

*TOWN OF ROTTERDAM, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY*

*REGULATORY BASIS  
FINANCIAL STATEMENTS*

*DECEMBER 31, 2007*

**TOWN OF ROTTERDAM, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY**

*FINANCIAL STATEMENTS  
DECEMBER 31, 2007*

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	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	1-2
Regulatory Basis Financial Statements	
Balance Sheet	3
Statement of Revenue, Expenses and Changes in Fund Balance	4
Statement of Cash Flows	5
Notes to Financial Statements	6-7
<b>Additional Reports Required by Government Auditing Standards</b>	
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	8-9
Schedule of Findings and Recommendations	10-11
Schedule of Status of Prior Year Findings	12

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Town of Rotterdam, New York  
Industrial Development Agency

We have audited the accompanying regulatory basis financial statements of the Town of Rotterdam, New York Industrial Development Agency, a component unit of the Town of Rotterdam, New York as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Town of Rotterdam, New York Industrial Development 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 by 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 that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Agency prepared these financial statements using accounting principles prescribed by the New York State Office of the State Comptroller to demonstrate compliance with the State's regulatory basis of accounting, which practices differ from accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are described in Note 1.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Town of Rotterdam, New York Industrial Development Agency as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with the accounting principles prescribed by the New York State office of State Comptroller.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2008 on our consideration of the Town of Rotterdam, New York 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 controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Board of Directors and State of New York Office of the State Comptroller and is not intended to be and should not be used by anyone other than these specified parties.

*Cusack & Company, CPA's LLC*

**CUSACK & COMPANY, CPA'S LLC**

Latham, New York  
June 16, 2008

*TOWN OF ROTTERDAM, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY*

*BALANCE SHEET  
DECEMBER 31, 2007*

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Assets	
Cash	<u>\$ 306,185</u>
Fund Balance	<u>\$ 306,185</u>

**TOWN OF ROTTERDAM, NEW YORK**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2007

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Revenue:	
Administrative Fees	\$ 105,449
Interest Income	<u>4,835</u>
Total Revenue	<u>110,284</u>
Expenses:	
Professional Fees	9,258
Other Expenses	<u>222</u>
Total Expenses	<u>9,480</u>
Excess of Revenue Over Expenses	100,804
Fund Balance, at Beginning of Year	<u>205,381</u>
Fund Balance, at End of Year	<u>\$ 306,185</u>

*TOWN OF ROTTERDAM, NEW YORK*  
*INDUSTRIAL DEVELOPMENT AGENCY*  
*STATEMENT OF CASH FLOWS*  
*FOR THE YEAR ENDED DECEMBER 31, 2007*

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Operating Activities:	
Excess of Revenues Over Expenses	\$ 100,804
Cash at Beginning of Year	<u>205,381</u>
Cash at End of Year	<u>\$ 306,185</u>

**TOWN OF ROTTERDAM, NEW YORK**  
**INDUSTRIAL DEVELOPMENT AGENCY**

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007

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**1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:**

*Business Activity*

The Town of Rotterdam, New York Industrial Development Agency (the Agency) was created in 1975 by the State of New York under the provisions of Chapter 673 of the 1975 Laws of New York State for the purpose of encouraging economic growth in the Town of Rotterdam. The Agency is a component unit of the Town. The Town appoints the Agency's governing board and accounts for the Agency's transactions.

*Basis of Accounting*

The financial statements of the Town of Rotterdam, New York Industrial Development Agency have been prepared in conformity with accounting principles prescribed by the New York State Office of the State Comptroller for complying with of General Municipal Law, Section 859 in which every Industrial Development Agency is required to make an annual financial report. The most significant difference between this regulatory basis of accounting and generally accepted accounting principles ("GAAP") is that Government Accounting Standards Board ("GASB") Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" need not be implemented to meet the requirements of General Municipal Law. GASB 34 requires significant changes including:

- Government-Wide Reporting
- Focus on Major Funds
- Changes in Budgetary Reporting
- Full Accrual Accounting Including Depreciation
- Management's Discussion and Analysis
- Capitalization of Infrastructure Assets

Management has considered the costs and benefits of adopting GASB 34 and determined that auditing the financial statements utilizing another Comprehensive Basis of Accounting as opposed to GAAP makes fiscal sense for the Agency.

*Income Taxes*

The Agency operates as an independent entity and is exempt from Federal, State and local income taxes.

**2. INDUSTRIAL 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 lease payments. The bonds and notes are not obligations of the Agency or the Town. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents.

**TOWN OF ROTTERDAM, NEW YORK**  
**INDUSTRIAL DEVELOPMENT AGENCY**

*NOTES TO FINANCIAL STATEMENTS*  
*DECEMBER 31, 2007*

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**3. CASH:**

The Agency's investment policies are governed by State statutes. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Agency is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, and obligations of New York State and its localities.

The total bank balance of \$306,185 at December 31, 2007 of which \$212,379 was covered by FDIC Insurance and \$93,806 uninsured.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Town of Rotterdam, New York  
Industrial Development Agency

We have audited the regulatory financial statements of the Town of Rotterdam, New York Industrial Development Agency, a component unit of Town of Rotterdam, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 16, 2008. 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 Town of Rotterdam, New York Industrial Development Agency's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Town of Rotterdam, New York Industrial Development Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or

report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency, 2007-1, described in the accompanying schedule of findings and recommendations to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency noted is not a material weakness.

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Town of Rotterdam, New York Industrial Development Agency's financial statements 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 statements 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 or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and recommendations as items 2007-2, 2007-3 and 2007-4.

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



**CUSACK & COMPANY, CPA'S LLC**

Latham, New York  
June 16, 2008

**TOWN OF ROTTERDAM, NEW YORK**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
*FINDINGS AND RECOMMENDATION*  
*DECEMBER 31, 2007*

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Finding 2007-1: Outsourcing of Financial Statement Preparation Process to Your Auditors

The American Institute of Certified Public Accountants recently released Statement on Auditing Standard (“SAS”) No. 112 ‘Communicating Internal Control Related Matters Identified in an Audit.’ One of the provisions in SAS No. 112 requires reporting of a significant deficiency if the Agency does not employ an individual with the necessary qualifications to prepare a complete set of financial statements and related footnotes in accordance with generally accepted accounting principles. The Agency does not employ a bookkeeper. Therefore, the Agency’s closing process does not exist and internal financial results are not produced. As a result Cusack & Company, CPA’s LLC has assisted the Company in preparing its financial statements. Management continues to make all management decisions and perform all management functions. Additionally, management has designated an individual who possesses suitable skill, knowledge and experience to oversee our services. Such individual is responsible to evaluate the adequacy and results of the services performed, accepts responsibility for the results of the services, and maintains control and monitors such services.

We recommend that management consider the costs and benefits of obtaining an employee, consultant, volunteer, or board member with the appropriate technical expertise to satisfy the requirements of SAS 112.

Finding 2007-2: Collateralization of Cash

General municipal law requires that the Agency maintain collateral on bank and cash balances that exceed FDIC insurance. As of December 31, 2007, there was \$93,806 of uncollateralized cash.

We recommend that management develop and implement policies and procedures to insure the collateralization of cash.

Finding 2007-3: Timing Submission of Annual Report

The Public Authorities Act requires that the Agency file its annual report within 120 days after its year end. The 2007 report was not filed in a timely manner.

We recommend that management develop and implement procedures to insure compliance with the Public Authorities Act reporting requirements, including budget and audit requirements.

Finding 2007-4: Supplemental Information Requirements

The annual report requires that supplemental information be reported for each project since 1990 in which debt or lease was issued, outstanding or retired during the current year. There is currently no procedure in place to maintain, monitor and update this information.

We recommend that management develop and implement procedures to maintain, monitor and update information required for the supplemental information schedules of the annual report.

*TOWN OF ROTTERDAM, NEW YORK  
INDUSTRIAL DEVELOPMENT AGENCY  
FINDINGS AND RECOMMENDATION (CONTINUED)  
DECEMBER 31, 2007*

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Finding 2007-5 Investment Policy

The Agency appears to have cash in excess of its current needs which could be invested in higher yielding investments.

We recommend that management project its cash needs and appropriately develop and implement an investment policy to invest excess cash.

**TOWN OF ROTTERDAM, NEW YORK**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
*STATUS OF PRIOR YEAR FINDINGS*  
*DECEMBER 31, 2007*

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Finding 2006-1: Timing Submission of Annual Report

General Municipal Law requires that the Agency file its annual audited report within 120 days after its fiscal year end. The 2006 report was not filed in a timely manner.

Recommendation: We recommend that management develop and implement procedures to insure the accurate and timely filing of its annual report.

Status: This finding was not addressed in 2007.

Finding 2006-2: Supplemental Information Requirements

The annual report requires that supplemental information be reported for each project since 1990 in which debt or lease was issued, outstanding or retired during the current fiscal year. There is currently no procedure in place to maintain, monitor and update this information.

Recommendation: We recommend that management develop and implement procedures to maintain, monitor and update information required for the supplemental information schedules of the annual report.

Status: This finding was not addressed in 2007.

Finding 2006-3: 1099 Reporting

The Agency makes stipend payments to its Board of Directors which are subject to 1099 reporting requirements. The Agency did not file required 1099 forms.

Recommendation: We recommend that management develop and implement procedures to insure proper 1099 reporting.

Status: This finding was addressed in 2007.

Finding 2006-4: Lack of Documentation

During our audit we noted an instance in which no documentation to support fee income of \$65,000 could be located.

Recommendation: We recommend that management develop and implement procedures to insure that adequate documentation to support all receipts and disbursements be maintained.

Status: This finding was addressed in 2007.