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

## *FINANCIAL STATEMENTS*
## *AND SUPPLEMENTARY INFORMATION*

## *DECEMBER 31, 2012 AND 2011*

| | Page |
|---|---|
| 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 *Government Auditing Standards* | 10-11 |
| Schedule of Findings and Responses | 12-13 |
| Supplementary Information | |
| Schedule I - Schedule of Indebtedness | 14 |
| Schedule II - Schedule of Supplemental Information - Bonds/Notes | 15 |

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

## Report on the Financial Statements

We have audited the accompanying financial statements of the Town of North Greenbush Industrial Development Agency (the "Agency") as of December 31, 2012 and 2011, and the related statements of revenues, expenses, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2012 and 2011, and the changes in financial position and, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audit was conducted for the purpose of forming opinions on the Agency's basic financial statements. The accompanying supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information on pages 14-15 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information on pages 14-15 is fairly stated, in all material respects, in relation to the basic 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued reports dated February 21, 2013 on our consideration of the entity'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 those reports 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 are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Cusack & Company, CPA's LLC

**CUSACK & COMPANY, CPA'S LLC**

Latham, New York
February 21, 2013

## Assets

| | 2012 | 2011 |
|---|---|---|
| Assets: | | |
| Cash | $ 61,562 | $ 47,838 |
| Restricted Cash | 84,012 | 99,213 |
| Notes Receivable, Net of Allowance | 506,997 | 562,309 |
| Accrued Interest Receivable | 1,245 | 3,425 |
| Total Assets | $ 653,816 | $ 712,785 |

## Liabilities and Net Assets

| | | |
|---|---|---|
| Net Assets: | | |
| Restricted | $ 592,254 | $ 664,947 |
| Unrestricted | 61,562 | 47,838 |
| Total Net Assets | 653,816 | 712,785 |
| Total Liabilities and Net Assets | $ 653,816 | $ 712,785 |

# *TOWN OF NORTH GREENBUSH*
## *INDUSTRIAL DEVELOPMENT AGENCY*
*STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS*
*FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011*

| | 2012 | 2011 |
|---|---|---|
| Operating Revenues: | | |
| Interest Income from Notes Receivable | $ 14,218 | $ 13,869 |
| Total Operating Revenues | 14,218 | 13,869 |
| Operating Expenses: | | |
| Bad Debt Expense | 52,084 | 160,902 |
| Professional Fees | 12,500 | 19,070 |
| Administrative Expenses | 45 | 1,132 |
| Marketing/Promotion | 8,612 | 6,764 |
| HUD Interest | - | 801 |
| Total Operating Expenses | 73,241 | 188,669 |
| Operating Loss | (59,023) | (174,800) |
| Non-Operating Revenues: | | |
| Interest Earned on Investments | 54 | 227 |
| Change in Net Assets | (58,969) | (174,573) |
| Net Assets, at Beginning of Year | 712,785 | 887,358 |
| Net Assets, at End of Year | $ 653,816 | $ 712,785 |

See independent auditor's report and accompanying notes to financial statements.

| | 2012 | 2011 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Interest Payments Received on Notes Receivable | $ 16,398 | $ 15,060 |
| Cash Payments for General and Administrative Expenses | (21,103) | (28,567) |
| Net Cash Used in Operating Activities | (4,705) | (13,507) |
| Cash Flows from Investing Activities: | | |
| Issuance of Notes Receivable | (50,000) | (140,000) |
| Payments Received on Notes Receivable | 53,174 | 34,957 |
| Interest Earned on Investments | 54 | 227 |
| Net Cash Used in Investing Activities | 3,228 | (104,816) |
| Net Decrease in Cash | (1,477) | (118,323) |
| Cash at Beginning of Year | 147,051 | 265,374 |
| Cash at End of Year | $ 145,574 | $ 147,051 |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities: | | |
| Operating Loss | $ (58,969) | $ (174,800) |
| Adjustments to Reconcile Operating Loss to Net Cash Used in Operations: | | |
| Bad Debt Expense | 52,084 | 160,902 |
| Changes in Operating Assets and Liabilities: | | |
| Accrued Interest Receivable | 2,180 | 1,191 |
| Grants Payable | - | (800) |
| Net Cash Used in Operating Activities | $ (4,705) | $ (13,507) |

## 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.

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

*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.

*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, 2012, 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.

## 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, 2012 was $2,188,497.

*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 February 21, 2013, 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, 2012 are as follows:

For the year ended December 31,

| | |
|---|---|
| 2013 | $ 79,961 |
| 2014 | 37,304 |
| 2015 | 156,028 |
| 2016 | 104,132 |
| 2017 | 22,306 |
| Thereafter | 163,580 |
| Non-Performing Notes | 205,898 |
| | $ 769,209 |

## 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 $262,212 and $212,729 as of December 31, 2012 and 2011, 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, $592,254 and $664,947 at December 31, 2012 and 2011, respectively, have been restricted to fund future micro enterprise and venture fund loans to local businesses.

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 ON INTERNAL CONTROL OVER FINANCIAL 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, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of North Greenbush Industrial Development Agency, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated February 21, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of North Greenbush Industrial Development Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Town of North Greenbush Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of North Greenbush Industrial Development Agency's internal control.

*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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town of North Greenbush Industrial Development Agency's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However,

material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as 2012-01 and 2012-02 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of North Greenbush Industrial Development Agency's financial statements are free from 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.*

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of North Greenbush Industrial Development Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cusack & Company, CPA's LLC

**CUSACK & COMPANY, CPA'S LLC**

Albany, New York
February 21, 2013

## CURRENT YEAR FINDINGS

*Finding 2012-1: 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 $57,000 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 Agency 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. A similar comment was made in 2011.

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 2012-2: Collection Procedures and Allowance for Loan Losses*

During our audit we noted three loans ($74,597) that had been inactive for multiple years and two loans ($131,281) that appear 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. A similar comment was made in 2011.

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 is in the process of developing and implementing a policy dealing with collection procedures, delinquency and evaluating the adequacy of the allowance for loan losses.

## PRIOR YEAR FINDINGS

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

Status: Comment was repeated in 2012.

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

Status: Comment was adequately addressed in 2012.

*Finding 2011-3: Compliance Issues*

Status: Comment was adequately addressed in 2012.

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

Status: Comment was repeated in 2012.

# SUPPLEMENTARY INFORMATION

# *TOWN OF NORTH GREENBUSH*
## *INDUSTRIAL DEVELOPMENT AGENCY*
*SCHEDULE OF INDEBTEDNESS*
*DECEMBER 31, 2012*

| Project | Issuance Date | Interest Rate at Issuance | Outstanding Beginning of Fiscal Year | Issued During Fiscal Year | Paid During Fiscal Year | Outstanding End of Fiscal Year | Final Maturity Date |
|---|---|---|---|---|---|---|---|
| Industrial Development Revenue Bonds: | | | | | | | |
| Robert C. Parker School<br>4254 Route 43<br>Wynantskill, NY 12198 | 12/2006 | 4.84% | $ 1,126,117 | $ - | $ 33,605 | $ 1,092,512 | 12/2031 |
| Woodland Hills Montessori School<br>100 Montessori Place<br>Rensselaer, NY 12144 | 12/2001 | 3.74% | 1,178,686 | $ - | 82,701 | 1,095,985 | 12/2022 |
| | | | $ 2,304,803 | $ - | $ 116,306 | $ 2,188,497 | |

See independent auditor's report.

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