

**TOWN OF LOCKPORT
INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

DECEMBER 31, 2011

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Town of Lockport Industrial Development Agency

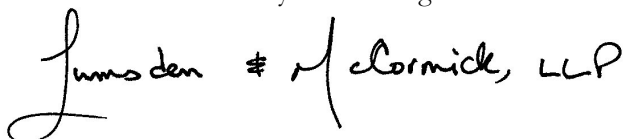
We have audited the accompanying balance sheets of Town of Lockport Industrial Development Agency (the Agency), a business type activity, as of December 31, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. 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 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 audits provide 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 Agency as of December 31, 2011 and 2010, and the results of its operations and cash flows for the years 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 our report dated March 16, 2012 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, 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* and should be considered in assessing the results of our audit.

The Agency has omitted management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.



March 16, 2012

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

Balance Sheets

December 31,	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,407,084	\$ 1,095,177
Property and equipment, net (Note 3)	507,869	444,416
	<u>\$ 1,914,953</u>	<u>\$ 1,539,593</u>
Liabilities and Net Assets		
Liabilities:		
Current portion of long-term debt (Note 4)	\$ 14,000	\$ -
Accounts payable	4,354	7,806
Due to other governments	-	27,853
	<u>18,354</u>	<u>35,659</u>
Long-term debt (Note 4)	96,000	-
Net assets:		
Invested in capital assets, net of related debt	417,869	444,416
Unrestricted	1,382,730	1,059,518
	<u>1,800,599</u>	<u>1,503,934</u>
	<u>\$ 1,914,953</u>	<u>\$ 1,539,593</u>

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

Statements of Revenues, Expenses, and Changes in Net Assets

For the years ended December 31,	2011	2010
Operating revenues:		
Administrative and application fees	\$ 320,117	\$ 52,357
Rental income	500	5,000
Total operating revenues	<u>320,617</u>	<u>57,357</u>
Program expenses:		
Management and other fees	41,749	44,700
Legal and professional	20,900	23,447
Travel and meetings	4,325	6,910
Insurance	323	323
Repairs and maintenance	1,220	5,831
Property taxes	1,733	2,247
Dues and membership fees	950	950
Advertising and promotion	2,458	25,572
Office supplies	1,207	2,094
Total program expenses	<u>74,865</u>	<u>112,074</u>
Operating income (loss)	<u>245,752</u>	<u>(54,717)</u>
Nonoperating revenues (expenses):		
Gain on sale of land	-	20,302
Sale of property rights	18,787	30,000
Interest income	4,273	5,273
New York State administrative fee	27,853	(27,853)
Total nonoperating revenues	<u>50,913</u>	<u>27,722</u>
Change in net assets	296,665	(26,995)
Net assets - beginning	<u>1,503,934</u>	<u>1,530,929</u>
Net assets - ending	\$ 1,800,599	\$ 1,503,934

See accompanying notes.

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

Statements of Cash Flows

For the years ended December 31,	2011	2010
Operating activities:		
Receipts from fees	\$ 320,117	\$ 52,357
Rental income	500	5,000
Payments for contractual services	(78,317)	(114,122)
Net operating activities	242,300	(56,765)
Capital and related financing activities:		
Proceeds from sale of land and property rights	45,334	57,500
Purchase of development property	(90,000)	-
Net proceeds from the issuance of debt	110,000	-
Net capital and related financing activities	65,334	57,500
Investing activities:		
Interest income	4,273	5,273
Net increase in cash and cash equivalents	311,907	6,008
Cash and cash equivalents - beginning	1,095,177	1,089,169
Cash and cash equivalents - ending	\$ 1,407,084	\$ 1,095,177
Reconciliation of operating income (loss) to net operating activities:		
Operating income (loss)	\$ 245,752	\$ (54,717)
Adjustments to reconcile operating income (loss) to net operating activities:		
Changes in accounts payable	(3,452)	(2,048)
Net operating activities	\$ 242,300	\$ (56,765)

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization:

Town of Lockport Industrial Development Agency (the Agency) was established by the Town of Lockport (the Town) under Title I of Article 18-A of the General Municipal Law of the State of New York (the State), as amended, and Chapter 426 of the Laws of 1981 of New York State, the Industrial Development Agency Act. The purpose of the Agency is to promote, attract, encourage and develop economically sound commerce and industry through governmental action. The Agency, although established by the Town Board, is a separate entity and operates independently of the Town. Its revenues are generated primarily by administrative fees, rents and sale of property in an industrial development park.

The Agency is considered to be a proprietary fund (business-type activity) as its purpose and operations are similar to those found in the private sector; therefore the determination of net income is necessary to sound financial administration.

Basis of Presentation:

The financial statements of the Agency are prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Agency applies all Governmental Accounting Standards Board (GASB) pronouncements as well as applicable accounting and financial reporting of GASB 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Measurement Focus:

The financial statements are prepared on the accrual basis of accounting and are based on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Agency are included on the statement of net assets. Operating statements present increases (revenues) and decreases (expenses) in total net assets.

Cash and Cash Equivalents:

Included in cash and cash equivalents are money market accounts and certificates of deposit with original maturities of ninety days or less.

Property and Equipment:

The Agency records property and equipment at cost net of accumulated depreciation. Depreciation is provided over estimated useful lives using the straight-line method. Estimated useful lives range from five to seven years.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Lease Transactions:

The Agency maintains a lease program to provide state and local tax benefits to companies developing industrial and other properties. Under this program, the Agency receives or retains title to properties under development, and leases the property to the previous title holder (lessee). Title to these properties is transferred to the lessee at the end of the maximum tax benefit period or at any time during the lease at the option of the lessee. The Agency does not record assets acquired or retained under the lease program since the Agency's primary function is to provide state and local tax benefits to the lessee. The Agency receives administrative fees from the lessee for providing this service which is recognized in income at lease inception (unconditional lease) or ratably over the term of the lease (conditional lease) depending on the terms between the lessee and the Agency.

2. Cash and Investments

Investment policies are governed by State laws and as established in the Agency's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure the Agency's deposits may not be returned to it. At December 31, 2011, the Agency's deposits were fully collateralized by federal depository insurance and securities held by the pledging institution's trust department or agent in the Agency's name.

3. Property and Equipment:

	2011	2010
Land available for sale	\$ 417,869	\$ 444,416
Development property	90,000	-
Office equipment	16,085	16,085
	<u>523,954</u>	460,501
Less accumulated depreciation	16,085	16,085
	<u>\$ 507,869</u>	\$ 444,416

The Agency maintains land in an industrial park that is classified as available for sale. The land is recorded at cost; management believes that future sales proceeds will exceed the recorded amount of the land.

The Agency has a purchase contract for rail property adjacent to their Industrial Development Park amounting to \$75,000. The Agency has paid \$7,500 for the purchase commitment.

4. Long-Term Debt:

	2011	2010
Serial bond, secured by real estate, fixed rate loan, interest payable annually at a rate of 1.5%, annual principal payments of \$10,000, due December 2020.	\$ 90,000	\$ -
Note payable, fixed rate, interest payable annually at a rate of 1.5%, annual principal payments of \$4,000, due December 2016.	20,000	-
	<u>\$ 110,000</u>	\$ -
Less current portion	14,000	-
	<u>\$ 96,000</u>	\$ -

Principal and interest payments on long-term debt subsequent to December 31, 2011 are:

	Principal	Interest
2012	\$ 14,000	\$ 1,650
2013	14,000	1,440
2014	14,000	1,230
2015	14,000	1,020
2016	14,000	810
2017-2020	40,000	600
	<u>\$ 110,000</u>	\$ 6,750

5. Conduit Debt:

Industrial development revenue bonds and notes issued by the Agency are secured by the properties which are leased to companies and retired by lease payments. The financing arising from these bonds and notes is not an obligation of the Agency, the Town, the County of Niagara or New York State. The Agency does not reflect an asset or a liability resulting from bond and note issues. The primary function of the Agency is to facilitate the financing between eligible companies with approved offerings and banks and other bond purchasers to provide either real property tax abatements or sales tax savings related to construction materials. The funds arising from these transactions are controlled by trustees or banks acting as fiscal agents. The Agency receives administrative fees from the company issuing the bond.

Agency management is aware of two bond offerings effectuated in the 1980's and totaling \$8,000,000. The Agency has no evidence the bonds were redeemed or cancelled.

In October of 2011, the Agency along with numerous other IDA's was notified by the State of New York Authorities Budget Office (the Budget Office) that the seeming lack of outstanding bond or note obligations could result in a termination of the Agency under General Municipal Law §882. Management and Agency counsel have responded by indicating they have no evidence that these bonds have been redeemed or cancelled and that other obligations exist fulfilling the criteria of this section.

**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***

The Board of Directors
Town of Lockport Industrial Development Agency

We have audited the accompanying balance sheet of Town of Lockport Industrial Development Agency (the Agency) as of December 31, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated March 16, 2012. 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

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Jumden # McCormick, LLP

March 16, 2012

INDEPENDENT ACCOUNTANTS' REPORT

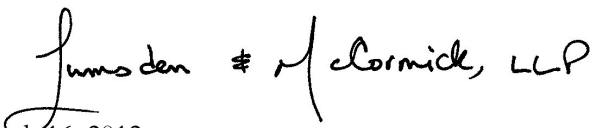
The Board of Directors
Town of Lockport Industrial Development Agency

We have examined Town of Lockport Industrial Development Agency's (the Agency) compliance with Section 2925(3)f of the New York State Public Authorities Law and Part 201 of Title Two of the New York Code of Rules and Regulations during the year ended December 31, 2011. Management is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on the Agency's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

In our opinion, the Agency complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2011.

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


March 16, 2012