

*SCHENECTADY COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY*

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2011*

**SCHENECTADY COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2011*

---

	<b><u>Page</u></b>
Independent Auditor's Report	1-2
Statement of Net Assets	3
Statement of Revenues, Expenses and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9
Supplemental Information	
Statement of Indebtedness	10
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 <i>Government Auditing Standards</i>	11-12
Schedule of Current Year Findings	13

**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  
Schenectady County  
Industrial Development Agency  
Schenectady, New York

We have audited the accompanying statement of net assets of the Schenectady County Industrial Development Agency (the Agency), a New York public benefit corporation, as of December 31, 2011, and the related statement 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

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 Schenectady County Industrial Development Agency, as of December 31, 2011, and the changes in financial position and 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 March 26, 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 was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information presented on page 10 is for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements taken as a whole.

Management has omitted the 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  
March 26, 2012

**SCHENECTADY COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

---

**Assets**

Current Assets:		
Cash	\$	140,392
Cash, Restricted		76,586
Prepaid Expenses		<u>1,875</u>
Total Assets	\$	<u><u>218,853</u></u>

**Liabilities and Net Assets**

Current Liabilities:		
Accrued Expenses	\$	19,000
Due to Other Governments		<u>76,586</u>
Total Liabilities		<u>95,586</u>
Net Assets		
Restricted		76,586
Unrestricted		<u>46,681</u>
Total Net Assets		<u>123,267</u>
Total Liabilities and Net Assets	\$	<u><u>218,853</u></u>

**SCHENECTADY COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
*STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS*  
*FOR THE YEAR ENDED DECEMBER 31, 2011*

---

Revenues:	
Administrative Fees	\$ 104,230
Other Operating Income	48,000
NYS Administrative Services Assessment Refund	6,620
Interest Income	<u>274</u>
Total Revenues	<u>159,124</u>
Expenses:	
Grant Project Expenses	25,000
Management Fees	72,000
Professional Fees	28,800
Insurance	860
Dues and Subscriptions	2,839
Miscellaneous	<u>893</u>
Total Expenses	<u>130,392</u>
Changes in Net Assets	28,732
Net Assets at Beginning of Year	<u>94,535</u>
Net Assets at End of Year	<u><u>\$ 123,267</u></u>

*SCHENECTADY COUNTY*  
*INDUSTRIAL DEVELOPMENT AGENCY*  
*STATEMENT OF CASH FLOWS*  
*FOR THE YEAR ENDED DECEMBER 31, 2011*

---

Cash Flows Provided by Operating Activities:	
Receipts from Customers	\$ 118,730
NYS Assessment Refund	6,620
Interest Income	274
Payments to Vendors	<u>(75,996)</u>
Net Cash Provided by Operating Activities	<u>49,628</u>
Net Increase in Cash	49,628
Cash at Beginning of Year	<u>167,350</u>
Cash at End of Year	<u><u>\$ 216,978</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Change in Net Assets	\$ 28,732
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Change in Operating Assets and Liabilities	
Accounts Receivable	14,500
Due to Other Governments	(1,984)
Accrued Expenses	<u>8,380</u>
Net Cash Provided by Operating Activities	<u><u>\$ 49,628</u></u>

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization and Purpose*

The Schenectady County Industrial Development Agency (the Agency) is a public benefit corporation established on December 17, 1978, under the mandate of Article 18-A, “New York State Industrial Development Act” of New York State general municipal law. The Agency was established for the purpose of encouraging economic growth within Schenectady County, New York (the County).

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. The Agency had also established a revolving loan fund to provide favorable rate financing to eligible businesses. As of December 31, 2010, the Agency is no longer issuing new loans. In return for its efforts, the Agency receives application and closing fees related to this business financing.

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

*Accounting Method*

The Agency’s financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) for public authorities. The Governmental 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.

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 state 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.

*Accounts Receivable*

Accounts receivable are carried at original invoice. Accounts receivable are written off when deemed uncollectible. During 2011, the Agency did not write off any accounts. Recoveries of accounts receivable previously written off are recorded as a recovery of bad debt when received.

*Loans Receivable, Net*

The Agency had established a revolving loan fund which offered low interest rate loans to businesses located within the County. An allowance for doubtful accounts is provided based on the Agency's review of its outstanding revolving loan portfolio. As loans become delinquent, an allowance is recorded to reflect this delinquency.

*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, County, 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.

At December 31, 2011, the original issue value of bonds issued aggregated \$55,062,500, and the outstanding balance was \$40,698,375.

*Tax Status*

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Subsequent Events*

In preparing the financial statements and notes thereto, the Agency considered subsequent events through March 26, 2012, the date the financial statements were available to be issued. No such events were identified.

**2. LOANS RECEIVABLE, NET**

The Agency had established a revolving loan fund which offered low interest rate loans to businesses located within the County. At December 31, 2011, there were ten loans outstanding totaling \$158,121. All of these loans are in default as of December 31, 2011, and as such, management has established an allowance totaling \$158,121 against these loans.

**3. DUE TO OTHER GOVERNMENTS/CASH, RESTRICTED**

During 1995, the Agency entered into a capital grant agreement with the New York State Department of Transportation (DOT) for rail access improvements at the Scotia Industrial Park. The grant requires that any amounts remaining upon completion of the project be returned to the DOT with interest. The project is still active at December 31, 2011, and the Agency expects to use all grant funding received on the project. The unused portion, including accrued interest, is \$76,586 at December 31, 2011.

**4. COMMITMENTS AND CONTINGENCIES**

*Litigation*

The Agency is involved in several law suits and claims arising from a variety of sources. It is the opinion of management and counsel that the liabilities that may arise from such actions would not result in losses that would materially affect the financial position of the Agency or the results of its operations.

*Environmental Risks*

Certain facilities are subject to federal, state, and local regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the Agency expect such compliance to have, any material effect on the capital expenditures or functional condition of the Agency. Management believes that its current practices and procedures for control and disposition of regulated wastes comply with applicable federal, state, and local requirements.

**4. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*Administrative Service Agreements*

During 2003, the Agency entered into an administrative service agreement with the Schenectady Metroplex Development Authority (the Authority), an unrelated party. In accordance with the agreement, the Authority provides general administrative functions and other requested services for the Agency. During 2011, the Agency paid the Authority a monthly fee of \$2,000 for these services. Effective 2012, the Agency amended the agreement with the Authority to pay 30% of the administrative fee collected at closing of projects rather than the \$2,000 monthly fee.

During April 2010, the Agency entered into an administrative service agreement with the Town of Rotterdam Industrial Development Agency (the Town), an unrelated party. In accordance with the agreement, the Agency provides general administrative functions and other requested services for the Town through the Agency's administrative service agreement with the Authority. Beginning in 2010, the Town paid the Agency a monthly fee of \$2,000 for these services, and the Agency subcontracted with the Authority for a monthly fee of \$2,000 for these services. Effective 2012, this agreement was terminated.

During October 2010, the Agency entered into an administrative service agreement with the Schenectady County Capital Resource Corporation (CRC), an unrelated party. In accordance with the agreement, the Agency provides general administrative functions and other requested services for CRC through the Agency's administrative service agreement with the Authority. Beginning in 2010, CRC paid the Agency a monthly fee of \$2,000 for these services, and the Agency subcontracted with the Authority for a monthly fee of \$2,000 for these services. Effective 2012, this agreement was terminated.

**SUPPLEMENTAL FINANCIAL INFORMATION**

**SCHENECTADY COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
*STATEMENT OF INDEBTEDNESS*  
 DECEMBER 31, 2011

---

<b><u>Project Description</u></b>	<b><u>Original Issue Date</u></b>	<b><u>Current Interest Rate</u></b>	<b><u>Outstanding January 1, 2011</u></b>	<b><u>Issued During 2011</u></b>	<b><u>Principal Payments 2011</u></b>	<b><u>Outstanding December 31, 2011</u></b>	<b><u>Final Maturity Date</u></b>
Living Resources	07/96	8.500%	\$ 255,763	\$ -	\$ 37,388	\$ 218,375	07/16
Union College (Series 2001)	12/01	5.625%	21,000,000	-	-	21,000,000	07/31
Sunnyview Hospital 2003A	08/03	Varies	6,830,000	-	185,000	6,645,000	08/33
Sunnyview Hospital 2003B	08/03	Varies	4,185,000	-	115,000	4,070,000	08/33
Ingersoll Adult Home	02/07	Varies	<u>8,765,000</u>	<u>-</u>	<u>-</u>	<u>8,765,000</u>	02/37
			<u>\$ 41,035,763</u>	<u>\$ -</u>	<u>\$ 337,388</u>	<u>\$ 40,698,375</u>	

**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  
Schenectady County  
Industrial Development Agency  
Schenectady, New York

We have audited the financial statements of the Schenectady County Industrial Development Agency (the Agency), as of and for the year ended December 31, 2011, and have issued our report thereon dated March 26, 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.

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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors 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.

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 26, 2012

**SCHENECTADY COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
*SCHEDULE OF CURRENT YEAR FINDINGS*  
*FOR THE YEAR ENDED DECEMBER 31, 2011*

---

No findings noted.