

***TOWN OF NORTH GREENBUSH
INDUSTRIAL DEVELOPMENT AGENCY***

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

DECEMBER 31, 2011 AND 2010

TOWN OF NORTH GREENBUSH
INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

	<u>Page</u>
Independent Auditor's Report	1-2
Statements of Net Assets	3
Statements of Revenue, Expenses and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6-9
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>	10-11
Schedule of Findings and Responses	12-14
Supplementary Information	
Schedule I - Schedule of Indebtedness	15
Schedule II - Schedule of Supplemental Information - Bonds/Notes	16

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 North Greenbush Industrial Development Agency
Wynantskill, New York

We have audited the accompanying financial statements of the Town of North Greenbush Industrial Development Agency (the "Agency") as of December 31, 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the year 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 audit. The financial statements as of and for the year ended December 31, 2010 were audited by other auditors whose report dated September 27, 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 respective changes in financial position and its cash flows 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 April 19, 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.

Our audit were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Management has omitted management's discussion and analysis. Such information is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America.

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
April 19, 2012

TOWN OF NORTH GREENBUSH
INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF NET ASSETS
DECEMBER 31, 2011 AND 2010

	<u>Assets</u>	<u>2011</u>	<u>2010</u>
Assets:			
Cash		\$ 47,838	\$ 47,752
Restricted Cash		99,213	217,622
Notes Receivable, Net of Allowance		562,309	612,354
Accrued Interest Receivable		<u>3,425</u>	<u>10,430</u>
Total Assets		<u>\$ 712,785</u>	<u>\$ 888,158</u>
 <u>Liabilities and Net Assets</u>			
Liabilities:			
Grants Liabilities		\$ <u>-</u>	\$ <u>800</u>
Total Current Liabilities		<u>-</u>	<u>800</u>
Net Assets			
Restricted		664,947	839,606
Unrestricted		<u>47,838</u>	<u>47,752</u>
Total Net Assets		<u>712,785</u>	<u>887,358</u>
Total Liabilities and Net Assets		<u>\$ 712,785</u>	<u>\$ 888,158</u>

TOWN OF NORTH GREENBUSH
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS 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:		
Interest Income from Notes Receivable	\$ <u>13,869</u>	\$ <u>13,765</u>
Total Operating Revenues	<u>13,869</u>	<u>13,765</u>
Operating Expenses:		
Bad Debt Expense	160,902	15,965
Professional Fees	19,070	15,900
Administrative Expenses	1,132	2,666
Marketing/Promotion	6,764	-
HUD Interest	<u>801</u>	<u>-</u>
Total Operating Expenses	<u>188,669</u>	<u>34,531</u>
Operating Loss	(174,800)	(20,766)
Non-Operating Revenues:		
Interest Earned on Investments	<u>227</u>	<u>51</u>
Change in Net Assets	(174,573)	(20,715)
Net Assets, at Beginning of Year	<u>887,358</u>	<u>908,073</u>
Net Assets, at End of Year	<u>\$ 712,785</u>	<u>\$ 887,358</u>

TOWN OF NORTH GREENBUSH
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Interest Payments Received on Notes Receivable	\$ 15,060	\$ 9,325
Grant Advances	-	(86,862)
Cash Payments for General and Administrative Expenses	<u>(28,567)</u>	<u>(25,917)</u>
Net Cash Used in Operating Activities	<u>(13,507)</u>	<u>(103,454)</u>
Cash Flows from Investing Activities:		
Issuance of Notes Receivable	(140,000)	(120,000)
Payments Received on Notes Receivable	34,957	48,468
Interest Earned on Investments	<u>227</u>	<u>51</u>
Net Cash Used in Investing Activities	<u>(104,816)</u>	<u>(71,481)</u>
Net Decrease in Cash	(118,323)	(174,935)
Cash at Beginning of Year	<u>265,374</u>	<u>440,309</u>
Cash at End of Year	<u>\$ 147,051</u>	<u>\$ 265,374</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Loss	\$ (174,800)	\$ (20,766)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operations:		
Bad Debt Expense	160,902	15,964
Changes in Operating Assets and Liabilities:		
Accrued Interest Receivable	1,191	(4,440)
Accounts Payable	-	(7,350)
Grants Payable	<u>(800)</u>	<u>(86,862)</u>
Net Cash Used in Operating Activities	<u>\$ (13,507)</u>	<u>\$ (103,454)</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The Town of North Greenbush Industrial Development Agency (the Agency) was created on July 15, 1981 by a special act of the New York State Legislature. The purpose of the Agency is to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial manufacturing warehousing, commercial and research facilities, including industrial pollution control facilities and recreation facilities, within the Town of North Greenbush. Members of the Agency are appointed by the Town Board, which exercises no oversight responsibility.

The Agency's function is to authorize the issuance of industrial revenue bonds for industrial development projects and to assist businesses in acquiring or constructing various facilities in order to provide job opportunities and increase economic welfare. In return for its efforts, the Agency receives application and closing fees related to this business financing.

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

Accounting Method

The Agency's financial statements are prepared using the accrual basis of accounting with accounting principles generally accepted in the United States of America (GAAP) for public authorities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Agency is determined by its measurement focus. The transactions of the Agency are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into restricted and unrestricted components, as follows:

- *Restricted net assets* consist of assets restricted to fund future micro enterprise and venture fund loans.
- *Unrestricted net assets* consist of assets and liabilities that do not meet the definition of "restricted net assets" or "invested in capital assets, net of related debt."

Revenues are recognized when earned and expenses are recognized when incurred.

Estimates

In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

The Agency's investment policy and statutes authorize the Agency to maintain deposits with FDIC-insured commercial banks located within the state. The Agency is authorized to use demand accounts, money market accounts, and certificates of deposit. Collateral is required for all deposits not covered by federal deposit insurance. As of December 31, 2011, all of the Agency's deposits were fully insured or collateralized.

Notes Receivable

Notes receivable are stated at the principal amount outstanding. Interest is calculated daily based on the principal amount outstanding.

Notes receivable are generally placed on nonaccrual when a note is specifically determined to be impaired or when principal or interest is delinquent for 90 days or more. Any unpaid interest previously accrued on those loans is reversed from income. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are applied as a reduction of the loan principal balance. Interest income on other nonaccrual loans is recognized only to the extent of interest payments received.

Allowance for Note Receivable

The allowance for note receivable losses is maintained at a level which, in management's judgement, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectibility of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans and economic conditions. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Because of uncertainties associated with the regional economic conditions, collateral values and future cash flows on impaired loans, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near term. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries.

TOWN OF NORTH GREENBUSH
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Industrial Revenue Bonds 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 these payments. The bonds and notes are not obligations of the Agency, the Town, or New York State. The Agency does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond note holders, and funds arising therefrom, are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. Industrial bonds issued and outstanding at December 31, 2011 was \$2,304,803.

Tax Status

The Agency is exempt from federal, state, and local income taxes.

Subsequent Events

In preparing the financial statements and notes thereto, the Agency considered subsequent events through April 19, 2012, the date the financial statements were available to be issued. No such events were identified.

2. NOTES RECEIVABLE

Notes receivable include multiple loans to local businesses. Interest rates on the loans range from 2% to 3% and mature at various dates through May 2024.

Principal maturities of notes receivable at December 31, 2011 are as follows:

For the year ended December 31,

2012	\$	72,414
2013		49,949
2014		35,243
2015		179,271
2016		97,357
Thereafter		166,204
Non-Performing Notes		174,600
		<u>\$ 775,038</u>

2. NOTES RECEIVABLE (CONTINUED)

Notes receivable amounts are carried at their net realizable value and are periodically evaluated for collectability based on past history with the customer and their current financial condition. An allowance for uncollectible notes receivable is determined based on experience, the estimated value of collateral and current economic conditions. The allowance for doubtful notes receivable was \$212,729 and \$57,640 as of December 31, 2011 and 2010, respectively.

3. RESTRICTED NET ASSETS

Certain of the Agency's net assets were derived from federal funds requiring that the program income derived from those funds be reinvested in the program. Accordingly, \$664,947 and \$839,606 at December 31, 2011 and 2010, respectively, have been restricted to fund future micro enterprise and venture fund loans to local businesses.

4. COMMITMENTS

The Agency has committed an additional \$20,000 loan to a business if certain milestones are met and an additional \$15,000 loan to a business should they opt to use it.

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

Board of Directors
Town of North Greenbush
Industrial Development Agency
North Greenbush, New York

We have audited the financial statements of the Town of North Greenbush Industrial Development Agency (the Agency), as of and for the year ended December 31, 2011, and have issued our report thereon dated April 19, 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 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. We consider deficiencies 2011-01 and 2011-04 in the in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiencies 2011-02 and 2011-03 described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings: 2011-02 and 2011-03.

This report is intended solely for the information and use of members and management of the Agency and the New York State Office of the State Comptroller and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than the specified parties.



CUSACK & COMPANY, CPA'S LLC

Albany, New York
April 19, 2012

CURRENT YEAR FINDINGS

Finding 2011-1: Outsourcing of Financial Statement Preparation Process to Your Auditors

The American Institute of Certified Public Accountants Statement on Auditing Standards (“SAS”) requires the reporting of a significant deficiency if the Agency does not employ an individual with the necessary qualifications to prepare a complete set of financial statements and related footnotes in accordance with generally accepted accounting principles. Additionally, the Agency’s closing process is not sufficiently comprehensive to ascertaining, at a reasonable assurance level, that the financial results produced by the Agency’s system of internal control are materially correct (we proposed audit adjustments having a net effect of approximately \$175,000 in loss). As the Agency Treasurer is not a certified public accountant, he is not able to insure the financial statements and related footnotes are in accordance with generally accepted accounting principles. As a result Cusack & Company, CPA’s LLC has assisted the Company in preparing its financial statements. Management continues to make all management decisions and perform all management functions. Additionally, management has designated an individual who possesses suitable skill, knowledge and experience to oversee our services. Such individual is responsible to evaluate the adequacy and results of the services performed, accepts responsibility for the results of the services, and maintains control and monitors such services.

We recommend that management consider the costs and benefits of obtaining an employee, consultant, volunteer, or board member with the appropriate technical expertise to satisfy the requirements of SAS.

Management’s Response:

The IDA will consider the costs and benefits of implementing the auditor’s recommendations.

Finding 2011-2: Confirmation of Information Presented in Supplemental Information

The Agency has no mechanism to formally confirm with projects the information presented in the Schedule of Indebtedness and the Schedule of Supplemental Information - Bonds/Notes on an annual basis.

We recommend that management develop and implement confirmation procedures.

Management’s Response:

The IDA will establish a procedure to formally confirm with projects the information presented in the Schedule of Indebtedness and the Schedule of Supplemental Information on an annual basis.

Finding 2011-3: Compliance Issues

We noted several potential compliance issues as follows:

- 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. The Agency is not in compliance.
- The ABO issued Policy Guidance on March 1, 2010, stating the Board members appointed to their positions prior to the effectiveness of PARA and the implementation of this new requirement are required to execute an Acknowledgment of Fiduciary Duty by May 1, 2010. The Agency is not in compliance.
- In accordance with Section 2801 of Public Authorities Law, local authorities must file a budget report 60 days prior to the start of the fiscal year. The Agency is not in compliance.
- In accordance with Public Authorities Law, local authorities must file their annual report and audits on the Public Authorities Reporting Information System (PARIS) by March 31 of each year. The 2010 PARIS reporting was not completed until September 2011.
- In accordance with Section 2925 of Public Authorities Law, local authorities must prepare and approve an investment report on an annual basis. The Agency is not in compliance.
- The Internal Revenue Service requires the issuance of 1099's to certain subcontractors who are paid \$600 or more. The Agency is not in compliance.

We recommend that management identify a compliance offer to become familiar with all applicable compliance issues and develop a plan to address them.

Management's Response:

The IDA will implement procedures to comply with each of the recommendations cited.

Finding 2011-4: Collection Procedures and Allowance for Loan Losses

During our audit we noted three loans (\$74,597) that had been inactive for multiple years and one loan (\$99,052) that appears to be at risk. There is no formal written collection process. Additionally, there are no procedures to evaluate and adjust the allowance for loan losses.

We recommend that management develop and implement a formal written collection policy and procedure to evaluate and appropriately adjust the allowance for loan losses.

Management's Response:

The IDA will develop and implement a policy dealing with collection procedures, delinquency and evaluating the adequacy of the allowance for loan losses.

PRIOR YEAR FINDINGS

Findings 2010-1:

Maintenance of Accounting Records - The Agency does not have an adequate accounting system. The Agency has a manual accounting system that consists of a checkbook register and individual loan amortization schedules. The Agency's accounting system does not allow Agency management to detect errors or misstatements on a timely basis and does not provide timely information that is necessary to make decisions or to file the required reports to New York State on a timely basis.

Management's Response:

The Town of North Greenbush Industrial Development Agency's (IDA) Board of Directors appointed the Town of North Greenbush Comptroller as Treasurer who will be responsible for maintaining the IDA's accounting records in accordance with generally accepted accounting principles and ensuring the IDA's compliance with New York State reporting requirements.

SUPPLEMENTARY INFORMATION

TOWN OF NORTH GREENBUSH
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF INDEBTEDNESS
 DECEMBER 31, 2011

<u>Project</u>	<u>Issuance Date</u>	<u>Interest Rate at Issuance</u>	<u>Outstanding Beginning of Fiscal Year</u>	<u>Issued During Fiscal Year</u>	<u>Paid During Fiscal Year</u>	<u>Outstanding End of Fiscal Year</u>	<u>Final Maturity Date</u>
Industrial Development Revenue Bonds:							
Robert C. Parker School 4254 Route 43 Wynantskill, NY 12198	12/2006	4.84%	\$ 1,214,387	\$ -	\$ 88,270	\$ 1,126,117	12/2031
Woodland Hills Montessori School 100 Montessori Way Rensselaer, NY 12144	12/2001	3.74%	<u>1,315,817</u>	<u>\$ -</u>	<u>137,131</u>	<u>1,178,686</u>	12/2022
			<u>\$ 2,530,204</u>	<u>\$ -</u>	<u>\$ 225,401</u>	<u>\$ 2,304,803</u>	

TOWN OF NORTH GREENBUSH
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF SUPPLEMENTAL INFORMATION - BONDS/NOTES
DECEMBER 31, 2011

<u>Project</u>	<u>Purpose</u>	<u>Total Project Amount</u>	<u>Benefited Project Amount</u>	<u>Bond Amount</u>	<u>Federal Tax Status</u>	<u>Not for Profit</u>	<u>Tax Exemptions</u>	<u>Payments in lieu of Taxes (PILOTS)</u>	<u>FTE Jobs Prior to IDA Status</u>	<u>Original Estimate of Jobs to be Created</u>	<u>Original Estimate of Jobs to be Retained</u>	<u>Current FTE Employees</u>	<u>FTE Construction Jobs Created During the Fiscal Year</u>
Robert C. Parker School 4254 Route 43 Wynantskill, NY 12198	School	\$ 1,890,017	\$1,890,017	\$ 1,270,000	Exempt	Yes	None	None	22	-	22	26	-
Woodland Hills Montessori School 100 Montessori Way Rensselaer, NY 12144	School	\$ 1,800,000	\$1,800,000	\$ 1,800,000	Exempt	Yes	None	None	-	30	-	42	-