

**CITY OF SCHENECTADY  
INDUSTRIAL DEVELOPMENT AGENCY  
(A New York Public Authority)**

**FINANCIAL STATEMENTS - STATUTORY BASIS  
and  
INDEPENDENT AUDITOR'S REPORT**

**December 31, 2009**

**CITY OF SCHENECTADY  
INDUSTRIAL DEVELOPMENT AGENCY  
(A New York Public Authority)**

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and  
INDEPENDENT AUDITOR'S REPORT**

**December 31, 2009**

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## INDEPENDENT AUDITOR'S REPORT

Chair and Members of the Board  
City of Schenectady Industrial Development Agency  
Schenectady, New York

We have audited the accompanying statement of net assets - statutory basis of the City of Schenectady Industrial Development Agency (a New York public authority) as of December 31, 2009, and the related statements of revenues, expenses, and changes in net assets - statutory basis, and cash flows - statutory basis 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 *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 our audit provides a reasonable basis for our opinion.

As more fully described in Note 1b to the financial statements - statutory basis, the City of Schenectady Industrial Development Agency prepared these financial statements using statutory accounting practices prescribed by the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Schenectady Industrial Development Agency as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with the statutory basis of accounting as described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2010, on our consideration of the City of Schenectady Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information presented on page 9 is for purposes 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 audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bollam Sheedy Torani & Co LLP*

Albany, New York  
March 31, 2010

**CITY OF SCHENECTADY  
INDUSTRIAL DEVELOPMENT AGENCY  
(A New York Public Authority)**

**STATEMENT OF NET ASSETS - STATUTORY BASIS**

	<b>December 31, 2009</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 310,441
Accounts receivable, net	6,000
Note receivable, current installments	2,760
Prepaid insurance	<u>2,084</u>
	321,285
<b>NOTE RECEIVABLE, less current installments</b>	64,077
<b>LAND</b>	<u>23,762</u>
	<b><u>\$ 409,124</u></b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 94,833
Loan payable, City of Schenectady, current installments	<u>25,000</u>
	119,833
<b>LOAN PAYABLE, less current installments</b>	
City of Schenectady	<u>72,975</u>
Total liabilities	192,808
<b>COMMITMENTS AND CONTINGENCIES</b>	
<b>NET ASSETS, unrestricted</b>	<u>216,316</u>
	<b><u>\$ 409,124</u></b>

**CITY OF SCHENECTADY  
INDUSTRIAL DEVELOPMENT AGENCY  
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**STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS - STATUTORY BASIS**

	<b>Year Ended December 31, 2009</b>
REVENUES	
Operating income	<u>\$ 109,142</u>
OPERATING EXPENSES	
Bad debt	4,000
Management fee	18,000
Professional fees	14,600
Repairs and maintenance	5,890
Miscellaneous	<u>3,771</u>
	<u>46,261</u>
<b>Operating income</b>	<b><u>62,881</u></b>
OTHER INCOME (EXPENSE)	
Interest	7,400
Rental	4,000
New York State administrative services assessment	<u>(15,527)</u>
	<u>(4,127)</u>
<b>Change in net assets</b>	<b>58,754</b>
NET ASSETS, <i>beginning of year</i>	<u>157,562</u>
NET ASSETS, <i>end of year</i>	<b><u>\$ 216,316</u></b>

**CITY OF SCHENECTADY  
INDUSTRIAL DEVELOPMENT AGENCY  
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**STATEMENT OF CASH FLOWS - STATUTORY BASIS**

	<b>Year Ended December 31, <u>2009</u></b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Receipts from customers and grantors	\$ 144,394
Payments to vendors	(37,836)
	<b><u>106,558</u></b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>	
Proceeds of notes receivable	2,573
Interest income	7,400
	<b><u>9,973</u></b>
<b>CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>	
Payments on loan payable	<b><u>(25,000)</u></b>
<b>Net increase in cash</b>	<b>91,531</b>
<b>CASH, beginning of year</b>	<b><u>218,910</u></b>
<b>CASH, end of year</b>	<b><u><u>\$ 310,441</u></u></b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income	\$ 62,881
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Provision for uncollectible receivables	4,000
NYS assessment	(15,527)
Changes in operating assets and liabilities	
Accounts receivable	21,443
Prepaid expenses	625
Due from other governments	36,744
Accounts payable	(3,608)
	<b><u><u>\$ 106,558</u></u></b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>	
Noncash activities:	
Settlement resulting in forgiveness of payables	\$ 1,492

The accompanying Notes to Financial Statements - statutory basis are an integral part of these statements.

**CITY OF SCHENECTADY  
INDUSTRIAL DEVELOPMENT AGENCY  
(A New York Public Authority)**

**NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS  
December 31, 2009**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

*a. Organization and Purpose*

The City of Schenectady Industrial Development Agency (Agency) was created during 1977 by the City Council of the City of Schenectady (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 business 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 preparation of the accompanying financial statements - statutory basis follows.

*b. Basis of Accounting*

Management has elected to prepare its financial statements on the statutory basis required by the New York State Office of the State Comptroller for Annual Reports to that office and the New York State Authority Budget Office. The statutory basis varies from accounting principles generally accepted in the United States of America primarily because it does not reflect the adoption of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In preparing financial statements on the statutory basis, 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.

*c. Fair Value Measurement*

The Agency reports certain assets and liabilities at fair value. Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an "exit" price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

*d. Accounts Receivable*

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts on a monthly basis. The Agency determines an allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. The allowance for doubtful accounts on accounts receivable is \$4,000 at December 31, 2009.

**CITY OF SCHENECTADY  
INDUSTRIAL DEVELOPMENT AGENCY  
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**NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS  
December 31, 2009**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES - Continued**

*e. 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 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 there from, 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, 2009, were \$74,450,000 and \$68,787,767 respectively.

*f. Income Taxes*

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

*g. Deposits*

The Agency's investment policies are governed by state statutes. Agency monies must be deposited at FDIC-insured commercial banks or trust companies located within the state. The Agency is authorized to use demand accounts, money market accounts, and certificates of deposit. No account is to be placed in a bank or trust company in an amount in excess of the amount which can be insured by the FDIC unless proper collateralization is obtained for the amount in excess. The Agency's deposits were fully insured or collateralized at December 31, 2009.

*h. Subsequent Events*

In preparing the financial statements - statutory basis and notes thereto, the Agency considered subsequent events through March 31, 2010, the date the financial statements were issued.

**NOTE 2 - 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	<u>15,806</u>
	<u><u>\$ 23,762</u></u>

Land is recorded at the lower of cost or expected realizable value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized.

**CITY OF SCHENECTADY  
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**NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS  
December 31, 2009**

**NOTE 3 - NOTE RECEIVABLE**

During 2001, the Agency entered into a \$79,000 lease agreement for a parcel of land with JK, LLC. The term of the lease is twenty years commencing the 10<sup>th</sup> day of the calendar month following the month in which permanent Certification of Occupancy is issued for the project facility. The Agency issued a note receivable to JK, LLC, related to this lease. During 2009, principal payments of \$2,573 were received from JK, LLC. Interest is at 7% and requires monthly principal and interest installments of \$612. The note is scheduled to mature June 2024.

A summary of future principal payments is as follows:

For the year ending Decembe 2010	\$ 2,760
2011	2,958
2012	3,172
2013	3,402
2014	3,647
Thereafter	50,898
	\$ 66,837

**NOTE 4 - LOANS PAYABLE - CITY OF SCHENECTADY**

During 2000, the Agency entered into a \$400,000 loan agreement with the City to finance the site acquisition for the NYSDOT Region 1 Office Building Project.

In addition, during 2000, the City transferred title of property on 510 Union Street to the Agency on a condition that when the property was sold, the City would receive the proceeds less any costs associated with maintaining the property. During 2002, the property was sold for \$187,179, and a loan payable to the City was established.

During February 2007, the loans described above and their remaining balances were combined and a new promissory note of \$334,475 was issued at 0% interest. An initial principal payment of \$161,500 was paid on July 1, 2007, and annual payments of \$25,000 are due the 1<sup>st</sup> day of July in each of the years 2007 through and including 2010. The remaining principal balance of \$72,975 is due July 1, 2011.

The following is a schedule of future principal repayments on loans payable:

For the year ending Decembe 2010	\$ 25,000
2011	72,975
	\$ 97,975

**CITY OF SCHENECTADY  
INDUSTRIAL DEVELOPMENT AGENCY  
(A New York Public Authority)**

**NOTES TO FINANCIAL STATEMENTS - STATUTORY BASIS  
December 31, 2009**

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

*a. Canal Square*

During 2001, the Agency transferred title to various properties in the City known as “Canal Square” to the Schenectady Metroplex Development Authority (Authority). On the date of the property transfer, the Authority assumed landlord responsibilities for the leased properties. The Agency was and continues to be responsible for the outstanding utility bills totaling \$76,997. As part of the transfer, the Agency indemnified the Authority from any and all claims, suits, charges, liens, and/or actions brought by existing tenants of properties plus any outstanding utility billings. This liability for the unpaid utility bills has been included in accounts payable at December 31, 2009.

*b. 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 upon the capital expenditures or financial 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.

**CITY OF SCHENECTADY  
INDUSTRIAL DEVELOPMENT AGENCY  
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**SUPPLEMENTAL INFORMATION - STATEMENT OF INDEBTEDNESS - STATUTORY BASIS**

<u>Project Description</u>	<u>Original Issue Date</u>	<u>Current Interest Rate</u>	<u>Outstanding January 1, 2009</u>	<u>Issued During 2009</u>	<u>Principal Payments 2009</u>	<u>Outstanding December 31, 2009</u>	<u>Final Maturity Date</u>
Fortitech Holding Corp.	11/95	1.84%	\$ 1,185,000	\$ -	\$ 160,000	\$ 1,025,000	01/16
Schaffer Heights Housing Corp. 2000A	09/00	5.25%	7,235,000	-	110,000	7,125,000	11/35
L&S Realty	12/00	7.50%	867,289	-	92,992	774,297	01/16
Union College Project 2003A	12/03	4.75%	16,415,000	-	-	16,415,000	07/33
Union College Project 2005	12/05	3.19%	5,175,596	-	487,203	4,688,393	01/16
Union College Project 2006	11/06	5.00%	31,710,000	-	-	31,710,000	07/31
Benchmark Printing, Inc.	12/07	4.59%	1,773,794	-	258,717	1,515,077	01/15
Union Graduate College 2008A&B	01/08	2.30%	5,660,000	-	125,000	5,535,000	09/37
			<u><u>\$ 70,021,679</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,233,912</u></u>	<u><u>\$ 68,787,767</u></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***

Chairman and Members of the Board  
City of Schenectady Industrial Development Agency  
Schenectady, New York

We have audited the accompanying financial statements - statutory basis of the City of Schenectady Industrial Development Agency (Agency) as of and for the year ended December 31, 2009, and have issued our report thereon dated March 31, 2010. 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 controls 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 entity's financial statements - statutory basis 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 - statutory basis 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of members and management of the Agency, 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 those specified parties.

*Bollam Sheedy Torani & Co. LLP*

Albany, New York  
March 31, 2010