

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL REPORT

December 31, 2012 and 2011

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL REPORT

December 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

Chairman and Agency Board
Town of Colonie Industrial Development Agency
Colonie, New York

Report on the Financial Statements

We have audited the accompanying statements of net position of the Town of Colonie Industrial Development Agency (Agency), as of and for the years ended December 31, 2012 and 2011, 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 an opinion 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Colonie Industrial Development Agency as of December 31, 2012 and 2011, 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 management's discussion and analysis on pages 3 through 6 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 consisted 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the Agency's basic financial statements. The schedule of indebtedness is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of indebtedness 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 audits 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 schedule of indebtedness is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2013, 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 Agency's internal control over financial reporting and compliance.

Bollam Sheedy Torani & Co LLP

Albany, New York
March 18, 2013

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

The following Management's Discussion and Analysis (MD&A) provides an introduction and overview to the financial activities and performance of the Town of Colonie Industrial Development Agency (Agency) for the years ended December 31, 2012 and 2011, in accordance with Governmental Accounting Standards Board Statement No. 34. This information should be reviewed in conjunction with the financial statements of the Agency.

Overview of Financial Statements

The Agency's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) promulgated by the Governmental Accounting Standards Board (GASB). The Agency is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated over their useful lives. See notes to the financial statements for a summary of the Agency's significant accounting policies.

The *Statements of Net Position* present information on the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Agency's financial position.

The *Statements of Revenues, Expenses, and Changes in Net Position* present information showing how the Agency's net position changed during the most recent years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future periods.

The *Statements of Cash Flows* relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Agency's cash accounts are recorded in these statements. A reconciliation is provided at the bottom of the statements of cash flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

In addition to the financial statements and accompanying notes, this report also presents the *Supplementary Schedule of Indebtedness*.

Financial Highlights

- The Agency's net position increased \$103,264 from December 31, 2011 to 2012, as compared to an increase of \$17,008 from December 31, 2010 to 2011. The increase in net position in 2012 was due to a substantial increase in both the number and size of economic development projects taken on by the Agency during 2012.
- The Agency continued to incur significant engineering and construction costs related to the Winding Creek Bike Path, River Road treatment plant demolition, and Mohawk Landing Park economic development projects. It also committed to reimburse a portion of the costs for a water system improvement project in the Railroad Avenue area as part of the JDMH Realty project.
- The principal sources of revenue for the Agency are fees collected at the rate of one half of one percent of the project cost plus a \$250 application fee. In 2012, the Agency's total income from the fees was \$412,352 compared to \$168,000 in 2011. This increase was principally four significant projects in 2012, whereas in 2011, there was only one project.
- The Agency, under an agreement with the Albany-Colonie Regional Chamber of Commerce, continues to maintain the Town of Colonie Small Business Entrepreneurial Loan Program. In 2012, the Agency paid \$2,332 to the Albany-Colonie Regional Chamber of Commerce for administration of this program. At December 31, 2012, the program had a net loan receivable balance of approximately \$76,000.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

Financial Analysis of the Agency

The table below presents condensed financial information derived from the Agency's financial statements as of December 31, 2012, 2011, and 2010.

Condensed Statement of Net Position

| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>Increase (Decrease) 2012-2011</u> | <u>Increase (Decrease) 2011-2010</u> |
|-------------------------------------|---------------------|---------------------|---------------------|--|--|
| ASSETS | | | | | |
| Current assets | \$ 2,206,807 | \$ 2,064,370 | \$ 2,135,070 | \$ 142,437 | \$ (70,700) |
| Non-current assets | <u>53,707</u> | <u>107,484</u> | <u>71,902</u> | <u>(53,777)</u> | <u>35,582</u> |
| Total assets | <u>\$ 2,260,514</u> | <u>\$ 2,171,854</u> | <u>\$ 2,206,972</u> | <u>\$ 88,660</u> | <u>\$ (35,118)</u> |
| LIABILITIES AND NET POSITION | | | | | |
| LIABILITIES | | | | | |
| | <u>\$ 18,267</u> | <u>\$ 32,871</u> | <u>\$ 95,220</u> | <u>\$ (14,604)</u> | <u>\$ (62,349)</u> |
| NET POSITION | | | | | |
| Invested in capital assets | 18,475 | 24,638 | 30,929 | (6,163) | (6,291) |
| Restricted | 203,831 | 201,343 | 198,756 | 2,488 | 2,587 |
| Unrestricted | <u>2,019,941</u> | <u>1,913,002</u> | <u>1,882,067</u> | <u>106,939</u> | <u>30,935</u> |
| Total net position | <u>2,242,247</u> | <u>2,138,983</u> | <u>2,111,752</u> | <u>103,264</u> | <u>27,231</u> |
| Total liabilities and net position | <u>\$ 2,260,514</u> | <u>\$ 2,171,854</u> | <u>\$ 2,206,972</u> | <u>\$ 88,660</u> | <u>\$ (35,118)</u> |

The overall increase in net position from 2010 to 2012 is the result of the Agency's efforts to support economic development within the Town of Colonie, in accordance with New York State Law.

Current assets increased \$142,437 at December 31, 2012, compared to a decrease of \$70,700 at December 31, 2011, while non-current assets decreased \$53,777 at December 31, 2012, compared to an increase of \$35,582 at December 31, 2011.

The 2012 increase in current assets resulted from the increase in economic development activities during the year which resulted in an operating surplus of approximately \$94,000. A similar result occurred within the Small Business Entrepreneurial Loan (SBEL) Program from payments received on existing loans, net of issuance of new loans. Current assets within the SBEL program increased \$50,000 as existing loan repayments are outpacing the issuance of net loans. During 2012, the Chamber and Agency determined it appropriate that one of the loans in the amount of \$16,413 should be written off against its previously established allowance.

Accounts and accrued payables decreased \$14,604 at December 31, 2012, due to the timing of the payments of certain economic development costs incurred for 2012 and 2011.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

Financial Analysis of the Agency - Continued

The table below presents condensed financial information derived from the financial statements of the Agency for the years ended December 31, 2012, 2011, and 2010.

| | <u>Condensed Statement of Activities</u> | | | Increase (Decrease) | Increase (Decrease) |
|-------------------------------------|--|------------------|---------------------|------------------------|------------------------|
| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2012-2011</u> | <u>2011-2010</u> |
| Revenues | | | | | |
| Administrative fees | \$ 410,852 | \$ 167,500 | \$ 15,500 | \$ 243,352 | \$ 152,000 |
| Application income | 1,500 | 500 | 750 | 1,000 | (250) |
| Environmental Benefit Project Funds | 13,000 | - | - | 13,000 | - |
| Refund of prior year expenses | - | 4,196 | 5,011 | (4,196) | (815) |
| Interest income | 9,339 | 12,082 | 16,044 | (2,743) | (3,962) |
| Total revenue | <u>434,691</u> | <u>184,278</u> | <u>37,305</u> | <u>250,413</u> | <u>146,973</u> |
| Expenses | | | | | |
| Administrative expenses | 21,054 | 22,905 | 17,750 | (1,851) | 5,155 |
| Alternative energy grants | - | 15,000 | 125,000 | (15,000) | (110,000) |
| Bad debts expense | - | - | 16,413 | - | (16,413) |
| Depreciation | 6,163 | 6,291 | 6,429 | (128) | (138) |
| Economic development costs | - | - | 19,926 | - | (19,926) |
| Administrative and management fees | 58,345 | 52,047 | 50,966 | 6,298 | 1,081 |
| New York State assessment | - | - | 4,196 | - | (4,196) |
| Professional fees | 21,015 | 35,490 | 40,581 | (14,475) | (5,091) |
| Public benefit projects | 224,850 | 35,537 | 54,447 | 189,313 | (18,910) |
| Technology grants | - | - | 48,600 | - | (48,600) |
| Total expenses | <u>331,427</u> | <u>167,270</u> | <u>384,308</u> | <u>164,157</u> | <u>(217,038)</u> |
| Change in net position | <u>\$ 103,264</u> | <u>\$ 17,008</u> | <u>\$ (347,003)</u> | <u>\$ 86,256</u> | <u>\$ 364,011</u> |

Activities for the Years Ended 2012, 2011, and 2010

The Agency's annual fees for services are tied to the size and timing of economic activity projects. These fees increased by \$243,352 in 2012 as compared to an increase of \$152,000 in 2011. This was a result of an increase in the volume of economic activity projects during 2012, more specifically four projects in 2012 versus one project in 2011. The table below presents a summary of the administrative fee revenue for the years ended December 31, 2008 to 2012.

| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|-------------------------------------|-------------------|-------------------|------------------|-------------------|------------------|
| Project | | | | | |
| Angio Dynamics | \$ - | \$ - | \$ - | \$ 12,500 | \$ - |
| Colonie Youth Center | - | - | - | - | 73,250 |
| Computer Sciences Corp | - | - | - | 29,595 | - |
| Crum Rubber | - | - | - | - | 3,375 |
| First Columbia-14, LLC | - | - | - | 43,320 | - |
| DW Diesel | - | - | - | 1,000 | - |
| JDMH Realty: Jetro Restaurant Depot | 21,250 | - | - | - | - |
| Loudon Square | - | - | - | 17,500 | - |
| Precision Valve | - | - | 15,500 | 18,750 | - |
| Shaker Pointe at Carondolet | 115,000 | 167,500 | - | - | - |
| Shelter Cove | 140,000 | - | - | - | - |
| SRS: Shop Rite/Otto Cadillac | 134,602 | - | - | - | - |
| Total | <u>\$ 410,852</u> | <u>\$ 167,500</u> | <u>\$ 15,500</u> | <u>\$ 122,665</u> | <u>\$ 76,625</u> |

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012 and 2011**

Activities for the Years Ended 2012, 2011, and 2010 - Continued

Interest earnings decreased in 2012 by \$2,743 as compared to a larger decrease of \$3,962 in 2011. The decrease in interest income is principally due to the stabilization of general economic conditions, including actions by the Federal Reserve to maintain lower interest rates. Additionally, the Small Business Entrepreneurial Loan Program continues to generate less interest income as loans are paid off and not replaced by new issuances.

Professional fees decreased in 2012 by \$14,475 as compared to a \$5,091 decrease in 2011 primarily due to the decline in legal fees incurred during 2012. Public benefit project costs increased in 2012 by \$189,313 as compared to a decrease of \$18,910 in 2011. The table below presents a summary of the public benefit project costs for the years ended December 31, 2009 to 2012.

| Project | 2012 | 2011 | 2010 | 2009 |
|---|-------------------|------------------|------------------|------------------|
| Adirondack Steel Site | \$ - | \$ - | \$ 36,877 | \$ 16,586 |
| Colonie Lincoln Avenue BOA | 5,000 | - | - | - |
| Mohawk Indian Landing Park | 15,738 | 10,036 | - | - |
| River Road Waste Water Treatment Plant Demolition | 182,783 | 24,856 | - | - |
| Winding Creek Bike Path Improvements | 21,329 | 645 | 17,570 | - |
| Total | <u>\$ 224,850</u> | <u>\$ 35,537</u> | <u>\$ 54,447</u> | <u>\$ 16,586</u> |

Administrative expenses decreased in 2012 by \$1,851 as compared to a \$5,155 increase in 2011. This was due to minor repairs necessary to the vacant 272 Maxwell Road property in 2011 that were not necessary in 2012. Management fees increased by \$6,298 during 2012 based on the annual services agreement between the Agency and the Town of Colonie.

The Agency provided one \$15,000 alternative energy grant for the installation of a solar power system in 2011. The solar power system provided this business with the ability to reinvest projected savings to enhance the business. A total of \$140,000 has been issued in these grants through 2012, with the majority taking place in 2010. No grants were applied for or issued in 2012.

Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact Craig T. Blair, Comptroller, at Colonie Town Hall, 534 Loudon Road, Latham, New York 12110.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

STATEMENTS OF NET POSITION

| | December 31, | |
|---|---------------------|---------------------|
| | 2012 | 2011 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 1,888,554 | \$ 1,922,922 |
| Due from related entity | - | 16,294 |
| Administrative fees receivable | 142,800 | - |
| Prepaid expenses | 6,289 | 5,997 |
| Restricted assets | | |
| Cash, restricted for revolving loan fund | 127,934 | 96,241 |
| Accrued interest | 158 | 231 |
| Loans receivable, current portion, net | 41,072 | 22,685 |
| Total current assets | 2,206,807 | 2,064,370 |
| CAPITAL ASSETS, net | 18,475 | 24,638 |
| OTHER ASSETS, less current portion | | |
| Deposits | 565 | 660 |
| Restricted assets | | |
| Loans receivable, net | 34,667 | 82,186 |
| Total other assets | 35,232 | 82,846 |
| | \$ 2,260,514 | \$ 2,171,854 |
| LIABILITIES AND NET POSITION | | |
| LIABILITIES | | |
| Accounts payable | \$ 307 | \$ 25,546 |
| Accrued payables | 17,960 | 7,325 |
| Total current liabilities | 18,267 | 32,871 |
| NET POSITION | | |
| Invested in capital assets | 18,475 | 24,638 |
| Restricted for revolving loan fund | 203,831 | 201,343 |
| Unrestricted | 2,019,941 | 1,913,002 |
| | 2,242,247 | 2,138,983 |
| | \$ 2,260,514 | \$ 2,171,854 |

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

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

| | Years Ended December 31, | |
|---|---------------------------------|----------------------------|
| | 2012 | 2011 |
| OPERATING REVENUES | | |
| Administrative fees | \$ 410,852 | \$ 167,500 |
| Application income | 1,500 | 500 |
| Environmental benefit project funds | 13,000 | - |
| Refund of prior year administrative services assessment | - | 4,196 |
| | <u>425,352</u> | <u>172,196</u> |
| OPERATING EXPENSES | | |
| Administrative fees | 2,332 | 2,200 |
| Alternative energy grants | - | 15,000 |
| Association dues | 8,350 | 8,350 |
| Building security and utilities | 3,055 | 5,939 |
| Conferences and travel | 4,500 | 2,595 |
| Depreciation | 6,163 | 6,291 |
| Insurance | 3,859 | 3,677 |
| Legal fees | 5,350 | 19,555 |
| Management fees | 56,013 | 49,847 |
| Postage, office supplies, and other | 1,290 | 2,344 |
| Professional fees | 13,250 | 13,975 |
| Public benefit projects | 224,850 | 35,537 |
| Website maintenance | 2,415 | 1,960 |
| | <u>331,427</u> | <u>167,270</u> |
| Operating income | <u>93,925</u> | <u>4,926</u> |
| OTHER INCOME (EXPENSE) | | |
| Pass-through grant proceeds | - | 410,000 |
| Pass-through grants | - | (410,000) |
| Interest income | 9,339 | 12,082 |
| | <u>9,339</u> | <u>12,082</u> |
| Change in net position | 103,264 | 17,008 |
| NET POSITION, beginning of year | <u>2,138,983</u> | <u>2,121,975</u> |
| NET POSITION, end of year | <u>\$ 2,242,247</u> | <u>\$ 2,138,983</u> |

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

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

STATEMENTS OF CASH FLOWS

| | <u>Years Ended December 31,</u> | |
|---|---------------------------------|----------------------------|
| | <u>2012</u> | <u>2011</u> |
| CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Receipts from customers | \$ 269,552 | \$ 168,000 |
| Payments to vendors | (340,065) | (214,068) |
| Receipts from other operating sources | 13,000 | - |
| | <u>(57,513)</u> | <u>(46,068)</u> |
| CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES | | |
| Interest income earned | 9,412 | 12,042 |
| Repayment (issuance) of related party advances | 16,294 | (5,212) |
| Proceeds of pass-through grant | - | 410,000 |
| Payments on pass-through grant | - | (410,000) |
| Issuances of revolving loan fund | (20,000) | (50,000) |
| Payments on revolving loan fund | 49,132 | 22,924 |
| Change in cash restricted for loan fund | (31,693) | 24,529 |
| | <u>23,145</u> | <u>4,283</u> |
| Net decrease in cash | (34,368) | (41,785) |
| CASH, beginning of year | <u>1,922,922</u> | <u>1,964,707</u> |
| CASH, end of year | <u>\$ 1,888,554</u> | <u>\$ 1,922,922</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Operating income | \$ 93,925 | \$ 4,926 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities | | |
| Depreciation | 6,163 | 6,291 |
| (Increase) decrease in | | |
| Accounts receivable | (142,800) | 5,678 |
| Prepaid expenses | (292) | 46 |
| Deposits | 95 | (660) |
| Increase (decrease) in | | |
| Accounts payable | (25,239) | (64,256) |
| Accrued payables | 10,635 | 1,907 |
| | <u>10,635</u> | <u>1,907</u> |
| | <u>\$ (57,513)</u> | <u>\$ (46,068)</u> |

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

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Purpose

The Town of Colonie Industrial Development Agency (Agency) was created in 1977 by the Town of Colonie (Town) under the provisions of Chapter 232 of the 1977 Laws of New York State for the purpose of encouraging growth in the Town. The Agency is exempt from federal, state, and local income taxes. The Agency, although established by the Town, is a separate entity and operates independently of the Town. Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The Town, the Agency, nor any political subdivision thereof, is obligated in any manner for repayment of bonds issued by the Agency. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

b. Basis of Accounting

The accounts of the Agency are maintained in a single proprietary fund on the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for government entities. The Governmental Accounting Standards Board (GASB) is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

Revenues are recognized when earned, and expenses are recognized when incurred. The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the Agency. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

c. Use of Estimates

The preparation of financial statements requires management 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.

d. New Accounting Pronouncement

Effective December 31, 2012, the Agency adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB No. 63). GASB No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Agency has fully adopted this statement as of December 31, 2012, and there was no significant impact to the financial statements.

e. Early Application of Accounting Pronouncements

Management has elected to early implement the following as of January 1, 2012:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statements elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in the financial statements.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

e. Early Application of Accounting Pronouncements - Continued

GASB Statement No. 66, *Technical Corrections*. This statement establishes clarifications on two recently issued Statements, No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement resolves conflicting guidance created as a result of the issuance of these two statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement.

The scope of this statement also addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have certain characteristics as defined in the statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed.

The adoption of GASB Statements No. 65, 66, 67, and 68 had no impact on the financial statements.

f. Fair Value Measurement

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.

g. Receivables

Receivables consist of administrative fees receivable and Small Business Entrepreneurial loans. Administrative fees receivable are carried at original invoice amount. Management considers these receivables to be fully collectible; accordingly, there is no allowance for doubtful accounts.

Loans are carried at amortized amounts, based on paydown of principal. Management records an allowance on loans based on a review of the outstanding loan balances and its collection history. At December 31, 2011, the allowance for uncollectible loans receivable was \$-0- and \$16,413 at December 31, 2012 and 2011, respectively.

h. Capital Assets

Capital assets are recorded at cost, except for contributed property and equipment, which is recorded at fair market value or the contributor's net book value if fair market value is not readily ascertainable. Capital assets are reported net of accumulated depreciation in these financial statements. 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 otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited or charged to operations. Capital assets as December 31, 2012 and 2011, consist of land, building and improvements, and furniture and equipment.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

h. Capital Assets - Continued

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, 2012 and 2011.

Depreciation is provided for in amounts to relate the cost of depreciable assets to operations over their estimated useful lives, using the straight-line method. The estimated useful lives established to determine depreciation are as follows:

| Description | Estimated Life |
|---------------------------|----------------|
| Building and improvements | 5-30 years |
| Furniture and equipment | 10 years |

i. Net Position

Net position is presented in the following categories:

Invested in capital assets - Consists of capital assets, net of accumulated depreciation.

Restricted for revolving loan fund - Consists of net loans receivable, accrued interest earnings, and a cash account restricted for use by the Revolving Loan Fund (Note 6).

Unrestricted - Consists of all other net positions that do not meet the definition of “invested in capital assets” or “restricted for revolving loan fund.”

j. Pass-Through Grants

The Agency is essentially a pass-through agent for certain grants made by the New York State Department of Economic Development for the benefit of a third party. During the year ended 2011, one company received pass-through grants of \$410,000. No such grants occurred during 2012.

k. Subsequent Events

The Agency has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 18, 2013, the date the financial statements were available to be issued.

l. Reclassification

Certain 2011 amounts have been reclassified to conform with the 2012 presentation.

NOTE 2 - CASH

Cash consists of:

| | December 31, | |
|--|--------------|--------------|
| | 2012 | 2011 |
| Cash in checking accounts | \$ 1,359 | \$ 221,969 |
| Cash in money market account | 1,887,195 | 1,700,953 |
| Total cash | \$ 1,888,554 | \$ 1,922,922 |
| Cash, restricted for revolving loan fund | \$ 127,934 | \$ 96,241 |

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 2 - CASH - Continued

Restricted cash consists of funds held for use in the Agency's revolving loan fund. The Agency's investment policies are governed by State statutes. In addition, the Agency has its own written investment policy. Agency monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, obligations of New York State or its localities, and Certificates of Participation.

In accordance with the provisions of Section 10 of the General Municipal Law of New York State, all Agency deposits, including certificates of deposit and special time deposits in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, shall be collateralized by a pledge of eligible securities, letters of credit, or surety bonds. As of December 31, 2012 and 2011, the collateral was sufficient to secure the Agency's deposits in excess of FDIC insurance.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government.

All investment obligations shall be payable or redeemable at the option of the Agency within such times as the proceeds will be needed to meet expenditures for purposes for which the monies were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Agency within two years of the date of purchase.

NOTE 3 - CAPITAL ASSETS, NET

Capital assets are as follows:

| | December 31, | | | |
|---|------------------|-------------------|-------------|------------------|
| | 2011 | Additions | Disposal | 2012 |
| Capital assets, not being depreciated | | | | |
| Land | \$ 4,893 | \$ - | \$ - | \$ 4,893 |
| Capital assets being depreciated | | | | |
| Building and improvements | 221,224 | - | - | 221,224 |
| Furniture and equipment | 8,725 | - | - | 8,725 |
| Total | <u>229,949</u> | <u>-</u> | <u>-</u> | <u>229,949</u> |
| Less accumulated depreciation for | | | | |
| Building and improvements | (201,479) | (6,163) | - | (207,642) |
| Furniture and equipment | (8,725) | - | - | (8,725) |
| Total | <u>(210,204)</u> | <u>(6,163)</u> | <u>-</u> | <u>(216,367)</u> |
| Total capital assets being depreciated, net | <u>19,745</u> | <u>(6,163)</u> | <u>-</u> | <u>13,582</u> |
| Capital assets, net | <u>\$ 24,638</u> | <u>\$ (6,163)</u> | <u>\$ -</u> | <u>\$ 18,475</u> |

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 3 - CAPITAL ASSETS, NET - Continued

| | December 31, | | | 2011 |
|---|------------------|-------------------|-------------|------------------|
| | 2010 | Additions | Disposal | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 4,893 | \$ - | \$ - | \$ 4,893 |
| Capital assets being depreciated | | | | |
| Building and improvements | 221,224 | - | - | 221,224 |
| Furniture and equipment | 8,725 | - | - | 8,725 |
| Total | <u>229,949</u> | <u>-</u> | <u>-</u> | <u>229,949</u> |
| Less accumulated depreciation for | | | | |
| Building and improvements | (195,188) | (6,291) | - | (201,479) |
| Furniture and equipment | (8,725) | - | - | (8,725) |
| Total | <u>(203,913)</u> | <u>(6,291)</u> | <u>-</u> | <u>(210,204)</u> |
| Total capital assets being depreciated, net | <u>26,036</u> | <u>(6,291)</u> | <u>-</u> | <u>19,745</u> |
| Capital assets, net | <u>\$ 30,929</u> | <u>\$ (6,291)</u> | <u>\$ -</u> | <u>\$ 24,638</u> |

NOTE 4 - RELATED PARTY TRANSACTIONS

The Comptroller's Office and the Department of Planning and Economic Development of the Town provide staff support and office space to the Agency. Under the terms of an annual agreement, the Agency paid the Town \$56,013 and \$49,847 for support services for the years ended December 31, 2012 and 2011, respectively.

During 2010, the Town of Colonie formed the Town of Colonie Local Development Corporation (Corporation) which shares similar management and staff support with the Agency. Prior to December 2011, the Agency provided working capital advances to the Corporation which amounted to \$16,294 as of December 31, 2011. The Corporation repaid these advances in full in January 2012.

NOTE 5 - INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds, notes, and straight leases issued by the Agency are secured by property which is leased to companies and is retired by these payments. The bonds, notes, and straight leases are not obligations of the Agency or the Town. The Agency does not record the assets or liabilities resulting from bonds, notes, and straight leases issued in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bonds, notes, and lease holders, and funds arising there from are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives administration fees from the borrowing companies. Such administrative fee income is recognized upon issuance of bonds, notes, and leases. There were no new issuances of industrial revenue bonds during 2011 and 2012. Industrial revenue bonds outstanding at December 31, 2012 and 2011, were \$17,569,496 and \$18,857,802, respectively.

NOTE 6 - REVOLVING LOAN FUND

The Agency established the Town of Colonie Small Business Revolving Loan Trust Fund (Fund), which is administered by the Albany-Colonie Regional Chamber of Commerce (Chamber) for the purpose of providing loans to qualified small businesses. The Chamber is authorized and empowered to make loan commitments not to exceed \$25,000 to a single qualified borrower and to advance loan proceeds from the Fund. The Agency pays the Chamber an administrative fee, from interest income, for its services in connection with the Fund. Any and all other interest earned by the Fund becomes part of the principal of the Fund to be used to make additional loans. Principal payments from borrowers are also returned to the Fund.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011**

NOTE 6 - REVOLVING LOAN FUND - Continued

During 2012, the Fund issued a term loan of \$20,000. In 2011, the Fund issued a term loan and a line-of-credit of \$25,000 each. The Fund received repayments of \$49,132 and \$22,924 in principal and \$4,665 and \$4,400 in interest income during 2012 and 2011, respectively. Administrative fees of \$2,332 and \$2,200 during 2012 and 2011, respectively, were paid to the Chamber. At December 31, 2012 and 2011, the Chamber held \$75,739 and \$121,284 in loans receivable in trust for the Agency. At December 31, 2011, the allowance for uncollectible loans was \$16,413, as the Chamber and Agency had determined one loan to be potentially uncollectible. During 2012 the loan was written off against the allowance as the Chamber and Agency determined the loan to be uncollectible. At December 31, 2012, there was no allowance for uncollectible loans.

NOTE 7 - COMMITMENTS

As part of the economic development incentive for JDMH Real Estate of Albany, LLC (JDMH), the Agency approved on November 21, 2012, a public infrastructure improvement agreement. JDMH determined a need to enhance the water line infrastructure as part of the construction of a new facility on Railroad Avenue. This improvement was not included, nor anticipated as part of the Town's Water District's capital improvement plan. Therefore, the Agency, in light of the potential economic benefit to the Town from the enhancement, agreed to reimburse a portion of the infrastructure improvement costs. Under the agreement, the Agency will reimburse costs incurred by JDMH that exceed \$270,000, however, no more than \$265,000 in total. As of the date of these financial statements, JDMH has not requested reimbursement.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**SUPPLEMENTARY INFORMATION
SCHEDULE OF INDEBTEDNESS**

| <u>Project Description</u> | <u>Original Issue Amount</u> | <u>Original Issue Date</u> | <u>Current Interest Rate</u> | <u>Outstanding January 1, 2012</u> | <u>Issued During 2012</u> | <u>Principal Payments/ Refinance 2012</u> | <u>Outstanding December 31, 2012</u> | <u>Final Maturity Date</u> |
|----------------------------|--------------------------------------|------------------------------------|--------------------------------------|--|-----------------------------------|---|--|------------------------------------|
| 22 Corporate Woods Blvd. | \$ 30,000,000 | 03/93 | 7.63% | \$ 11,882,802 | \$ - | \$ 1,108,306 | \$ 10,774,496 | 3/1/2019 |
| Saint Gregory's School | 1,300,000 | 09/98 | 5.75% | 350,000 | - | - | 350,000 | 9/1/2018 |
| One Mustang Drive II, LLC | 5,880,000 | 9/10 | 2.83% | 5,880,000 | - | - | 5,880,000 | 9/1/2030 |
| One Mustang Drive II, LLC | 970,000 | 9/10 | 4.00% | 745,000 | - | 180,000 | 565,000 | 9/1/2015 |
| | | | | <u>\$ 18,857,802</u> | <u>\$ -</u> | <u>\$ 1,288,306</u> | <u>\$ 17,569,496</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 Agency Board
Town of Colonie Industrial Development Agency
Colonie, New York

We have audited, 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, the statement of net position of the Town of Colonie Industrial Development Agency (Agency), as of December 31, 2012, and the related statement 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 March 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 12-01 through 12-04.

The Agency's Response to Findings

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 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.

Bollam Sheedy Torani & Co. LLP

Albany, New York
March 18, 2013

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported
- Noncompliance material to financial statements? _____ Yes X No

Section II - Financial Statement Findings

None.

Section III - Compliance Findings

12-01. Posting and Maintaining Reports on Public Authority Web Sites

Criteria: The New York State Authority Budget Office (ABO) issued Policy Guidance on April 12, 2010, in response to the Public Authorities Reform Act (PARA) of 2009. This guidance states that effective immediately, public authorities are required to make specific information available to the public through the internet.

Condition: Required Agency reports and policies are currently not available to the public through the internet.

Effect: The Agency is not in compliance with PARA requirements.

Cause: The Agency did not oversee proper maintenance of the website.

Recommendation: Using available ABO guidance, the Agency should update its website and schedule periodic maintenance and review to ensure required information is available to the public in a timely manner.

View of Responsible Officials and Planned Corrective Action: The Agency is currently completing the process of revising and updating its website, and will ensure the information on the website is complete and updated as necessary.

12-02. Board Training

Criteria: In accordance with Section 2824 of Public Authorities Law, individuals appointed to the Board are to participate in state approved training regarding their legal fiduciary, financial, and ethical responsibilities within one year of appointment to the Board.

Condition: A portion of the Agency's Board members may not be aware of their responsibilities as a member of the Board.

Effect: The Agency was not in compliance with Section 2824 of Public Authorities Law.

Cause: Not all of the Agency's Board members have attended the required training.

Recommendation: The Agency should ensure that all Board members attend the required training.

View of Responsible Officials and Planned Corrective Actions: The required members attended the necessary training in January 2013. The Governance Committee is also in the process of scheduling a refresher training course for all Board members.

**TOWN OF COLONIE
INDUSTRIAL DEVELOPMENT AGENCY**

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2012**

Section III - Compliance Findings - Continued

12-03. Acknowledgement of Fiduciary Duty

Criteria: Section 2824 of Public Authorities Law states that all Board members of public authorities are required to execute and sign an acknowledgement of fiduciary duty at the time the member takes his or her oath of office.

Condition: The Agency does not have signed acknowledgements from all of its Board members.

Effect: The Agency was not in compliance with Section 2824 of Public Authorities Law.

Cause: All of the Agency members did not sign the necessary acknowledgement in a timely manner.

Recommendation: The Agency should provide Board members with the necessary acknowledgement and ensure that all documents have been properly executed.

View of Responsible Officials and Planned Corrective Actions: Management has provided the Board members with the necessary forms and will work to obtain the completed acknowledgements.

12-04. Performance Measurement Report

Criteria: Section 2824 of Public Authorities Law states that all local authorities are to develop performance measures to assist the authority in determining how well it is carrying out its mission. Each year the authority is required to publish its performance measurement report.

Condition: The Agency has not prepared a performance measurement report.

Effect: The Agency was not in compliance with Section 2824 of Public Authorities Law.

Cause: The Agency has not developed performance measures.

Recommendation: The Agency should develop performance measurements and evaluate the Agency based on these measurements on an annual basis.

View of Responsible Officials and Planned Corrective Actions: Management of the Agency measures performance through job creation. In January, a draft of a performance measurement report was provided to the Board members for comment and edit. It is anticipated that the finalized report will be presented to the Board at the next scheduled meeting and then annually thereafter.