



March 30, 2011

Chair and Members of the Board
City of Schenectady Industrial Development Agency
P.O. Box 68
Schenectady, New York 12301-0068

Dear Chair and Members of the Board:

We are pleased to present this report related to our audit of the financial statements of the City of Schenectady Industrial Development Agency (Agency) for the year ended December 31, 2010. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Agency's financial reporting process.

This report is intended solely for the information and use of the Chair, Board of Directors, and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Agency.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP

William C. Freitag, Partner

WCF/dmc

CITY OF SCHENECTADY INDUSTRIAL DEVELOPMENT AGENCY

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended December 31, 2010**

The American Institute of Certified Public Accountants issued Statement on Auditing Standards No. 114 titled, *The Auditor's Communication to Those Charged With Governance*, which requires that we communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Auditor's Responsibility Under Professional Standards

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated January 19, 2011.

Accounting Practices

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Agency. The Agency did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates is in the attached Exhibit A, Summary of Accounting Estimates.

Financial Statement Disclosures

In our meeting with you, we discussed with you the following item as it relates to the neutrality, consistency, and clarity of the disclosures in the financial statements:

- Note 1 to the Agency's December 31, 2010, financial statements discusses the significant accounting policies.

Audit Adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

CITY OF SCHENECTADY INDUSTRIAL DEVELOPMENT AGENCY

**COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
Year Ended December 31, 2010**

Unposted Adjustments

There were no unposted adjustments noted during our audit of the financial statements.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

Following is a description of a significant issue arising from the audit that was discussed with management.

- Compliance findings noted in the Schedule of Finding and Responses.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Certain Written Communications Between Management and Our Firm

Copies of certain written communications between our firm and the management of the Authority are attached as Exhibit B.

Significant Deficiencies and Material Weaknesses

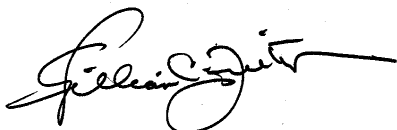
Significant deficiencies and material weaknesses are communicated in the Schedule of Findings and Responses of the Independent Auditor's Report on Internal Controls over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

We will be pleased to respond to any questions you have about these matters. We appreciate the opportunity to be of continued service to you.

This letter is intended solely for the information and use of the Chair and Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BOLLAM, SHEEDY, TORANI & CO. LLP



William C. Freitag, Partner

CITY OF SCHENECTADY INDUSTRIAL DEVELOPMENT AGENCY

SUMMARY OF ACCOUNTING ESTIMATES
Year Ended December 31, 2010

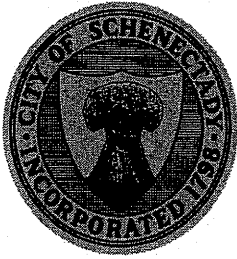
Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Agency's December 31, 2010, financial statements:

Area	Accounting Policy	Estimation Process
Land	The Agency records land at the lower of cost or expected realizable value.	Management reviews the recorded value and compares to recent sales of comparable property.
Allowance for Doubtful Accounts	Allowance is based on a review of the Agency's outstanding accounts receivable on a regular basis.	Management determines the allowance for doubtful accounts by reviewing delinquent accounts and collectibility.

CITY OF SCHENECTADY INDUSTRIAL DEVELOPMENT AGENCY

**CERTAIN WRITTEN COMMUNICATIONS BETWEEN
MANAGEMENT AND OUR FIRM
Year Ended December 31, 2010**

Representation Letter



**City of Schenectady
Industrial Development
Agency**

Post Office Box 68
Schenectady, New York 12301-0068

Phone: 518-377-1109
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Denise Brucker
Chair

Jeffrey McDonald
Vice Chair

Douglas Blacklock
Secretary

Joseph Fava
Treasurer

Ann M. Reilly
Assistant Secretary

Mayor Brian U. Stratton
Assistant Treasurer

Joseph Allen

March 30, 2011

Bollam, Sheedy, Torani & Co. LLP
26 Computer Drive West
Albany, New York 12205

In connection with your audit of the financial statements of the City of Schenectady Industrial Development Agency (Agency) as of and for the year ended December 31, 2010, we confirm, that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP). We acknowledge that we have provided you the supplemental information attached to the financial statements, which agrees to our records. We understand that the supplemental information is not audited and is not a required part of the financial statements, and such information has been subjected to the auditing procedures applied in relation to the financial statements taken as a whole.

We confirm to the best of our knowledge and belief, as of the date of your independent auditor's report, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with GAAP. The Agency's accounting principles, and the practices and methods followed in applying them, are as disclosed in the financial statements, and there have been no changes during the year ended December 31, 2010, in the Agency's accounting principles and practices.
2. There are no organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are:
 - a. Component units.
 - b. Other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
 - c. Jointly governed organizations in which we participated.
3. We are responsible for compliance with laws and regulations applicable to the Agency, including adopting, approving, and amending budgets.
4. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

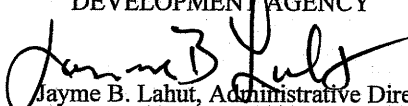
5. We have made available to you:
 - a. All financial records and related data.
 - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
6. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency received in communications from employees, former employees, analysts, regulators, short sellers, or others.
8. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Agency's ability to record, process, summarize, and report financial data.
9. There has been no:
 - a. Fraud involving management or employees who have significant roles in internal control.
 - b. Fraud involving other employees that could have a material effect on the financial statements.
 - c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
10. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
11. The following have been properly reflected and/or disclosed in the financial statements regarding:
 - Concentration of credit risk.
12. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
 - a. To reduce receivables to their estimated net collectible amounts.
 - b. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.
13. There are no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 10.

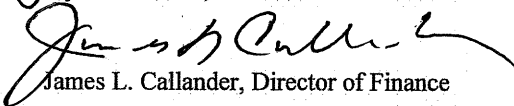
- c. Related party transactions, including those as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, which have been recorded in accordance with the economic substance of the transactions.
- d. Guarantees, written or oral, under which the Agency is contingently liable.
- e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances or line-of-credit or similar arrangements.
- f. Agreements to repurchase assets previously sold.
- g. Security agreements in effect under the Uniform Commercial Code.
- h. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
- i. Contractual obligations for plant construction or purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
- j. Liabilities which are subordinated in any way to any other actual or possible liabilities.
- k. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
- l. Debt issue provisions.
- m. Leases or material amounts of rental obligations under long-term leases.
- n. Authorized but unissued bonds or notes.
- o. Risk financing activities.
- p. Reserves of net assets.
- q. Authoritative accounting pronouncements which have been issued, but which we have not yet adopted.
- r. Investments.
- s. Derivative financial instruments.
- t. Obsolete, damaged, or excess inventories.
- u. Risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2010, or for expected retroactive insurance premium adjustments applicable to periods through December 31, 2010.
- v. Pension obligations, postretirement benefits other than pensions, or deferred compensation agreements attributable to employee services rendered through December 31, 2010.
- w. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
- x. Material losses to be sustained as a result of purchase commitments.

- y. Environmental clean up obligations.
14. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with GASB Statement No. 10.
 15. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private.
 16. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 17. We have satisfactory title to all owned assets.
 18. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining if we are subject to the requirements of the Single Audit Act and OMB Circular A-133. We have not received, expended, or otherwise been the beneficiary of any federal awards over \$500,000 during the period of this audit.
 19. We are responsible for determining that significant events or transactions that have occurred since the statement of net assets date and through March 30, 2011, have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the statement of net assets date and through March 30, 2011, that would require recognition or disclosure in the financial statements.
 20. In considering the disclosures that should be made about risks and uncertainties, we have concluded that disclosures are required for concentration of credit risk and environmental risk.
 21. We are responsible for establishing and maintaining effective internal control over financial reporting and compliance. We are not aware of any material internal control weaknesses or significant deficiencies that should be reported.
 22. We have responded fully to all inquiries made to us by you during your audit.
 23. During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
 24. James Callander has overseen the services provided by BST Advisors, LLC, as listed below, and has established and maintained internal controls, including the monitoring of ongoing activities related to the non-attest services as follows:
 - a. Adjusting journal entries, and
 - b. Drafting of financial statements.

Very truly yours,

CITY OF SCHENECTADY INDUSTRIAL
DEVELOPMENT AGENCY


Jayme B. Lahut, Administrative Director


James L. Callander, Director of Finance