City of Schenectady
Industrial Development Agency

Financial Statements and
Supplemental Information

December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Schenectady Industrial Development Agency (the "Agency") which comprise the statement of net position as of December 31, 2015, and the related statements of revenues, expenses and changes in net position 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 an opinion on the 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 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 the changes in its financial position and 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 an opinion on the Agency's basic financial statements. The accompanying supplementary information on page 10 is presented for purposes of additional analysis and is 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 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 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. Our opinion on the basic financial statements is not affected by this information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated February 17, 2016 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 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* 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 17, 2016

Assets

Current Assets:	
Cash	$ 187,500
Prepaid Expenses	2,109
Total Current Assets	189,609
Land	23,762
Note Receivable	200,000
	$ 413,371

Liabilities and Net Position

Current Liabilities:	
Accounts Payable	$ 29,475
Deferred Revenue	1,250
Total Current Liabilities	30,725
Net Position, Unrestricted	
Invested in Capital Assets	23,762
Unrestricted	358,884
Total Net Position	382,646
	$ 413,371

CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

Revenues:	
Administrative Fees	$ 61,250
Rental Income	3,000
Total Revenues	64,250
Expenses:	
Project Expenses	16,300
Administrative Fee	17,475
Professional Fees	26,175
Insurance	263
Miscellaneous	9,906
Total Expenses	70,119
Change in Net Position	(5,869)
Net Position, at Beginning of Year	388,515
Net Position, at End of Year	$ 382,646

Cash Flows Provided by Operating Activities:	
Receipts from Customers	$ 61,250
Rental Income	3,000
Payments for Project Expenses	(1,300)
Payments to Vendors	(42,382)
Cash Provided by Operating Activities	20,568
Cash, at Beginning of Year	166,932
Cash, at End of Year	$ 187,500
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:	
Change in Net Position	$ (5,869)
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:	
Change in Operating Assets and Liabilities	
Prepaid Expenses	(5)
Accounts Payable	26,442
	$ 20,568

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The City of Schenectady Industrial Development Agency (the Agency) was created during 1977 by the City Council of the City of Schenectady (the City), under the provisions of Chapter 783, Section 856.1-a of General Municipal Laws of New York State for the purpose of encouraging economic growth in the City. The Agency, although established by the City Council of the City, is a separate entity and operates independently of the City.

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 in accordance 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 position. Net position (i.e., total assets net of total liabilities) is segregated into unrestricted components, as follows:

- *Invested in capital assets* consists of capital assets, net of accumulated depreciation.
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of "restricted net position" 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 accordance 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, 2015, all of the Agency's deposits were fully insured or collateralized.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets

Capital assets are reported at the lower of cost or expected realizable value. All capital assets held by the Agency are nondepreciable assets comprised of land. Expenditures for acquisitions, renewals and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. The Agency uses a capitalization threshold of $1,000 to analyze expenditures for capitalization. When capital assets are retired or disposed of, the appropriate accounts are relieved of costs and any resultant gain or loss is credited to operations.

The Agency evaluated prominent events or changes in circumstances affecting capital assets to determine if impairment of any capital assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude ,and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. There were no impaired capital assets at December 31, 2015.

Industrial Development 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 these payments. The bonds and notes are not obligations of the Agency, the City, 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 development revenue bonds issued and outstanding at December 31, 2015 were $33,090,000.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 or transactions as to any potential material impact on operations or financial position occurring through February 17, 2016, the date the financial statements were available to be issued. No such events or transactions were identified.

2. CAPITAL ASSETS/LAND

The Agency has been developing and renovating various areas to promote future economic growth and to revitalize the City with development costs summarized as follows:

Brandywine Industrial Park	$ 7,956
Peek Street	15,806
	$ 23,762

3. NOTE RECEIVABLE

During 2013, the Agency made a $200,000 thirty year loan bearing interest at 1% to the Capital District YMCA.

4. ADMINISTRATIVE SERVICE AGREEMENT

Effective in 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 $17,475 for the year ended December 31, 2015.

SUPPLEMENTARY INFORMATION

CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF INDEBTEDNESS
DECEMBER 31, 2015

Project Description	Original Issue Date	Current Interest Rate	Outstanding January 1, 2015	Issued During 2015	Principal Payments 2015	Outstanding December 31, 2015	Final Maturity Date
Fortitech Holding Corp.	11/95	1.84%	$ 225,000	$ -	$ 160,000	$ 65,000	01/16
Union College Project 2005	12/05	3.19%	2,392,083	-	2,392,083	-	-
Union College Project 2006	11/06	5.00%	29,520,000	-	1,330,000	28,190,000	07/31
BencheMark Printing, Inc.	12/07	4.59%	28,345	-	28,345	-	-
Union Graduate College 2008A&B	01/08	2.30%	4,935,000	-	100,000	4,835,000	09/37
			$ 37,100,428	$ -	$ 4,010,428	$ 33,090,000	

See independent auditor's report.

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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
City of Schenectady
Industrial Development Agency
Schenectady, 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 City of Schenectady Industrial Development Agency, which comprise the statement of net position as of December 31, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Schenectady 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 City of Schenectady Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Schenectady 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 City of Schenectady 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 a deficiency in internal control that we consider to be a significant deficiency:

Outsourcing of Financial Statement Preparation Process to Your Auditors

Statement on Auditing Standards "Communicating Internal Control Related Matters Identified in an Audit" issued by the American Institute of Certified Public Accountants requires the reporting of a significant deficiency if the Organization 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. The City of Schenectady Industrial Development Agency does not employ such a person. Governance and management have been advised of this previously and have concluded that the cost to rectify this comment would exceed the benefit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Schenectady 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 City of Schenectady 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 City of Schenectady Industrial Development 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

Latham, New York
February 17, 2016

See "Outsourcing of Financial Statements Preparation Process to Your Auditors" comment on page 12.