

**HORNELL AREA INDUSTRIAL  
DEVELOPMENT CORPORATION**

*Financial Statements  
Years Ended December 31, 2011 and 2010  
and Independent Auditors' Reports*



**HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION**  
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**Years Ended December 31, 2011 and 2010**

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Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors of the  
Hornell Area Industrial Development Corporation

We have audited the accompanying statements of the financial position of the Hornell Area Industrial Development Corporation (the "Corporation") as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Corporation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows thereof 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 6, 2012, on our consideration of the Corporation'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 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.

*Drescher & Malecki LLP*

March 6, 2012

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**HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION**  
**Statements of Financial Position**  
**December 31, 2011 and 2010**

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	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 324,328	\$ 284,839
Interest receivable	1,181	-
Note receivables—current	<u>60,947</u>	<u>102,682</u>
Total current assets	<u>386,456</u>	<u>387,521</u>
Non-current assets:		
Receivable—non-current	<u>-</u>	<u>8,837</u>
Total assets	<u>\$ 386,456</u>	<u>\$ 396,358</u>
<b>LIABILITIES AND NET ASSETS</b>		
Net assets:		
Unrestricted	<u>\$ 386,456</u>	<u>\$ 396,358</u>
Total liabilities and net assets	<u>\$ 386,456</u>	<u>\$ 396,358</u>

The notes to the financial statements are an integral part of these statements.

**HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2011 and 2010**

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	<b>2011</b>	<b>2010</b>
Operating revenues:		
Interest income—note receivable	\$ 3,899	\$ 9,863
Total operating revenues	3,899	9,863
Operating expenses:		
Accounting fees	2,454	2,463
Bank fees	75	113
Insurance	1,474	1,474
Travel	1,650	-
Promotions	8,783	14,876
Total operating expenses	14,436	18,926
Operating (loss)	(10,537)	(9,063)
Non-operating revenues:		
Interest income—bank	635	232
Total non-operating revenues	635	232
Change in net assets	(9,902)	(8,831)
Total net assets—beginning	396,358	405,189
Total net assets—ending	\$ 386,456	\$ 396,358

The notes to the financial statements are an integral part of these statements.



**HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION**  
**Statements of Cash Flows**  
**Years Ended December 31, 2011 and 2010**

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	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (9,902)	\$ (8,831)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Decrease in note receivable	50,572	-
Increase in interest receivable	<u>(1,181)</u>	<u>96,717</u>
Net cash provided by operating activities	39,489	87,886
Cash and cash equivalents—beginning	<u>284,839</u>	<u>196,953</u>
Cash and cash equivalents—ending	<u>\$ 324,328</u>	<u>\$ 284,839</u>

The notes to the financial statements are an integral part of these statements.

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**HORNELL AREA INDUSTRIAL DEVELOPMENT CORPORATION**  
**Notes to Financial Statements**  
**Years Ended December 31, 2011 and 2010**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Hornell Area Industrial Development Corporation (the “Corporation”) was created in 1962 under the provisions of the New York Not-For-Profit Corporation Law for the purpose of stimulating reinvestment in the residential, commercial and industrial areas within Steuben County, New York.

**B. Basis of Accounting**

The accounts of the Corporation are maintained on the accrual basis of accounting. The Corporation presents its financial statements in accordance with the Financial Accounting Standards Board, Accounting Standards Codification 958–205 *Not-for Profit Entities; Presentation of Financial Statements*.

*Net assets*—Unrestricted net assets represent the net assets of the Corporation available for the furtherance of its general goals and objectives.

*Cash and cash equivalents*—Represents cash in accounts with commercial banks and highly liquid investments with maturities of 90 days or less.

**C. 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 reported amounts of revenues and expenses during the reporting period and 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.

**2. RELATED ENTITY**

The City of Hornell Industrial Development Agency (the “CHIDA”) is a public benefit corporation and was created in 1974 under the Title I Article 18-A of New York State General Municipal Law for the purpose of encouraging financially sound companies to locate and expand in the City of Hornell.

The CHIDA is considered a related entity since its members are also members of the Corporation. The Corporation members have complete responsibility and accountability for their fiscal matters. The CHIDA was created under the Laws of New York State and its functions or activities are not included in the Corporation’s financial statements.

**3. NOTE RECEIVABLE**

During June 2003, the CHIDA assigned a promissory note from Transportation Transit Associates with a principal balance of \$718,895 to the Corporation. This note is receivable in monthly installments of \$8,882, including interest at 6%, with the final payment in January 2012. At December 31, 2011 and 2010, the remaining principal balance to be received was \$60,947 and \$111,519 respectively. Of these amounts, \$60,947 and \$102,682 are considered to be current at December 31, 2011 and 2010, respectively.

**4. INTEREST RECEIVABLE**

Amount represents interest earned on the promissory note from Transportation Transit Associates in 2011 due to the Corporation.

**5. TAX EXEMPTION STATUS**

The Corporation was organized under Article XIX of the New York State Membership Corporation's Law exclusively for public, charitable, and educational purposes, as are within the meaning of Internal Revenue Code Section 501(c)(3). As such the Corporation is exempt from federal and state taxes.

**6. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 6, 2012, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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**INDEPENDENT AUDITORS' 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 Members of the Hornell  
Industrial Development Corporation:

We have audited the financial statements of Hornell Area Industrial Development Corporation (the "Corporation") as of and for the year ended December 31, 2011, and have issued our report thereon dated March 6, 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 Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 misstatements on a timely basis. *A material weakness* is a deficiency, or 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 and that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation'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 Corporation, others within the entity, the New York State Office of the State Comptroller and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than these specified parties.

*Drescher & Malecki LLP*

March 6, 2012