

***CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT AGENCY***

FINANCIAL STATEMENTS

DECEMBER 31, 2022

CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT AGENCY
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Schenectady
Industrial Development Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities of the City of Schenectady Industrial Development Agency (the “Agency”) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Schenectady Industrial Development Agency’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Agency as of December 31, 2022, and the respective changes in its financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Schenectady Industrial Development Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Schenectady Industrial Development Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Schenectady Industrial Development Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Schenectady Industrial Development Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Schenectady Industrial Development Agency's basic financial statements. The accompanying schedule of indebtedness on page 10 is supplemental information presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information 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 February 27, 2023 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Schenectady Industrial Development Agency's 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 City of Schenectady Industrial Development Agency's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is cursive and fluid, with "Cusack" and "Company" connected at the top, and "CPA's LLC" written below it in a slightly smaller size.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
February 27, 2023

CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2022

Assets

Current Assets:

| | |
|----------------------|--------------------------|
| Cash | \$ 692,031 |
| Prepaid Expenses | <u>254</u> |
| Total Current Assets | 692,285 |
| | |
| Land | 7,956 |
| Notes Receivable | <u>212,000</u> |
| | |
| Total Assets | <u><u>\$ 912,241</u></u> |

Liabilities and Net Position

Current Liabilities:

| | |
|------------------------------------|--------------------------|
| Accounts Payable | \$ 55,545 |
| Deferred Revenue | <u>7,254</u> |
| Total Liabilities | 62,799 |
| | |
| Net Position | 849,442 |
| Unrestricted | <u><u>849,442</u></u> |
| | |
| Total Liabilities and Net Position | <u><u>\$ 912,241</u></u> |

CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

| | |
|---------------------------------|-------------------|
| Revenues: | |
| Administrative Fees | \$ 171,550 |
| Other Income | <u>2,420</u> |
| Total Revenues | <u>173,970</u> |
| Program Expenses: | |
| Project Expenses | 2,400 |
| Management Fees | 48,345 |
| Professional Fees | 11,400 |
| Other | <u>30,813</u> |
| Total Expenses | <u>92,958</u> |
| Change in Net Position | 81,012 |
| Net Position, Beginning of Year | <u>768,430</u> |
| Net Position, End of Year | <u>\$ 849,442</u> |

CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

| | |
|--|-----------------------|
| Cash Flows Provided by Operating Activities: | |
| Receipts from Customers | \$ 171,550 |
| Payments for Project Expenses | (2,400) |
| Payments to Vendors | <u>(36,813)</u> |
| Cash Provided by Operating Activities | 132,337 |
| Cash Flows Provided by Investing Activities: | |
| Payment on Loan Receivable | <u>4,000</u> |
| Change in Cash | 136,337 |
| Cash, Beginning of Year | <u>555,694</u> |
| Cash, End of Year | <u>\$ 692,031</u> |
| Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities: | |
| Change in Net Position | \$ 81,012 |
| Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities: | |
| Change in Operating Assets and Liabilities | |
| Accounts Payable | 53,745 |
| Deferred Revenue | <u>(2,420)</u> |
| Cash Provided by Operating Activities | <u>\$ 132,337</u> |

CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The City of Schenectady Industrial Development Agency (the “Agency”) was created during 1977 by the City Council of the City of Schenectady (the “City”), under the provisions of Chapter 783, Section 856.1-a of General Municipal Laws of New York State for the purpose of encouraging economic growth in the City. The Agency, although established by the City Council of the City, is a separate entity and operates independently and is not a component unit of the City.

The Agency’s function is to authorize the issuance of industrial revenue bonds for industrial development projects and to assist businesses in acquiring or constructing various facilities in order to provide job opportunities and increase economic welfare. In return for its efforts, the Agency receives application and closing fees related to this business financing.

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

Accounting Method

The Agency’s financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) for public authorities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Agency is determined by its measurement focus. The transactions of the Agency are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of the Agency are included in the statement of net position.

Estimates

In preparing financial statements in accordance with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

The Agency's investment policy and statutes authorize the Agency to maintain deposits with FDIC-insured commercial banks located within the state. The Agency is authorized to use demand accounts, money market accounts and certificates of deposit. Collateral is required for all deposits not covered by federal deposit insurance. As of December 31, 2022, all of the Agency's deposits were fully insured or collateralized.

Prepaid Expenses

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

Capital Assets

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

The Agency evaluated prominent events or changes in circumstances affecting capital assets to determine if impairment of any capital assets has occurred. A capital asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude ,and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. There were no impaired capital assets at December 31, 2022.

Industrial Development Revenue Bond and Note Transactions

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by these payments. The bonds and notes are not obligations of the Agency, the City, or New York State. The Agency does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of the bonds and notes. Industrial development revenue bonds issued and outstanding at December 31, 2022 were \$3,775,000.

CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

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

Subsequent Events

In preparing the financial statements and notes thereto, the Agency considered subsequent events or transactions as to any potential material impact on operations or financial position occurring through February 27, 2023, the date the financial statements were available to be issued. No such events or transactions were identified.

2. LAND

The Agency has been developing and renovating various areas to promote future economic growth and to revitalize the City. Land consists of property at 451 Duane Avenue with a cost of \$7,956.

3. NOTES RECEIVABLE

During 2013, the Agency made a \$200,000 thirty year loan bearing interest at 1% to the Development of Broadway, LLC. Interest and principal are due in full in June 1, 2043.

During 2016, the Agency sold land for \$40,000 payable in interest free annual installments of \$4,000. The balance due on the note at December 31, 2022 was \$12,000.

4. ADMINISTRATIVE SERVICE AGREEMENT

Effective in 2012, the Agency entered into an administrative service agreement with the Schenectady Metroplex Development Authority (the “Authority”), an unrelated party. In accordance with the agreement, the Authority provides general administrative functions and other requested services. The terms of the agreement require the Agency to pay 30% of the administrative fees collected at closing of projects. The Agency accrued \$48,345 in management fees for the year ended December 31, 2022.

5. UNCERTAINTY

The United States is presently in the midst of a national health emergency related to a virus commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Agency and its future financial position and results of operations is not presently determinable.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SCHENECTADY
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2022

| <u>Project Description</u> | Original Issue Date | Current Interest Rate | Outstanding January 1, 2022 | Issued During 2022 | Principal Payments 2022 | Outstanding December 31, 2022 | Final Maturity Date |
|-----------------------------------|------------------------------------|--------------------------------------|--|-----------------------------------|--|--|------------------------------------|
| Union Graduate College | 01/08 | 2.30% | \$ 4,140,000 | \$ - | \$ 365,000 | \$ 3,775,000 | 09/37 |