

**SCHENECTADY LOCAL DEVELOPMENT
CORPORATION**

**A COMPONENT UNIT
OF THE CITY OF SCHENECTADY, NY**

FINANCIAL STATEMENT

DECEMBER 31, 2010

**SCHENECTADY LOCAL DEVELOPMENT
CORPORATION**

A COMPONENT UNIT OF THE CITY OF SCHENECTADY, NY

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Schenectady Local Development Corporation
Schenectady, New York

We have audited the accompanying statement of financial position of the Schenectady Local Development Corporation (a non-profit organization), a component unit of the City of Schenectady, New York as of December 31, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schenectady Local Development Corporation as of December 31, 2010 and its changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 30, 2011, on our consideration of the Schenectady Local Development Corporation's internal control over financial reporting and our tests of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in the columns CDBG Fund, NYS UDC Fund and SMDA Fund on pages 2 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 30, 2011

T.M. Byxbee Company, CPAs, NY, P.C.

SCHENECTADY LOCAL DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE CITY OF SCHENECTADY, NY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

A S S E T S

	<u>CDBG FUND</u>	<u>NYS UDC FUND</u>	<u>SMDA FUND</u>	<u>2010 TOTALS</u>	<u>2009 TOTALS</u>
Current Assets					
Cash	\$ 42,787	\$ 5,214	\$ 20,691	\$ 68,692	\$ 172,646
Loans Receivable, Current Portion	105,730	3,034	160,069	268,833	338,114
Other Receivables	-	-	7,500	7,500	15,000
Accrued Interest Receivable (Net of Allowance for Uncollectibles)	<u>-</u>	<u>-</u>	<u>397</u>	<u>397</u>	<u>38,411</u>
Total Current Assets	<u>148,517</u>	<u>8,248</u>	<u>188,657</u>	<u>345,422</u>	<u>564,171</u>
Other Assets					
Loans Receivable, Less Current Portion (Net of Allowance for Uncollectibles)	35,390	-	71,824	107,214	304,556
Fixed Assets (Net of Accumulated Depreciation)	3,429	-	-	3,429	5,522
Interfund Receivable/Payable	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>	<u>-</u>	<u>-</u>
Total Other Assets	<u>40,319</u>	<u>-</u>	<u>70,324</u>	<u>110,643</u>	<u>310,078</u>
TOTAL ASSETS	<u>\$ 188,836</u>	<u>\$ 8,248</u>	<u>\$258,981</u>	<u>\$ 456,065</u>	<u>\$ 874,249</u>

L I A B I L I T I E S A N D N E T A S S E T S

Current Liabilities					
Due to NYS UDC	\$ -	\$ 5,214	\$ -	\$ 5,214	\$ 5,904
Accounts Payable	33,068	-	-	33,068	-
Deferred Revenue	105,730	3,034	160,069	268,833	338,114
Total Current Liabilities	<u>138,798</u>	<u>8,248</u>	<u>160,069</u>	<u>307,115</u>	<u>344,018</u>
Other Liabilities					
Deferred Revenue	<u>35,390</u>	<u>-</u>	<u>71,824</u>	<u>107,214</u>	<u>304,556</u>
Total Other Liabilities	<u>35,390</u>	<u>-</u>	<u>71,824</u>	<u>107,214</u>	<u>304,556</u>
Net Assets					
Unrestricted:					
Undesignated	14,648	-	-	14,648	84,273
Designated for Loans	<u>-</u>	<u>-</u>	<u>27,088</u>	<u>27,088</u>	<u>141,402</u>
Total Net Assets	<u>14,648</u>	<u>-</u>	<u>27,088</u>	<u>41,736</u>	<u>225,675</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 188,836</u>	<u>\$ 8,248</u>	<u>\$258,981</u>	<u>\$ 456,065</u>	<u>\$ 874,249</u>

SCHENECTADY LOCAL DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE CITY OF SCHENECTADY, NY
STATEMENT OF ACTIVITIES
DECEMBER 31, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	<u>CDBG FUND</u>	<u>NYS UDC FUND</u>	<u>SMDA FUND</u>	<u>2010 TOTALS</u>	<u>2009 TOTALS</u>
Support and Revenue					
Loan Repayments	\$ 31,936	\$ 10,588	\$ 53,578	\$ 96,102	\$ 134,412
Interest Income:					
Loans	12,778	1,165	12,951	26,894	31,484
Other	268	-	984	1,252	2,799
Fees	4,382	104	627	5,113	4,080
Recovered Attorney Fees	-	-	-	-	600
Total Support and Revenue	<u>49,364</u>	<u>11,857</u>	<u>68,140</u>	<u>129,361</u>	<u>173,375</u>
Expenses					
Economic Development Program:					
Loans Made	-	-	152,566	152,566	100,000
Accrued Interest Written Off	22,458	-	14,877	37,335	-
Attorney Fees	5,000	-	-	5,000	12,000
Dues and Subscriptions	110	-	-	110	100
Credit Reports	772	-	-	772	835
Contracted Services - City	78,523	-	-	78,523	74,376
Repayments to Funding Source	-	11,846	-	11,846	6,522
Management and General:					
Annual Audit	5,541	-	-	5,541	5,404
Bank Fees	35	11	11	57	35
Depreciation	2,093	-	-	2,093	2,227
Forgiveness of Receivable	-	-	15,000	15,000	2,227
Insurance	1,296	-	-	1,296	2,386
Meals and Entertainment	897	-	-	897	1,639
Miscellaneous	50	-	-	50	814
Office Equipment and Repairs	259	-	-	259	441
Office Supplies and Printing	25	-	-	25	42
Strategic Planning	1,750	-	-	1,750	-
Travel and Seminars	180	-	-	180	433
Total Expenses	<u>118,989</u>	<u>11,857</u>	<u>182,454</u>	<u>313,300</u>	<u>209,481</u>
Change in Net Assets	(69,625)	-	(114,314)	(183,939)	(36,106)
Net Assets - Beginning of Year	<u>84,273</u>	<u>-</u>	<u>141,402</u>	<u>225,675</u>	<u>259,554</u>
Net Assets - End of Year	<u>\$ 14,648</u>	<u>\$ -</u>	<u>\$ 27,088</u>	<u>\$ 41,736</u>	<u>\$ 223,448</u>

See independent auditor's report and notes to financial statements.

SCHENECTADY LOCAL DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE CITY OF SCHENECTADY, NY
STATEMENT OF CASH FLOWS
DECEMBER, 31, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	<u>CDBG FUND</u>	<u>NYS UDC FUND</u>	<u>SMDA FUND</u>	<u>2010 TOTALS</u>	<u>2009 TOTALS</u>
Change in Net Assets	\$ (69,625)	\$ -	\$(114,314)	\$(183,939)	\$ (33,879)
Cash Flows From Operating Activities:					
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:					
Depreciation	2,093	-	-	2,093	2,227
Forgiveness of Receivable	-	-	15,000	15,000	-
(Increase) Decrease in Assets:					
Loans Receivable	228,747	10,589	27,287	266,623	32,759
Other Receivables	-	-	(7,500)	(7,500)	(15,000)
Interfund Receivable/Payable	(1,500)	-	1,500	-	-
Accrued Interest Receivable	22,458	679	14,877	38,014	(10,150)
Increase (Decrease) in Liabilities:					
Accounts Payable	33,068	-	-	33,068	-
Deferred Revenue	(228,747)	(10,589)	(27,287)	(266,623)	(32,759)
Due to NYS UDC	-	(690)	-	(690)	(5,533)
Total Adjustments	<u>56,119</u>	<u>(11)</u>	<u>23,877</u>	<u>79,985</u>	<u>(28,456)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(13,506)</u>	<u>(11)</u>	<u>(90,437)</u>	<u>(103,954)</u>	<u>(62,335)</u>
Cash Flows From Investing Activities:					
Purchase of Fixed Assets	-	-	-	-	(4,980)
Net Cash (Used in) Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,980)</u>
Net Increase (Decrease) in Cash	(13,506)	(11)	(90,437)	(103,954)	(67,315)
Cash - Beginning of Year	<u>56,293</u>	<u>5,225</u>	<u>111,128</u>	<u>172,646</u>	<u>239,961</u>
Cash - End of Year	<u>\$ 42,787</u>	<u>\$ 5,214</u>	<u>\$ 20,691</u>	<u>\$ 68,692</u>	<u>\$ 172,646</u>

**SCENECTADY LOCAL DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE CITY OF SCENECTADY, NY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(WITH COMPARATIVE DISCLOSURES FOR 2009)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Organization

The Schenectady Local Development Corporation (the Corporation) was incorporated under the New York State Not-For-Profit Corporation Law on June 28, 1978. The Corporation was organized for the purpose of furthering the economic development of the City of Schenectady (the City) and its environs, and promoting and assisting the growth and development of business concerns in the area. The Corporation lends money to new or established businesses, when other funding sources are unavailable, through revolving loan funds. The Corporation is a component unit of the City of Schenectady.

Basis of Accounting

Basis of accounting refers to when support and revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis method of accounting (modified to record loan activity, as described below) is followed. Under this basis of accounting, revenue and expenses are recognized as follows:

CDBG Fund - The Corporation is a sub-recipient of federal funds received by the City through its Community Development Block Grant (CDBG). Draw down requests are made to the City as CDBG funds are needed to meet loan commitments and revenue is recognized when the draw down request is approved by the City.

NYS UDC Fund - The Corporation administers the Commercial District Revolving Loan Trust Fund (Trust Fund) on behalf of New York State Urban Development Corporation (NYS UDC). The Trust Fund was set up to provide certain financial assistance to eligible businesses in order to stimulate the development of central business districts and commercial strips throughout the State. Draw down requests are made to NYS UDC to cover loans to be made and administrative expenses and are recognized as revenue when approval is received from NYS UDC. All principal payments and interest earned must be remitted to NYS UDC. These funds then become available to be redrawn for future loans.

SMDA Fund - The Corporation administers the Schenectady Metroplex Development Authority Revolving Loan Fund. The Fund was established to make loans available to existing and start-up businesses for working capital, equipment purchases, and physical improvements including facade renovations within the Metroplex corridor of the City of Schenectady. All repayments of principal and interest from loans made from Metroplex funds are restricted for the purpose of making future loans. In January of 2010, the agreement was modified to expand the Service Delivery Region to include commercial districts within Schenectady County.

**SCHENECTADY LOCAL DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE CITY OF SCHENECTADY, NY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(WITH COMPARATIVE DISCLOSURES FOR 2009)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES
(Continued)**

Loan Activity - Loans made are recorded as a receivable with a corresponding entry to deferred revenue. As loans are repaid, the principal is recognized as revenue, to be used for future economic development loans. As funds are re-loaned a corresponding expenditure is recorded. The amount of deferred revenue represents the amount of the outstanding loans receivable that are expected to be repaid and become available for additional loans. When a loan is written off as uncollectible, a corresponding decrease in the amount of deferred revenue is made in the same period, the effect of which is to reduce the overall amount of funds available for future loans. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

In keeping with the Corporation's stated purposes, some of these loans may be to start-up companies and/or established businesses experiencing cash flow problems. Accordingly, some of these loans are subject to a higher than normal risk of default. The Corporation obtains personal guarantees and, where possible, collateral to help reduce the risk of non-payment.

Comparative Summarized Totals

Information as of and for the year ended December 31, 2009 is not intended to be a complete presentation in accordance with accounting principals generally acceptable in the United States of America and is presented for comparative purposes only.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, which includes the loan activity, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Significant estimation is required to determine the collectibility of loans receivable. It is at least reasonably possible that the estimates used will change within the next year.

**SCHENECTADY LOCAL DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE CITY OF SCHENECTADY, NY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(WITH COMPARATIVE DISCLOSURES FOR 2009)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES
(Continued)**

Provision for Uncollectible Accounts

The Corporation uses the allowance method to account for uncollectible accounts based on their estimate of amounts deemed uncollectible. This estimate is based on a review of each loan in the portfolio and an assessment of net realizable value as of each December 31. The Corporation continuously monitors its loan portfolio and makes additions and deductions to the allowance account as changes in the status of each loan may require.

Taxes

The Corporation is a not-for-profit organization exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and comparable New York State laws, and has been classified as an organization that is not a private foundation. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Cash

As a requirement of the grant agreement with the Metroplex Development Authority Revolving Loan Fund, the Corporation has established a separate cash account to maintain grant proceeds and all repayments and interest earned.

Equipment and Depreciation

Assets, when purchased, are recorded at cost. Depreciation is calculated over the estimated useful life by the straight-line method. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the property accounts and any resultant gain or loss is reflected in the current year's revenue and expenses. Depreciation expense amounted to \$2,093 and \$2,227 for the years ended December 31, 2010 and 2009, respectively. Maintenance and repair costs are expensed as incurred.

SCHENECTADY LOCAL DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE CITY OF SCHENECTADY, NY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(WITH COMPARATIVE DISCLOSURES FOR 2009)

NOTE 2 - LOANS RECEIVABLE

Loans receivable are comprised as follows:

	CDBG FUND		NYS UDC FUND		SMDA FUND	
	2010	2009	2010	2009	2010	2009
Loans Receivable - January 1	\$ 419,069	\$ 468,401	\$ 13,623	\$ 17,365	\$ 284,205	\$ 307,720
Add: New Loans Made	-	50,000	-	-	152,566	50,000
Less: Principal Payments Received	(31,936)	(69,552)	(10,588)	(5,743)	(53,578)	(59,117)
Write-offs and Adjustments	(59,204)	(29,780)	(1)	2,001	(2,000)	(14,398)
Total Loans Receivable, December 31	327,929	419,069	3,034	13,623	381,193	284,205
Less Allowance for Uncollectible Accounts	(186,809)	(49,202)	-	-	(149,300)	(25,025)
Net Loans Receivable - December 31	<u>\$ 141,120</u>	<u>\$ 369,867</u>	<u>\$ 3,034</u>	<u>\$ 13,623</u>	<u>\$ 231,893</u>	<u>\$ 259,180</u>
Due in One Year, Current Portion	\$ 105,730	\$ 149,054	\$ 3,034	\$ 10,459	\$ 160,069	\$ 178,601
Balance, Non-Current Portion	<u>35,390</u>	<u>220,813</u>	<u>-</u>	<u>3,164</u>	<u>71,824</u>	<u>80,579</u>
Net Loans Receivable - December 31	<u>\$ 141,120</u>	<u>\$ 369,867</u>	<u>\$ 3,034</u>	<u>\$ 13,623</u>	<u>\$ 231,893</u>	<u>\$ 259,180</u>

See independent auditor's report.

**SCHENECTADY LOCAL DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE CITY OF SCHENECTADY, NY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(WITH COMPARATIVE DISCLOSURES FOR 2009)**

NOTE 3 - CONTRACTED SERVICES - CITY

In order to accomplish the purposes of the Corporation to further economic development in the City of Schenectady and its environs, the Corporation works closely with the City. The City in return provides staff to the Corporation. The Corporation reimbursed the City for a portion of the staff costs for the years ended December 31, 2010 and 2009.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Expenditures are subject to audit by the grantor agency by their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Management believes that such disallowances, if any, will be immaterial.

Events Occurring After Reporting Date

The Corporation has evaluated events and transactions that occurred between December 31, 2010 and March 30, 2011, which is the date the financial statements were available to be issued, for possible disclosure and recognitions in the financial statements.

NOTE 5 - CONCENTRATIONS

For the year ended December 31, 2010, the Corporation may at times have had operating cash accounts held by banks in excess of federally insured limits. The amount subject to credit risk at December 31, 2010 was \$0. The Board seeks to minimize any potential credit risk by carefully monitoring the strength of the financial institutions it uses. The credit risk associated with loan activity is discussed in Note 1. The Corporation is dependent on funding from the City of Schenectady and NYS UDC. Without this funding, the Corporation would be unable to meet its stated goals.

SCHENECTADY LOCAL DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE CITY OF SCHENECTADY, NY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010
(WITH COMPARATIVE DISCLOSURES FOR 2009)

NOTE 6 – EQUIPMENT

A summary of the Organization’s major classes of assets as of December 31, is as follows:

	<u>December 31,</u> <u>2009</u>	<u>Additions</u>	<u>Dispositions</u>	<u>December 31,</u> <u>2010</u>
Equipment	\$10,763	\$ -	\$ -	\$10,763
Software	2,446	-	-	2,446
Website Development	<u>4,980</u>	<u>-</u>	<u>-</u>	<u>4,980</u>
	18,189			18,189
Accumulated Depreciation	<u>12,667</u>	<u>2,093</u>	<u>-</u>	<u>14,760</u>
Net Book Value	<u>\$ 5,522</u>			<u>\$ 3,429</u>

NOTE 7 – SUBSEQUENT EVENTS

In December, 2008, it was proposed that the SLDC and the Schenectady County Community Business Center merge into one corporation. It is the Corporation’s intention that the merger will be in effect during the year ending December 31, 2011. Once the merger takes place, the two entities will be known as Schenectady County Local Development Corporation (SCLDC)

The SCLDC will be organized and chartered for the purpose of furthering the economic development in the City and County of Schenectady. The primary objective of the SCLDC shall be to provide low interest loans to businesses, technical assistance, mentoring with a goal of increasing employment and prosperity, as well as attracting new business to the City and County of Schenectady.

NOTE 8 – INCOME TAXES

The Corporation files information returns (United States Return of Organization Exempt from Income Tax Form 990, and New York State Annual Filing for Charitable Organizations Form CHAR500). The Corporation has adopted the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes* and as a result has identified its exemption from income tax under Section 591(c)(3) as a tax position which falls within the scope of this standard. The Corporation does not believe this tax position will result in any change to its financial position. These information returns are subject to examination by tax jurisdictions (generally for three years from the filing date), and as a result, returns for the years ended December 31, 2007, 2008, 2009 and 2010 remain subject to examination. No interest or penalties have been recognized in the Statement of Financial Position or Statement of Activities.



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

Board of Directors
Schenectady Local Development Corporation
Schenectady, New York

We have audited the financial statements of Schenectady Local Development Corporation (a non-profit organization), as of and for the year ended December 31, 2010, and have issued our report thereon dated March 30, 2011. 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 Schenectady Local Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Corporation's ability to initiate, authorize, record, process or report financial data reliably in accordance with its generally-accepted accounting principles, such that there is more than a remote likelihood that a material misstatement of the Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control.

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

Board of Directors
Schenectady Local Development Corporation
Schenectady, New York

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Schenectady Local Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters we must report under *Government Auditing Standards*.

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

March 30, 2011

T.M. Sympes Company, CPAs, NY, P.C.