

***TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY***

***FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION***

DECEMBER 31, 2015 AND 2014

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
TABLE OF CONTENTS
DECEMBER 31, 2015 AND 2014

	<u>Page</u>
Management’s Discussion and Analysis	1-2
Independent Auditor’s Report	3-4
Statements of Net Position	5
Statements of Revenues, Expenses and Changes in Net Position	6
Statements of Cash Flows	7
Notes to Financial Statements	8-11
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>	12-13
Supplemental Information	
Schedule of Revenues, Expenditures, and Changes in Net Position - Budget and Actual	14
Appendix I	
Annual Financial Report for Industrial Development Agencies (PARIS)	

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014

The following discussion and analysis of the Town of Bethlehem Industrial Development Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the years ended December 31, 2015 and 2014. This document should be read in conjunction with the Agency's financial statements.

Financial Highlights

As reported in the project analysis section of the December 31, 2015 Annual Report, total PILOT payments received by the Town of Bethlehem (the Town) were approximately \$4.4 million (\$4.2 million in 2014) which exceeded the tax exemptions granted by approximately \$.5 million for both 2015 and 2014.

The Agency is also eligible to receive supplemental fees from PSEG Power New York, Inc., assuming certain energy production levels are exceeded. Agency operating revenues of \$71,926 and \$94,770 include \$59,577 and \$72,421 in energy reimbursement fees from PSEG Power New York, Inc. for the years ended December 31, 2015 and 2014, respectively.

Projects and New Developments

Vista Technology Campus Project

The Agency continued to support the Vista Technology Campus project owned by Vista Development Group, LLC. In 2012, the 3/4 mile access road was completed and transferred to the Town. Since 2013, the Agency provided financial assistance to a number of projects in the Vista Campus.

In July 2014, the Agency received an application for financial assistance for SAE Sun and Earth Energy Incorporated for a 26,000 square foot facility for research, development and manufacturing. The Agency approved this application in 2015 and expects the project to close in 2016.

Summary of Conduit Bonds

The following table presents a summary of outstanding conduit bond issuances, which are more fully described within the footnotes to the financial statements:

<u>Project</u>	<u>Balance</u> <u>12/31/14</u>	<u>Issued In</u> <u>2015</u>	<u>Paid in</u> <u>2015</u>	<u>Balance</u> <u>12/31/15</u>
American Housing Foundation	\$ 5,910,000	\$ -	\$ 150,000	\$ 5,760,000
Vista Development Group, LLC	<u>6,409,790</u>	<u>-</u>	<u>149,542</u>	<u>6,260,248</u>
Total	<u>\$ 12,319,790</u>	<u>\$ -</u>	<u>\$ 299,542</u>	<u>\$ 12,020,248</u>

Service Agreement

The Agency entered into a 2015 Service Agreement with the Town, in recognition of the services provided by Town staff (primarily from the Town's Department of Economic Development and Planning) in furtherance of the mutual goals of the Town and the Agency, and given that the Agency has the financial ability to fund a portion of the costs devoted to these efforts.

The Agency agreed to pay the Town \$80,000 for services in 2015 and 2014.

Interest Income

Interest earnings for 2015 were equal to \$349, which was \$46 more than the 2014 earnings of \$303. The increase in income reflected an increase in the rate of interest paid on the account.

Change in Net Assets

The Agency's net assets as of the end of 2015 decreased from the levels at the end of 2014 as follows:

	<u>2015</u>	<u>2014</u>
Net Assets as of Beginning of Year	\$ 613,911	\$ 677,486
Revenue	72,275	95,073
Expenditures	<u>(164,390)</u>	<u>(158,648)</u>
Net Assets as of End of Year	<u><u>\$ 521,796</u></u>	<u><u>\$ 613,911</u></u>

During 2015 and 2014 the Agency did not close any projects and as a result fee income was lower than budgeted.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's finances for those having an interest, and should be considered along with the Annual Financial Statements, including the related footnotes. Questions concerning any of the information provided in this report may be addressed to Allen Maikels, CPA, Chief Financial Officer, or Frank Venezia, Agency Chairman, at 445 Delaware Avenue, Delmar, NY 12054.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Town of Bethlehem Industrial Development Agency

Report on the Financial Statements

We have audited the accompanying statements of net position of the Town of Bethlehem Industrial Development Agency (the "Agency") as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from 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, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-2 and 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist 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 basic 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Bethlehem Industrial Development Agency's basic financial statements. The Annual Financial Report for Industrial Development Agencies (PARIS) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Annual Financial Report for Industrial Development Agencies (PARIS) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued report dated March 4, 2016 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 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

Latham, New York
March 4, 2016

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

	<u>Assets</u>	<u>2015</u>	<u>2014</u>
Current Assets:			
Cash		\$ 504,101	\$ 583,313
Accounts Receivable		13,614	27,409
Prepaid Expenses		<u>4,081</u>	<u>4,826</u>
Total Assets		<u>\$ 521,796</u>	<u>\$ 615,548</u>

Liabilities and Net Position

Current Liabilities:			
Accrued Liabilities		<u>\$ -</u>	<u>\$ 1,637</u>
Total Liabilities		<u>-</u>	<u>1,637</u>
Net Position			
Unassigned		<u>521,796</u>	<u>613,911</u>
Total Net Position		<u>521,796</u>	<u>613,911</u>
Total Liabilities and Net Position		<u>\$ 521,796</u>	<u>\$ 615,548</u>

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Project Closing Fees	\$ 1,000	\$ 11,000
Administrative Fees	11,349	11,349
Supplemental Fees	<u>59,577</u>	<u>72,421</u>
Total Operating Revenue	71,926	94,770
Operating Expenses:		
Contractual Expenses	<u>164,390</u>	<u>158,648</u>
Operating Loss	(92,464)	(63,878)
Other Revenues:		
Interest Income	<u>349</u>	<u>303</u>
Net Loss	(92,115)	(63,575)
Net Position, at Beginning of Year	<u>613,911</u>	<u>677,486</u>
Net Position, at End of Year	<u>\$ 521,796</u>	<u>\$ 613,911</u>

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Cash Received from Providing Services	\$ 85,721	\$ 78,350
Cash Payments Personal Services and Benefits	(63,590)	(60,749)
Cash Payments Contractual Expenses	<u>(101,692)</u>	<u>(101,023)</u>
Net Cash Used in Operating Activities	<u>(79,561)</u>	<u>(83,422)</u>
Cash Flows from Investing Activities:		
Investment Income	<u>349</u>	<u>303</u>
Net Cash Provided by Investing Activities	<u>349</u>	<u>303</u>
Net Decrease in Cash	(79,212)	(83,119)
Cash at Beginning of Year	<u>583,313</u>	<u>666,432</u>
Cash at End of Year	<u>\$ 504,101</u>	<u>\$ 583,313</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating Loss	<u>\$ (92,464)</u>	<u>\$ (63,878)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operations:		
(Increase) Decrease in Accounts Receivable and Prepaid Expenses	14,540	(18,621)
Decrease in Accrued Liabilities	<u>(1,637)</u>	<u>(923)</u>
Total Adjustments	<u>12,903</u>	<u>(19,544)</u>
Net Cash Used in Operating Activities	<u>\$ (79,561)</u>	<u>\$ (83,422)</u>

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Town of Bethlehem Industrial Development Agency (the Agency) is a public benefit corporation created in 1980 by the Town Board of the Town of Bethlehem, New York under the provisions of Chapter 1030 of the 1969 Laws of New York State, for the purpose of encouraging economic growth in the Town of Bethlehem. The Agency is exempt from Federal, State, and Local income taxes. The Agency, although established by the Town Board of the Town of Bethlehem, is a separate entity and operates independently of the Town of Bethlehem.

This summary of significant accounting policies of the Town of Bethlehem Industrial Development Agency is presented to assist in understanding the Agency's financial statements. The financial statements and notes are representations of the Agency's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

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 in the statement of net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For purposes of the statement of cash flows, cash consists of cash held in savings, checking, and money market accounts.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

The Agency utilizes the allowance method to determine the allowance for doubtful accounts. At December 31, 2015 and 2014 management determined no allowance was necessary based upon their review of specific receivables and prior history.

Income Taxes

The financial statements do not provide a tax liability for the Agency. The Agency is exempt from federal, state, and local taxes.

Plant, Property, and Equipment

Plant, property, and equipment acquired through the Agency's conduit financing are recorded as assets on the books of the project entities, along with the associated debt.

The Agency has a capitalization policy for additions of fixed assets with a minimum cost of \$1,000 and a useful life or more than one year. There were no fixed assets at December 31, 2015 and 2014.

Industrial Revenue Bond 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 lease payments. The bonds and notes are not obligations of the Agency, Town of Bethlehem, or New York State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives an administrative fee from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds, notes, and upon closing of straight lease transactions. At December 31, 2015, the outstanding balance of bonds was \$12,020,248.

In addition to the administrative fees received upon closing, the Agency is also eligible to receive supplemental fees from PSEG Power New York, Inc., assuming certain energy production levels are exceeded. The calculations are made quarterly, commencing August 2005, which was the month following the date commercial operations began (July 18, 2005). Operating revenues include \$59,577 and \$72,421 in Energy Reimbursement Payments for the years ended December 31, 2015 and 2014, respectively. Accounts receivable include \$13,614 and \$27,409 due from PSEG as of December 31, 2015 and 2014, respectively.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In 2014, the Agency updated its policy setting a minimum level for net position. The policy is designed to provide an appropriate level of assets to cover the Agency's operating costs, given the sometimes multiple year cycle between project transactions. The policy defines a minimum reasonable balance at three times the annual base budget, currently equal to \$450,000. If the fund balance is projected to fall below this threshold, the Agency must adopt a plan to restore the minimum net position within a twelve-month period.

2. NET POSITION

Governmental Accounting Standards Board No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," defines certain categories of fund balances. The Agency has similarly classified net position as follows:

- **Assigned** net position includes amounts that are constrained by the Agency's intent to be used for specific purposes, but are neither restricted nor committed. There was no assigned net position at December 31, 2015 and 2014.
- **Unassigned** net position represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the fund.

3. FRINGE BENEFITS

Fringe benefits, which are paid to the Town of Bethlehem (the Town) in the form of a reimbursement (as the Agency's employees are technically employees of the Town), include pension contributions of \$10,083 and \$9,029 for the years ended December 31, 2015 and 2014, respectively, to the New York State and Local Employees' Retirement System (the System) for the benefit of the Agency's employees. The System provides various plans and options, some of which require employee contributions. The System is a cost sharing multiple employer, public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability. All benefits generally vest after ten years of service. The New York State Retirement and Social Security Law provides that all participants in the System are jointly and severally liable for any actuarial unfunded amounts. Such amounts are covered through annual billings to all participating employers.

3. FRINGE BENEFITS (CONTINUED)

Generally, all employees except certain part-time employees participate in the System. The System is non contributory except for employees who joined the System after July 27, 1975, who must contribute 3% of their salary for the first ten years of service and employees who joined after January 1, 2010 who generally contribute 3% of their salary for the entire length of service. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith Office Building, Albany, New York 12204.

4. SERVICE AGREEMENT

The Agency entered into a 2015 Service Agreement with the Town of Bethlehem (the Town), in recognition of the services provided by Town staff (primarily from the Department of Economic Development and Planning), in furtherance of the mutual goals held by the Town and the Agency. The Agency paid the Town \$80,000 for services in 2015 and 2014 and this amount is included in contractual expenses as of December 31, 2015.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions for any potential material impact on operations or financial position occurring through March 4, 2016, the date the financial statements were available to be issued. No such events or transactions were identified.

**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 Bethlehem Industrial Development Agency

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 Bethlehem Industrial Development Agency, as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Bethlehem 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bethlehem Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Bethlehem 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 Bethlehem 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.

Compliance and Other Matters

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

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 Bethlehem 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

Latham, New York
March 4, 2016

SUPPLEMENTAL INFORMATION

TOWN OF BETHLEHEM
INDUSTRIAL DEVELOPMENT AGENCY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance
Revenues:			
Fees	\$ 114,349	\$ 71,926	\$ (42,423)
Interest Income	<u>1,200</u>	<u>349</u>	<u>(851)</u>
 Total Revenues	 <u>115,549</u>	 <u>72,275</u>	 <u>(43,274)</u>
Expenditures:			
Salaries *	47,616	47,616	-
Other Employee Benefits *	12,284	14,337	(2,053)
Professional Services Contracts	95,000	91,950	3,050
Administrative Expenses	<u>10,100</u>	<u>10,487</u>	<u>(387)</u>
 Total Expenditures	 <u>165,000</u>	 <u>164,390</u>	 <u>610</u>
 Net Loss	 <u><u>\$ (49,451)</u></u>	 <u><u>\$ (92,115)</u></u>	 <u><u>\$ (42,664)</u></u>

* The Agency contracts with the Town of Bethlehem for its salaries and benefits.

APPENDIX I