 on the Vista Technology Campus. The financing took the form of a "straight lease" with exemption from sales tax, exemption from mortgage tax and a PILOT agreement that was based on a Tier I real estate tax abatement. This project closed on December 30, 2011.

The Agency approved the provision of "financial assistance" to Columbia Bethlehem Berk, LLC and Columbia Bethlehem SEF, LLC to construct office buildings respectively for Berkshire Bank and SEFCU each with a project cost of \$1,816,890. The financial assistance will be in the form of a straight lease and exemption from sales tax, exemption from mortgage tax and a PILOT agreement based on a Tier I real estate tax abatement. These two projects are expected to close in early 2012.

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2011

Projects and New Developments (Continued):

The Agency approved the provision of “financial assistance” to ShopRite Supermarkets, Inc. to purchase equipment with an estimated value of \$4,735,000 to be installed in the SRS Bethlehem, LLC project. The financial assistance will consist of exemption from sales tax. This project is expected to close in 2012.

35 Hamilton of Glenmont Project: The Agency provided financial assistance to 35 Hamilton of Glenmont, LLC, a flex space warehouse with a project cost of \$1,200,000 in the form of a straight lease, exemption from sales tax, exemption from mortgage tax and a PILOT agreement based on a Tier II real estate tax abatement. This project closed on March 11, 2011.

20/20 Planning Initiative: The Agency continued to support the Town of Bethlehem’s 20/20 planning initiative which calls for the development of a long-term needs assessment, development of a long-term tax base analysis to quantify the tax base diversification goals, development of a marketing and communications program, development of a community compact on principles, goals and objectives for the year 2020 and continuation of the existing business development and retention program.

Capital District Transportation Committee and NYS Department of Transportation: The Agency continued to support the Town of Bethlehem’s planning initiatives for the Capital District Transportation Committee and NYS Department of Transportation - 2010 Grant Programs; the 9W Corridor Study, the Clapper Road Interchange Feasibility Study, the Local Waterfront Revitalization Plan, the Delaware Avenue Hamlet Enhancement Study, the New Scotland Road Hamlet Master Plan, the Open Space Plan and the Agriculture and Farmland Protection Plan.

PILOTS: In 2011, the Agency executed a new PILOT agreement with SRS Bethlehem, LLC which provided a Tier I tax abatement pursuant to the Agency’s uniform tax abatement policy. The Agency also executed a new PILOT agreement with 35 Hamilton of Glenmont, LLC which provided a Tier II tax abatement pursuant to the Agency’s uniform tax abatement policy.

Summary of Conduit Bonds

One conduit bond was issued by the Agency during 2011. The following table presents a summary of outstanding conduit bond issuances, which are more fully described within the footnotes to the financial statements:

<u>Project</u>	<u>Balance</u> <u>12/31/10</u>	<u>Issued In</u> <u>2011</u>	<u>Paid in</u> <u>2011</u>	<u>Balance</u> <u>12/31/11</u>
Selkirk Cogen	\$ 84,473,269	\$ -	\$ 55,070,140	\$ 29,403,129
American Housing Foundation	6,445,000	-	120,000	6,325,000
467 Delaware Avenue, LLC	10,000,000	-	255,000	9,745,000
YMCA	6,067,576	-	261,492	5,806,084
Vista Development Group, LLC	<u>-</u>	<u>6,750,000</u>	<u>-</u>	<u>6,750,000</u>
Total	<u>\$ 106,985,845</u>	<u>\$ 6,750,000</u>	<u>\$ 55,706,632</u>	<u>\$ 58,029,213</u>

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2011

Service Agreement

The Agency entered into a 2011 Service Agreement with the Town of Bethlehem (the Town), in recognition of the services provided by Town staff (primarily from the Town's Department of Economic Development and Planning) in furtherance of the mutual goals of the Town and the Agency, and given that the Agency has the financial ability to fund a portion of the costs devoted to these efforts.

The Agency voted to pay the Town \$25,000 for 2011 services at its January 20, 2012 meeting.

Interest Income

Interest earnings for 2011 were equal to \$854, about \$249 less than the 2010 earnings of \$1,103. The decline in income reflected continued declines in interest rates and investment balances.

Change in Net Assets

The Agency's net assets as of the end of 2011 increased from the levels at the end of 2010 shown in the following:

	<u>2011</u>	<u>2010</u>
Net Assets as of Beginning of Year	\$ 229,392	\$ 225,666
Revenue	2,437,047	55,325
Expenditures	<u>(76,783)</u>	<u>(51,599)</u>
Net Assets as of End of Year	<u>\$ 2,589,656</u>	<u>\$ 229,392</u>

The increase in revenue is attributable to the recording of the PILOT mortgage receivable from Vista Development Group, LLC at the end of 2011, as well as to fees earned by the Agency on the Vista Development Group, LLC bond project and the SRS Bethlehem, LLC and 35 Hamilton of Glenmont, LLC straight lease projects and to the increase in the rate calculation used to determine the energy reimbursement fees collected from PSEG Power New York, Inc.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's finances for all those having an interest, and should be considered along with the Annual Audit Report, including the related footnotes. Questions concerning any of the information provided in this report may be addressed to Allen Maikels, CPA, Chief Financial Officer, or Frank Venezia, CPA, Agency Chairman, at 445 Delaware Avenue, Delmar, NY 12054.

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
 DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and Cash Equivalents	\$ 813,980	\$ 220,265
Accounts Receivable	8,835	10,458
Prepaid Expenses	<u>1,215</u>	<u>-</u>
Total Current Assets	824,030	230,723
PILOT Mortgage Receivable	2,049,271	-
Construction in Progress	1,753,472	-
Intangible Assets	<u>483,941</u>	<u>-</u>
Total Assets	<u>\$ 5,110,714</u>	<u>\$ 230,723</u>
 <u>Liabilities and Net Assets</u> 		
Current Liabilities:		
Accounts Payable	\$ 403,939	\$ 32
Retainage Payable	66,536	-
Accrued Liabilities	<u>1,312</u>	<u>1,299</u>
Total Current Liabilities	471,787	1,331
Noncurrent Liabilities:		
Bond Payable	<u>2,049,271</u>	<u>-</u>
Total Liabilities	<u>2,521,058</u>	<u>1,331</u>
Net Assets		
Nonspendable	483,941	-
Assigned	1,753,472	-
Unassigned	<u>352,243</u>	<u>229,392</u>
Total Net Assets	<u>2,589,656</u>	<u>229,392</u>
Total Liabilities and Net Assets	<u>\$ 5,110,714</u>	<u>\$ 230,723</u>

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
PILOT Revenues	\$ 2,049,271	\$ -
Fees	<u>386,922</u>	<u>54,222</u>
Total Operating Revenue	<u>2,436,193</u>	<u>54,222</u>
Operating Expenses:		
Contractual Expenses	<u>76,783</u>	<u>51,599</u>
Total Operating Expenses	<u>76,783</u>	<u>51,599</u>
Operating Income	<u>2,359,410</u>	<u>2,623</u>
Other Revenues:		
Interest Income	<u>854</u>	<u>1,103</u>
Total Other Revenues	<u>854</u>	<u>1,103</u>
Net Income	2,360,264	3,726
Net Assets, at Beginning of Year	<u>229,392</u>	<u>225,666</u>
Net Assets, at End of Year	<u>\$ 2,589,656</u>	<u>\$ 229,392</u>

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Cash Received from Providing Services	\$ 388,545	\$ 50,039
Cash Payments Personal Services and Benefits	(42,601)	(37,321)
Cash Payments Contractual Expenses	<u>(10,416)</u>	<u>(14,130)</u>
Net Cash Provided by (Used in) Operating Activities	<u>335,528</u>	<u>(1,412)</u>
Cash Flows from Investing Activities:		
Investment Income	854	1,103
Cash Payments for Construction in Progress	(1,307,997)	-
Cash Payments for Intangible Assets	<u>(483,941)</u>	<u>-</u>
Net Cash Provided by (Used in) Investing Activities	<u>(1,791,084)</u>	<u>1,103</u>
Cash Flows from Financing Activities:		
Proceeds from Bond Payable	<u>2,049,271</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>2,049,271</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	593,715	(309)
Cash and Cash Equivalents at Beginning of Year	<u>220,265</u>	<u>220,574</u>
Cash and Cash Equivalents at End of Year	<u>\$ 813,980</u>	<u>\$ 220,265</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ <u>2,359,410</u>	\$ <u>2,623</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operations:		
Increase in PILOT Mortgage Receivable	(2,049,271)	-
(Increase) Decrease in Assets Other Than Cash and Cash Equivalents	408	(4,183)
Increase in Liabilities Other Than Construction Related Liabilities	<u>24,981</u>	<u>148</u>
Total Adjustments	<u>(2,023,882)</u>	<u>(4,035)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 335,528</u>	<u>\$ (1,412)</u>

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Town of Bethlehem Industrial Development Agency (the Agency) is a public benefit corporation created in 1980 by the Town Board of the Town of Bethlehem, New York under the provisions of Chapter 1030 of the 1969 Laws of New York State, for the purpose of encouraging economic growth in the Town of Bethlehem. The Agency is exempt from Federal, State, and Local income taxes. The Agency, although established by the Town Board of the Town of Bethlehem, is a separate entity and operates independently of the Town of Bethlehem.

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

Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed, to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The Agency has elected not to follow subsequent private-sector guidance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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 statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues and Expenses

Revenues and expenses are recorded on the accrual basis.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Expenses

For purposes of the statement of cash flows, cash consists of cash held in savings, checking, and money market accounts. The Agency considers all investment instruments purchased with maturity of three months or less to be cash equivalents.

Income Taxes

The financial statements do not provide a tax liability for the Agency. The Agency is exempt from federal, state, and local taxes.

Plant, Property, and Equipment

Plant, property, and equipment acquired through the Agency's conduit financing are recorded as assets on the books of the project entities, along with the associated debt.

The Agency has a capitalization policy for additions of fixed assets with a minimum cost of \$1,000 and a useful life or more than one year. There were no fixed assets at December 31, 2011.

Industrial Revenue Bond and Note Transactions

Certain 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, Town of Bethlehem, or New York State. 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 there from are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives an administration fee from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds, notes, and upon closing of straight lease transactions. At December 31, 2011, the outstanding balance of bonds was \$58,029,213.

In addition to the administrative fees received upon closing, the Agency is also eligible to receive supplemental fees from PSEG Power New York, Inc., assuming certain energy production levels are exceeded. The calculations are made quarterly, commencing August 2005, which was the month following the date commercial operations began (July 18, 2005). The Fees revenue includes \$64,307 in Energy Reimbursement Payments. Accounts receivable include \$8,835 due from PSEG as of December 31, 2011.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

State statutes govern the Agency's investment policies. In addition, the Agency has its own written investment policy. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State of New York. The Chief Financial Officer is authorized to use demand accounts and certificates of deposit. Cash and money market investments reflected on the statements of net assets were entirely covered by FDIC insurance or secured by collateral held by a third party agent. Investments measured at fair value on a recurring basis, based on quoted market prices, and other relevant information generated by market transactions are comprised of the following:

Investments as of December 31, 2011

Money Market	<u>\$ 212,284</u>
--------------	-------------------

Net Assets

In 2007, the Agency adopted a policy setting a minimum level for net assets. The policy is designed to provide an appropriate level of assets to cover the Agency's operating costs, given the sometimes multiple year cycle between project transactions. The policy defines a minimum reasonable balance at three times the annual base budget, currently equal to \$180,000. If the fund balance is projected to fall below this threshold, the Agency must adopt a plan to restore the minimum net asset position within a twelve-month period.

2. PILOT MORTGAGE RECEIVABLE

To provide a source of repayment for the bond payable and related interest costs, the Agency and the developer have entered into a payment in lieu of taxes ("PILOT"), requiring the developer to make PILOT payments to equal to the debt service for the term of the bond payable.

3. INTANGIBLE ASSET

The Agency's intangible asset at December 31, 2011 included bond issue closing costs which are being amortized on a straight-line basis over 25 years. Amortization expense will begin in 2012.

4. BOND PAYABLE

On December 30, 2011 the Agency issued a \$6,750,000 pilot revenue bond for the purposes of paying the costs of an infrastructure project in the Town of Bethlehem in conjunction with an unrelated limited liability company. The holder of the bond, an unrelated limited partnership and an accredited investor, advances the bond proceeds via a trustee financial institution as the infrastructure costs are incurred. The holder has a mortgage lien on the land associated with the infrastructure project owned by the aforementioned unrelated limited liability company.

4. BOND PAYABLE (CONTINUED)

The bond bears interest at 5.5% with payments due each January 1st and July 1st beginning July 1, 2012 through January 1, 2037. As of December 31, 2011 the Agency had \$2,049,271 in outstanding bonds payable.

5. NET ASSETS

Government Accounting Standards Board No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," defines certain categories of fund balances. The Agency has similarly classified net assets as follows:

- **Non-spendable** net assets includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The Agency's non-spendable fund balance consists of \$483,941 in intangible assets at December 31, 2011.
- **Assigned** net assets include amounts that are constrained by the Agency's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include funds that are legally mandated to be accounted for separately as well as amounts that have been contractually obligated by the Agency consists of \$1,753,472 in road construction in progress at December 31, 2011. The Agency intends to deed the road to the Town upon completion.
- **Unassigned** net assets represent fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the fund.

6. FRINGE BENEFITS

Fringe benefits include pension contributions of \$3,579 to the New York State and Local Employees' Retirement System (the System) for the benefit of the Agency's employee. The system provides various plans and options, some of which require employee contributions. The System is a cost sharing multiple employer, public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability. All benefits generally vest after ten years of service. The New York State Retirement and Social Security Law provides that all participants in the System are jointly and severally liable for any actuarial unfunded amounts. Such amounts are covered through annual billings to all participating employees. Generally, all employees except certain part-time employees participate in the System. The System is non contributory except for employees who joined the System after July 27, 1975, who must contribute 3% of their salary. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYERS, Governor Alfred E. Smith Office Building, Albany, New York 12204.

7. RELATED PARTIES

The Chief Executive Officer and the former Chief Financial Officer were employees of the Town of Bethlehem in 2011. The two positions are not members of the Agency Board.

8. SERVICE AGREEMENT

The Agency entered into a 2011 Service Agreement with the Town of Bethlehem (the Town), in recognition of the services provided by Town staff in furtherance of the mutual goals held by the Town and the Agency, and given that the Agency has the financial ability to fund a portion of the costs devoted to these efforts, primarily from the Department of Economic Development and Planning. The Agency voted to pay the Town \$25,000 for 2011 services at its January 20, 2012 meeting and this amount is included in accounts payable as of December 31, 2011.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through March 23, 2012, the date the financial statements were available to be issued. No such events or transactions were identified.

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS - BUDGET
 (NON-GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
PILOT Revenues	\$ -	\$ 2,049,271	\$ 2,049,271
Fees	32,600	386,922	354,322
Interest Income	1,140	854	(286)
Other Nonoperating Revenues	<u>26,281</u>	<u>-</u>	<u>(26,281)</u>
Total Revenues	<u>60,021</u>	<u>2,437,047</u>	<u>2,377,026</u>
Expenditures:			
Salaries and Wages	31,684	31,681	3
Other Employee Benefits	6,027	9,718	(3,691)
Professional Services Contracts	30,260	5,784	24,476
Administrative Expenses	<u>4,061</u>	<u>29,600</u>	<u>(25,539)</u>
Total Expenditures	<u>72,032</u>	<u>76,783</u>	<u>(4,751)</u>
Net Change in Net Assets	(12,011)	2,360,264	<u>\$ 2,372,275</u>
Net Assets, Beginning of Year	<u>229,392</u>	<u>229,392</u>	
Net Assets, End of Year	<u>\$ 217,381</u>	<u>\$ 2,589,656</u>	

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

Board of Directors
Town of Bethlehem Industrial Development Agency

We have audited the financial statements of the Town of Bethlehem Industrial Development Agency (the Agency), as of and for the year ended December 31, 2011, which comprise the Agency's basic financial statements and have issued our report thereon dated March 23, 2012. 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 Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of 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 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 Agency's 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, and the State of New York Office of the State Comptroller, and is not intended to be an should not be used by anyone other than the specified parties.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Albany, New York
March 23, 2012

APPENDIX I