

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL REPORT

December 31, 2011 and 2010

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL REPORT

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BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

INDEPENDENT AUDITOR'S REPORT

Chairman and Agency Board
Town of Colonie Industrial Development Agency
Colonie, New York

We have audited the accompanying statements of net assets of the Town of Colonie Industrial Development Agency (Agency) as of December 31, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller of the United States. Those standards require that we plan and perform the audits 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 our audits provide 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 Town of Colonie Industrial Development Agency as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows, for the years 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 2, 2012, on our consideration of the Town of Colonie 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 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 read in conjunction with this report in considering 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 2 through 5 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board that considers it to be an essential part of basic financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 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 audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information presented on page 14 is for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 audits 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, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bollam Sheedy Torani & Co LLP

Albany, New York
March 2, 2012

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010**

The following Management's Discussion and Analysis (MD&A) provides an introduction and overview to the financial activities and performance of the Town of Colonie Industrial Development Agency (Agency) for the years ended December 31, 2011 and 2010, as mandated by Governmental Accounting Standards Board Statement No. 34. This information should be reviewed in conjunction with the financial statements of the Agency.

Overview of Financial Statements

The Agency's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). The Agency is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated over their useful lives. See notes to the financial statements for a summary of the Agency's significant accounting policies.

The *Statements of Net Assets* present information on the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Agency's financial position.

The *Statements of Revenues, Expenses, and Changes in Net Assets* present information showing how the Agency's net assets changed during the most recent years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future periods.

The *Statements of Cash Flows* relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Agency's cash accounts are recorded in these statements. A reconciliation is provided at the bottom of the statements of cash flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

In addition to the financial statements and accompanying notes, this report also presents the *Supplemental Schedule of Indebtedness*.

Financial Highlights

- The Agency's net assets increased \$27,231 from December 31, 2010 to 2011, as compared to a decrease of \$347,003 from December 31, 2009 to 2010. The increase in net assets in 2011 was principally due to a combination of revenue exceeding expenses for the year and the recognition of a receivable for operating advances made to the Town of Colonie Local Development Corporation.
- The Agency incurred significant engineering fees related to the review and evaluation of the Winding Creek Bike Path, River Road treatment plant demolition, and Mohawk Landing Park economic development projects.
- In 2010, the Agency issued five alternative energy grants of \$25,000 each for the installation of solar power systems to businesses within the community. Only one \$15,000 grant was applied for and issued in 2011.
- The principal sources of revenue for the Agency are fees collected at the rate of one half of one percent of the project cost plus a \$250 application fee. In 2011, the Agency's total income from the fees was \$168,000 compared to \$16,250 in 2010. This increase was principally one large project in 2011, whereas in 2010, there was minimal economic activity. Management expects that fees will be consistent with 2011 levels in 2012 as preliminary projects move through the process.
- The Agency continues under an agreement with the Albany-Colonie Regional Chamber of Commerce to manage the Town of Colonie Small Business Entrepreneurial Loan Program. In 2011, the Agency paid \$2,200 to the Albany-Colonie Regional Chamber of Commerce for management of this program and at December 31, 2011, the program had a net loan receivable balance of \$104,871.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010**

Financial Analysis of the Agency

The table below presents condensed financial information derived from the Agency's financial statements as of December 31, 2011, 2010, and 2009.

Condensed Statement of Net Assets

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>Increase (Decrease) 2011-2010</u> | <u>Increase (Decrease) 2010-2009</u> |
|-----------------------------------|---------------------|---------------------|---------------------|--|--|
| ASSETS | | | | | |
| Current assets | \$ 2,064,370 | \$ 2,135,070 | \$ 2,373,541 | \$ (70,700) | \$ (238,471) |
| Non-current assets | <u>107,484</u> | <u>71,902</u> | <u>119,175</u> | <u>35,582</u> | <u>(47,273)</u> |
| Total assets | <u>\$ 2,171,854</u> | <u>\$ 2,206,972</u> | <u>\$ 2,492,716</u> | <u>\$ (35,118)</u> | <u>\$ (285,744)</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| LIABILITIES | | | | | |
| | <u>\$ 32,871</u> | <u>\$ 95,220</u> | <u>\$ 33,961</u> | <u>\$ (62,349)</u> | <u>\$ 61,259</u> |
| NET ASSETS | | | | | |
| Invested in capital assets | 24,638 | 30,929 | 37,358 | (6,291) | (6,429) |
| Restricted | 201,343 | 198,756 | 211,941 | 2,587 | (13,185) |
| Unrestricted | <u>1,913,002</u> | <u>1,882,067</u> | <u>2,209,456</u> | <u>30,935</u> | <u>(327,389)</u> |
| Total net assets | <u>2,138,983</u> | <u>2,111,752</u> | <u>2,458,755</u> | <u>27,231</u> | <u>(347,003)</u> |
| Total liabilities and net assets | <u>\$ 2,171,854</u> | <u>\$ 2,206,972</u> | <u>\$ 2,492,716</u> | <u>\$ (35,118)</u> | <u>\$ (285,744)</u> |

The overall decrease in net assets from 2009 to 2011 is due to the Agency's efforts to support economic development within the Town of Colonie, as mandated by New York State Law.

Current assets decreased \$70,700 at December 31, 2011, compared to a decrease of \$238,471 at December 31, 2010, while non-current assets increased \$35,582 at December 31, 2011, compared to a decrease of \$47,273 at December 31, 2010.

The 2011 decrease in current assets resulted from the Agency's use of cash for operations and a similar result within the Small Business Entrepreneurial Loan Program from issuing new loans, net of payments received on existing loans. This decline was offset by the recognition of a receivable from the Town of Colonie Local Development Corporation of approximately \$16,300. The Agency has assisted in the start-up of the Corporation by paying the entity's costs until the time it benefited from its first development project. The change in the non-current assets resulted from the activities of the Small Business Entrepreneurial Loan Program.

Accounts and accrued payables decreased \$62,349 at December 31, 2011, due to the timing of two alternative energy grants approved near year end 2010 in conjunction with payments of certain economic development costs incurred for 2010.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010**

Financial Analysis of the Agency - Continued

The table below presents condensed financial information derived from the financial statements of the Agency for the years ended December 31, 2011, 2010, and 2009.

Condensed Statement of Activities

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | Increase (Decrease) 2011-2010 | Increase (Decrease) 2010-2009 |
|-------------------------------|------------------|---------------------|--------------------|-------------------------------------|-------------------------------------|
| Revenues | | | | | |
| Administrative fees | \$ 167,500 | \$ 15,500 | \$ 122,665 | \$ 152,000 | \$ (107,165) |
| Application income | 500 | 750 | 750 | (250) | - |
| Refund of prior year expenses | 4,196 | 5,011 | - | (815) | 5,011 |
| Interest income | 12,082 | 16,044 | 23,960 | (3,962) | (7,916) |
| Total revenue | <u>184,278</u> | <u>37,305</u> | <u>147,375</u> | <u>146,973</u> | <u>(110,070)</u> |
| Expenses | | | | | |
| Administrative expenses | 25,105 | 21,910 | 22,374 | 3,195 | (464) |
| Alternative energy grants | 15,000 | 125,000 | - | (110,000) | 125,000 |
| Bad debts expense | - | 16,413 | - | (16,413) | 16,413 |
| Depreciation | 6,291 | 6,429 | 6,429 | (138) | - |
| Economic development costs | - | 19,926 | 8,426 | (19,926) | 11,500 |
| Management fees | 49,847 | 48,306 | 45,806 | 1,541 | 2,500 |
| New York State assessment | - | 4,196 | 5,011 | (4,196) | (815) |
| Professional fees | 71,027 | 93,528 | 87,010 | (22,501) | 6,518 |
| Technology grants | - | 48,600 | - | (48,600) | 48,600 |
| Total expenses | <u>167,270</u> | <u>384,308</u> | <u>175,056</u> | <u>(217,038)</u> | <u>209,252</u> |
| Change in net assets | <u>\$ 17,008</u> | <u>\$ (347,003)</u> | <u>\$ (27,681)</u> | <u>\$ 364,011</u> | <u>\$ (319,322)</u> |

Activities for the Years Ended 2011 and 2010

The Agency's annual fees for services are tied to the size and timing of economic activity projects. These fees increased by \$151,750 in 2011 as compared to a decrease of \$107,165 in 2010. This was a result of an increase in the size of economic activity projects during 2011, more specifically the Shaker Pointe at Carondelet Project.

Interest earnings decreased in 2011 by \$3,962 as compared to a larger decrease of \$7,916 in 2010. The decrease in interest income is principally due to the stabilization of general economic conditions, including actions by the Federal Reserve to maintain lower interest rates. Additionally, the Small Business Entrepreneurial Loan Program continues to generate less interest income as loans are paid off, and one continues to be delinquent since mid-2010, which has been fully reserved for as of December 31, 2011 and 2010.

Professional fees decreased in 2011 by \$22,501 as compared to a \$6,518 increase in 2010. The Agency incurred significant legal and engineering fees related to the evaluation of environmental clean-up of the Adirondack Steel site and began incurring engineering fees related to the Winding Creek Bike Path project during 2010. In 2011, it continued the Winding Creek Bike Path project and began the River Road treatment plant demolition and Mohawk Landings Park projects.

Administrative expenses increased in 2011 by \$3,195 as compared to a \$464 decrease in 2010. This was due to a full year of maintaining the vacant 272 Maxwell Road property, costs for which were absorbed by the tenant during most of 2010. During 2010, it was also determined that one of the Small Business Entrepreneurial loans had become uncollectible. Therefore, an allowance for the uncollectible loan was established resulting in a bad debt expense of \$16,413. Management fees increased by \$1,541 during 2011 based on the annual services agreement between the Agency and the Town of Colonie.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2011 and 2010**

Activities for the Years Ended 2011 and 2010 - Continued

Only one \$15,000 alternative energy grant for the installation of a solar power system was applied for in 2011, a significant decline from the \$125,000 in alternative energy grants in 2010. The solar power systems are expected to provide these businesses with the ability to reinvest projected savings to enhance their businesses. A \$48,600 technology grant to the Town of Colonie Building and Planning Departments to improve the commercial building process was also issued in 2010.

Economic development costs decreased in 2011 by \$19,926 after an increase of \$11,500 in 2010. In 2010, the Agency paid matching funds for improvement studies on the Route 32 and Railroad Avenue corridors totaling \$12,000 and made the final payment on the Advancing Tech Valley pledge.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact Craig T. Blair, Comptroller, at Colonie Town Hall, 534 Loudon Road, Latham, New York 12110.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

STATEMENTS OF NET ASSETS

| ASSETS | December 31, | |
|---|---------------------|---------------------|
| | 2011 | 2010 |
| CURRENT ASSETS | | |
| Cash | \$ 1,922,922 | \$ 1,964,707 |
| Due from related entity | 16,294 | - |
| Accounts receivable | - | 5,678 |
| Prepaid expenses | 5,997 | 6,902 |
| Restricted assets | | |
| Cash, restricted for revolving loan fund | 96,241 | 120,770 |
| Accrued interest | 231 | 191 |
| Loans receivable, current portion, net | 22,685 | 36,822 |
| Total current assets | 2,064,370 | 2,135,070 |
| CAPITAL ASSETS, net | 24,638 | 30,929 |
| OTHER ASSETS, less current portion | | |
| Deposits | 660 | - |
| Restricted assets | | |
| Loans receivable, net | 82,186 | 40,973 |
| Total other assets | 82,846 | 40,973 |
| | \$ 2,171,854 | \$ 2,206,972 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 25,546 | \$ 89,802 |
| Accrued payables | 7,325 | 5,418 |
| Total current liabilities | 32,871 | 95,220 |
| NET ASSETS | | |
| Invested in capital assets | 24,638 | 30,929 |
| Restricted for revolving loan fund | 201,343 | 198,756 |
| Unrestricted | 1,913,002 | 1,882,067 |
| | 2,138,983 | 2,111,752 |
| | \$ 2,171,854 | \$ 2,206,972 |

The accompanying Notes to Financial Statements are an integral part of these statements.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

| | Years Ended December 31, | |
|--|---------------------------------|---------------------|
| | 2011 | 2010 |
| OPERATING REVENUES | | |
| Administrative fees | \$ 167,500 | \$ 15,500 |
| Application income | 500 | 750 |
| Refund of prior year administrative services assessment | 4,196 | 5,011 |
| | 172,196 | 21,261 |
| OPERATING EXPENSES | | |
| Administrative fees | 2,200 | 2,660 |
| Alternative energy grants | 15,000 | 125,000 |
| Association dues | 7,600 | 7,600 |
| Bad debt expense | - | 16,413 |
| Building security and utilities | 5,939 | 1,726 |
| Conferences | 2,595 | 2,495 |
| Depreciation | 6,291 | 6,429 |
| Dues and subscription | 750 | 750 |
| Economic development costs | - | 19,926 |
| Insurance fees | 3,677 | 3,744 |
| Legal fees | 19,555 | 23,331 |
| Management fees | 49,847 | 48,306 |
| New York State administrative services assessment | - | 4,196 |
| Postage, office supplies, and other | 2,344 | 2,935 |
| Professional fees | 51,472 | 70,197 |
| Technology grant | - | 48,600 |
| | 167,270 | 384,308 |
| Operating income (loss) | 4,926 | (363,047) |
| OTHER INCOME (EXPENSE) | | |
| Pass-through grant proceeds | 410,000 | - |
| Pass-through grants | (410,000) | - |
| Interest income | 12,082 | 16,044 |
| | 12,082 | 16,044 |
| Change in net assets | 17,008 | (347,003) |
| NET ASSETS, beginning of year, as originally reported | 2,111,752 | 2,458,755 |
| Prior period adjustment | 10,223 | - |
| NET ASSETS, beginning of year, as restated | 2,121,975 | 2,458,755 |
| NET ASSETS, end of year | \$ 2,138,983 | \$ 2,111,752 |

The accompanying Notes to Financial Statements are an integral part of these statements.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

STATEMENTS OF CASH FLOWS

| | Years Ended December 31, | |
|--|---------------------------------|---------------------|
| | 2011 | 2010 |
| CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 168,000 | \$ 16,249 |
| Payments to vendors | (214,068) | (302,775) |
| | (46,068) | (286,526) |
| CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES | | |
| Interest income earned | 12,042 | 16,100 |
| Advances to related party | (5,212) | - |
| Proceeds of pass-through grant | 410,000 | - |
| Payments on pass-through grant | (410,000) | - |
| Issuances of revolving loan fund | (50,000) | (10,000) |
| Payments on revolving loan fund | 22,924 | 23,345 |
| Change in cash restricted for loan fund | 24,529 | (16,629) |
| | 4,283 | 12,816 |
| Net decrease in cash | (41,785) | (273,710) |
| CASH, beginning of year | 1,964,707 | 2,238,417 |
| CASH, end of year | \$ 1,922,922 | \$ 1,964,707 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income (loss) | \$ 4,926 | \$ (363,047) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | |
| Bad debt expense | - | 16,413 |
| Depreciation | 6,291 | 6,429 |
| (Increase) decrease in | | |
| Accounts receivable | 5,678 | (5,678) |
| Prepaid expenses | 46 | (1,902) |
| Deposits | (660) | - |
| Increase (decrease) in | | |
| Accounts payable | (64,256) | 55,841 |
| Accrued expenses | 1,907 | 5,418 |
| | \$ (46,068) | \$ (286,526) |

The accompanying Notes to Financial Statements are an integral part of these statements.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Purpose

The Industrial Development Agency of the Town of Colonie (Agency) was created in 1977 by the Town of Colonie (Town) under the provisions of Chapter 232 of the 1977 Laws of New York State for the purpose of encouraging growth in the Town. The Agency is exempt from federal, state, and local income taxes. The Agency, although established by the Town, is a separate entity and operates independently of the Town. Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The Town, the Agency, nor any political subdivision thereof, is obligated in any manner for repayment of bonds issued by the Agency. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

b. Basis of Accounting

The accounts of the Agency are maintained in a single proprietary fund on the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) for government entities. The Governmental Accounting Standards Board (GASB) is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

c. Use of Estimates

In preparing financial statements, management is required 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.

d. New Accounting Pronouncement

In December 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement.

GASB Statement No. 62 is effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged. The Agency has fully adopted this statement as of December 31, 2011.

e. Fair Value Measurement

Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an "exit" price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

f. Receivables

Receivables consist of trade receivables and loans. Trade receivables are carried at original invoice amount. Management considers trade receivables to be fully collectible; accordingly, there is no allowance for doubtful accounts.

Loans are carried at amortized amounts, based on paydown of principal. Management records an allowance on loans and mortgages based on a review of the outstanding loan and/or mortgage balances and its collection history. At both December 31, 2011 and 2010, the allowance for uncollectible loans receivable was \$16,413.

g. Capital Assets

Capital assets acquired by the Agency are stated at cost including interest capitalized during construction when applicable. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets.

| Description | Estimated Life |
|---------------------------|----------------|
| Building and improvements | 5-30 years |
| Furniture and equipment | 10 years |

h. Net Assets

Net assets are presented in the following categories:

Invested in capital assets - Consists of capital assets, net of accumulated depreciation.

Restricted for revolving loan fund - Consists of net loans receivable, accrued interest earnings, and a cash account restricted for use by the Revolving Loan Fund (Note 6).

Unrestricted - Consists of all other net assets that do not meet the definition of “invested in capital assets” or “restricted for revolving loan fund.”

i. Pass-Through Grants

The Agency is essentially a pass-through agent for certain grants made by the New York State Department of Economic Development for the benefit of a third party. During the year ended 2011, one company received pass-through grants of \$410,000. No such grants occurred during 2010.

j. Subsequent Events

The Agency has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 2, 2012, the date the financial statements were available to be issued.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 2 - CASH

Cash consists of:

| | December 31, | |
|--|--------------|--------------|
| | 2011 | 2010 |
| Cash in checking accounts | \$ 221,969 | \$ 71,044 |
| Cash in money market account | 1,700,953 | 1,893,663 |
| Total cash | \$ 1,922,922 | \$ 1,964,707 |
| Cash, restricted for revolving loan fund | \$ 96,241 | \$ 120,770 |

Restricted cash consists of funds held for use in the Agency's revolving loan fund. The Agency's investment policies are governed by State statutes. 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. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of New York State or its localities, and Certificates of Participation.

In accordance with the provisions of Section 10 of the General Municipal Law of New York State, all Agency deposits, including certificates of deposit and special time deposits in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, shall be collateralized by a pledge of eligible securities, letters of credit, or surety bonds. As of December 31, 2011 and 2010, the collateral was sufficient to secure the Agency's deposits.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government.

All investment obligations shall be payable or redeemable at the option of the Agency within such times as the proceeds will be needed to meet expenditures for purposes for which the monies were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Agency within two years of the date of purchase.

NOTE 3 - CAPITAL ASSETS, NET

Capital assets are as follows:

| | December 31, | | | |
|---|--------------|------------|----------|-----------|
| | 2010 | Additions | Disposal | 2011 |
| Capital assets, not being depreciated | | | | |
| Land | \$ 4,893 | \$ - | \$ - | \$ 4,893 |
| Capital assets being depreciated | | | | |
| Building and improvements | 221,224 | - | - | 221,224 |
| Furniture and equipment | 8,725 | - | - | 8,725 |
| Total | 229,949 | - | - | 229,949 |
| Less accumulated depreciation for | | | | |
| Building and improvements | (195,188) | (6,291) | - | (201,479) |
| Furniture and equipment | (8,725) | - | - | (8,725) |
| Total | (203,913) | (6,291) | - | (210,204) |
| Total capital assets being depreciated, net | 26,036 | (6,291) | - | 19,745 |
| Capital assets, net | \$ 30,929 | \$ (6,291) | \$ - | \$ 24,638 |

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 4 - RELATED PARTY TRANSACTIONS

The Comptroller's office and the Department of Planning and Economic Development of the Town provide staff support and office space to the Agency. Under the terms of an annual agreement, the Agency paid the Town \$49,847 and \$48,306 for support services for the years ended December 31, 2011 and 2010, respectively.

During 2010, the Town of Colonie formed the Town of Colonie Local Development Corporation (Corporation) which shares similar management and staff support with the Agency. Since inception, the Agency has provided working capital advances to the Corporation which amounted to \$16,294 and \$11,082 as of December 31, 2011 and 2010, respectively. The Corporation repaid these advances in full during January 2012.

NOTE 5 - INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds, notes, and straight leases issued by the Agency are secured by property which is leased to companies and is retired by these payments. The bonds, notes, and straight leases are not obligations of the Agency or the Town. The Agency does not record the assets or liabilities resulting from completed bonds, notes, and straight leases issued in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bonds, notes, and lease holders, and funds arising there from are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives administration fees from the borrowing companies. Such administrative fee income is recognized upon issuance of bonds, notes, and leases. In 2010, there were two new issuances of industrial revenue bonds, however, in 2011, there were no new issuances. Industrial revenue bonds outstanding at December 31, 2011 and 2010, were \$18,857,802 and \$20,111,292, respectively.

NOTE 6 - REVOLVING LOAN FUND

The Agency established the Town of Colonie Small Business Revolving Loan Trust Fund (Fund), which is administered by the Albany-Colonie Regional Chamber of Commerce (Chamber) for the purpose of providing loans to qualified small businesses. The Chamber is authorized and empowered to make loan commitments not to exceed \$25,000 to a single qualified borrower and to advance loan proceeds from the Fund. The Agency pays the Chamber an administrative fee, from interest income, for its services in connection with the Fund. Any and all other interest earned by the Fund becomes part of the principal of the Fund to be used to make additional loans. Principal payments from borrowers are also returned to the Fund.

During 2011, the Fund issued a term loan of \$25,000 and a line-of-credit of \$25,000. In 2010, the Fund issued a loan of \$10,000. The Fund received repayments of \$22,924 and \$23,345 in principal and \$4,400 and \$5,219 in interest income during 2011 and 2010, respectively. Administrative fees of \$2,200 and \$2,660 during 2011 and 2010, respectively, were paid to the Chamber. At December 31, 2011 and 2010, the Chamber held \$121,284 and \$94,208 in loans receivable in trust for the Agency. At December 31, 2011 and 2010, the allowance for uncollectible loans was \$16,413, as the Chamber and Agency have determined one loan to be potentially uncollectible.

NOTE 7 - PRIOR PERIOD ADJUSTMENT

Net assets at December 31, 2010, have been restated to reflect a receivable from the Town of Colonie Local Development Corporation in the amount of \$11,082 for cash flow advances to cover certain start-up and operating costs of the Corporation.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 7 - PRIOR PERIOD ADJUSTMENT - Continued

A summary of the adjustment is as follows:

| | As Originally Stated | Adjustment | As Restated |
|--------------------------------------|-------------------------|------------|----------------|
| Due from related entity | \$ - | \$ 11,082 | \$ 11,082 |
| Prepaid expenses | 6,902 | (859) | 6,043 |
| Net assets | 2,111,752 | 10,223 | 2,121,975 |
| Operating expenses | 384,308 | (5,826) | 378,482 |
| Operating loss | (363,047) | 5,826 | (357,221) |
| Deficiency of revenues over expenses | (347,003) | 5,826 | (341,177) |
| Net assets, beginning of year | 2,458,755 | 4,397 | 2,463,152 |
| Net assets, end of year | 2,111,752 | 10,223 | 2,121,975 |

NOTE 8 - NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET IMPLEMENTED

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. This statement is effective for all state and local governments for periods beginning after December 15, 2011.

Management has not estimated the extent of potential impact of this statement on the Agency's financial statements.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**SUPPLEMENTAL INFORMATION
SCHEDULE OF INDEBTEDNESS**

| <u>Project Description</u> | <u>Original Issue Amount</u> | <u>Original Issue Date</u> | <u>Current Interest Rate</u> | <u>Outstanding January 1, 2011</u> | <u>Issued During 2011</u> | <u>Principal Payments/ Refinance 2011</u> | <u>Outstanding December 31, 2011</u> | <u>Final Maturity Date</u> |
|----------------------------|--------------------------------------|------------------------------------|--------------------------------------|--|-----------------------------------|---|--|------------------------------------|
| 22 Corporate Woods Blvd. | \$ 30,000,000 | 03/93 | 7.63% | \$ 12,911,292 | \$ - | \$ 1,028,490 | \$ 11,882,802 | 3/1/2019 |
| Saint Gregory's School | 1,300,000 | 09/98 | 5.75% | 350,000 | - | - | 350,000 | 9/1/2018 |
| One Mustang Drive II, LLC | 5,880,000 | 9/10 | 2.83% | 5,880,000 | - | - | 5,880,000 | 9/1/2030 |
| One Mustang Drive II, LLC | 970,000 | 9/10 | 4.00% | 970,000 | - | 225,000 | 745,000 | 9/1/2015 |
| | | | | <u>\$ 20,111,292</u> | <u>\$ -</u> | <u>\$ 1,253,490</u> | <u>\$ 18,857,802</u> | |

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

Chairman and Agency Board
Town of Colonie Industrial Development Agency
Colonie, New York

We have audited the financial statements of the Town of Colonie Industrial Development Agency (Agency) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 2, 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

Management of the Agency is responsible for establishing and maintaining effective 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 opinion 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 controls 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 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 11-01.

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

This report is intended solely for the information and use of management and members of the Agency Board and is not intended to be and should not be used by anyone other than these specified parties.

Bollam Sheedy Torani & Co LLP

Albany, New York
March 2, 2012

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
 - Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported
- Noncompliance material to financial statements? _____ Yes X No

Section II - Financial Statement Findings

None.

Section III - Compliance Findings

11-01. Posting and Maintaining Reports on Public Authority Web Sites

Criteria: The New York State Authority Budget Office (ABO) issued Policy Guidance on April 12, 2010, in response to The Public Authorities Reform Act (PARA) of 2009. This guidance states that effective immediately, public authorities are required to make specific information available to the public through the internet.

Condition: The Agency was not in compliance with PARA.

Effect: Agency information is not available to the public through the internet.

Cause: The Agency did not oversee proper maintenance of the shared website.

Recommendation: Using available ABO guidance, the Agency should update its website and schedule periodic maintenance and review to ensure required information is available to the public in a timely manner.

View of Responsible Officials and Planned Corrective Action: The Agency is in the process of updating its website to be in compliance with ABO requirements and expects the website to be online by March 31, 2012.