SCHENECTADY COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Schenectady County
Industrial Development Agency
Schenectady, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Schenectady County Industrial Development Agency (the "Agency") as of December 31, 2012, and the related statements of revenues, expenses, changes in net assets and cash flows for the year 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 the changes in financial position and its cash flows thereof for the year 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 is presented for purposes of additional analysis is are not a required part of the basic financial statements.

The accompanying supplementary information on page 10 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 page 10 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 March _____, 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 is 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
March __, 2013

Assets

Current Assets:	
Cash	$ 63,981
Cash, Restricted	51,100
Prepaid Expenses	1,875
Total Assets	$ 116,956

Liabilities and Net Assets

Current Liabilities:	
Accrued Expenses	$ 19,000
Due to Other Governments	51,100
Total Liabilities	70,100
Unrestricted Net Assets	46,856
Total Liabilities and Net Assets	$ 116,956

SCHENECTADY COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

Revenues:	
Administrative Fees	$ 5,000
Other Operating Income	58
Interest Income	224
Total Revenues	5,282
Expenses:	
Grant Project Expenses	59,788
Professional Fees	16,951
Insurance	860
Dues and Subscriptions	2,849
Miscellaneous	1,245
Total Expenses	81,693
Changes in Net Assets	(76,411)
Net Assets at Beginning of Year	123,267
Net Assets at End of Year	$ 46,856

See accompanying notes and independent auditor's report.

Cash Flows Provided By (Used In) Operating Activities:	
Receipts from Customers	$ 5,058
Interest Income	224
Payments to Vendors	(107,179)
Net Cash Provided By (Used In) Operating Activities	(101,897)
Net Decrease in Cash	(101,897)
Cash at Beginning of Year	216,978
Cash at End of Year	$ 115,081
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Change in Net Assets	$ (76,411)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:	
Change in Operating Assets and Liabilities	
Due to Other Governments	(25,486)
Net Cash Provided By (Used In) Operating Activities	$ (101,897)

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, 2012, 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 2012, 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, 2012, the original issue value of bonds issued aggregated $55,062,500, and the outstanding balance was $19,187,682.

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 ___, 2013, 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, 2012, there were ten loans outstanding totaling $158,121. All of these loans are in default as of December 31, 2012, 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, 2012, and the Agency expects to use all grant funding received on the project. The unused portion, including accrued interest, is $51,100 at December 31, 2012.

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

Effective 2012, 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 at 30% of the administrative fees collected at closing of projects. The management fee was $0 for the year ended December 31, 2012.

SUPPLEMENTAL INFORMATION

SCHENECTADY COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF INDEBTEDNESS
DECEMBER 31, 2012

Project Description	Original Issue Date	Current Interest Rate	Outstanding January 1, 2012	Issued During 2012	Principal Payments 2012	Outstanding December 31, 2012	Final Maturity Date
Living Resources	07/96	8.500%	$ 218,375	$ -	$ 40,693	$ 177,682	07/16
Union College (Series 2001)	12/01	5.625%	21,000,000	-	21,000,000	-	07/31
Sunnyview Hospital 2003A	08/03	Varies	6,645,000	-	195,000	6,450,000	08/33
Sunnyview Hospital 2003B	08/03	Varies	4,070,000	-	120,000	3,950,000	08/33
Ingersoll Adult Home	02/07	Varies	8,765,000	-	155,000	8,610,000	02/37
			$ 40,698,375	$ -	$ 21,510,693	$ 19,187,682	

See independent auditor's report.