

**SHERBURNE AREA LOCAL
DEVELOPMENT CORPORATION
(A New York Public Authority)**

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

December 31, 2011 and 2010

**SHERBURNE AREA LOCAL
DEVELOPMENT CORPORATION
(A New York Public Authority)**

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT**

December 31, 2011 and 2010

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Net Assets	2
Statements of Revenues, Expenses, and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5-10
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	11
Schedule of Findings and Responses	12-13

BOLLAM, SHEEDY, TORANI & CO. LLP
Certified Public Accountants
Albany, New York

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sherburne Area Local Development Corporation
Sherburne, New York

We have audited the accompanying statements of net assets of the Sherburne Area Local Development Corporation (Corporation), a New York public benefit corporation, 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 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 audits 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 Sherburne Area Local Development Corporation, as of December 31, 2011 and 2010, and the changes in its financial position and its 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 5, 2012, on our consideration of the Sherburne Area Local Development Corporation's internal control over financial reporting and 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.

Management has omitted the 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.

Bollam Sheedy Torani & Co LLP

Albany, New York
March 5, 2012

**SHERBURNE AREA LOCAL
DEVELOPMENT CORPORATION**

STATEMENTS OF NET ASSETS

		<u>December 31,</u>	
		<u>2011</u>	<u>2010</u>
ASSETS			
CURRENT ASSETS			
Cash		\$ 76,475	\$ 25,319
CAPITAL ASSETS			
Land and land improvements		748,314	744,549
Building		1,644,358	-
		<u>2,392,672</u>	<u>744,549</u>
Accumulated depreciation		(6,851)	-
		<u>2,385,821</u>	<u>744,549</u>
OTHER ASSETS			
Cash held with fiscal agent		170,000	-
Organizational costs, net		18,742	19,783
Loan fees		-	7,500
		<u>188,742</u>	<u>27,283</u>
		<u>\$ 2,651,038</u>	<u>\$ 797,151</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ -	\$ 7,849
Accrued interest		17,397	10,890
Current installments of mortgage payable		42,656	30,377
Total current liabilities		<u>60,053</u>	<u>49,116</u>
NONCURRENT LIABILITIES			
Loan payable, Village of Sherburne		170,000	-
Deferred rental income		649,189	500,000
Mortgage payable, less current installments		247,875	260,154
Bonds payable		1,548,700	-
		<u>2,615,764</u>	<u>760,154</u>
COMMITMENTS			
NET ASSETS			
Invested in capital assets, net of related debt		546,590	454,018
Unrestricted		(571,369)	(466,137)
		<u>(24,779)</u>	<u>(12,119)</u>
		<u>\$ 2,651,038</u>	<u>\$ 797,151</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**SHERBURNE AREA LOCAL
DEVELOPMENT CORPORATION**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Years Ended December 31,	
	2011	2010
REVENUES		
Rental income	\$ 43,831	\$ 8,400
EXPENSES		
Amortization	1,041	1,041
Audit and accounting	4,600	3,950
Depreciation	6,851	-
Legal	2,036	-
Interest expense	41,227	6,795
Insurance	1,573	-
Other	86	-
	57,414	11,786
Operating loss	(13,583)	(3,386)
OTHER INCOME		
Interest income	923	1,346
CHANGE IN NET ASSETS	(12,660)	(2,040)
NET ASSETS, <i>beginning of year</i>	(12,119)	(10,079)
NET ASSETS, <i>end of year</i>	\$ (24,779)	\$ (12,119)

The accompanying Notes to Financial Statements are an integral part of these statements.

**SHERBURNE AREA LOCAL
DEVELOPMENT CORPORATION**

STATEMENTS OF CASH FLOWS

	<u>Years Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from rents	\$ 43,831	\$ 8,400
Cash paid to vendors	<u>(50,864)</u>	<u>(24,788)</u>
	<u>(7,033)</u>	<u>(16,388)</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Acquisition of land and land improvements	(3,765)	(453,534)
Acquisition and construction of building	(1,644,358)	-
Interest income	923	1,346
	<u>(1,647,200)</u>	<u>(452,188)</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Payment of loan fees	-	(7,500)
Proceeds from deferred rental income	157,522	500,000
Proceeds from loan payable, Village of Sherburne	170,000	-
Cash placed with fiscal agent	(170,000)	-
Proceeds from bonds payable	1,700,000	-
Repayment of bond payable	<u>(152,133)</u>	<u>-</u>
	<u>1,705,389</u>	<u>492,500</u>
Net increase in cash	51,156	23,924
CASH, beginning of year	<u>25,319</u>	<u>1,395</u>
CASH, end of year	<u>\$ 76,475</u>	<u>\$ 25,319</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (13,583)	\$ (3,386)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Amortization	1,041	1,041
Depreciation	6,851	-
Increase (decrease) in		
Accounts payable	(7,849)	(20,838)
Accrued interest	<u>6,507</u>	<u>6,795</u>
	<u>\$ (7,033)</u>	<u>\$ (16,388)</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**SHERBURNE AREA LOCAL
DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Purpose

The Sherburne Area Local Development Corporation (Corporation) was created in February 2008, under the provisions of Section 1411 of the Not-For-Profit Law of the State of New York, for the purpose of relieving and reducing unemployment by promoting and providing job opportunities in the Village of Sherburne, New York (Village) and surrounding communities. This is accomplished by making revolving loans to local businesses to enhance redevelopment, as well as further development of the central business district of the Village, including real estate and infrastructure development and management, real estate and infrastructure project finance, and other community-based economic development.

The Corporation is a public instrumentality of and supporting organization for, but separate and apart from the Village.

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

b. Basis of Accounting and Financial Statement Presentation

The Corporation's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). 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 Corporation is determined by its measurement focus. The transactions of the Corporation are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statements of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into restricted and unrestricted components, as follows:

- *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation less the outstanding indebtedness used to finance those capital assets.
- *Unrestricted net assets* consist of assets and liabilities that do not meet the definition of "restricted net assets" or "invested in capital assets, net of related debt."

Revenues are recognized when earned and expenses are recognized when incurred. The Corporation distinguishes operating revenues and expenses from nonoperating items. Operating revenues are determined based on the services provided by the Corporation. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

c. Use of Estimates

The preparation of financial statements requires management 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

d. Fair Value Measurement

Fair value is defined as an exchange price that would be received for an asset or paid to transfer a liability (an "exit" price) in the principal or most advantageous market for the asset or liability between market participants on the measurement date.

**SHERBURNE AREA LOCAL
DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

e. Capital Assets

Capital assets are reported at the lower of cost or expected realizable value. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repairs costs, if any, are expensed as incurred. When, and if, capital assets are retired or disposed of, the appropriate accounts are relieved of costs, and any resultant gain or loss is credited to operations.

Depreciation is recorded under the straight-line method using an estimated useful life of forty years.

The Corporation 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, 2011 or 2010.

f. Tax Status

The Corporation is exempt from income taxes as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Accordingly, no provisions have been made for income taxes in these financial statements.

g. Subsequent Events

The Corporation has evaluated subsequent events that provide additional evidence about conditions that existed at the financial statement date through March 5, 2012, the date the financial statements were available to be issued.

NOTE 2 - CASH AND DEPOSITS

The Corporation's investment policies are governed by New York State statutes. In addition, the Corporation has its own written investment policy. Corporation monies must be deposited in Federal Deposit Insurance Corporation insured commercial banks or trust companies located within the State. The Corporation is authorized to use demand accounts, money market accounts, and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and agencies of the United States of America and obligations of New York State.

Collateral is required for demand deposits and certificates of deposit. Certificates of deposit purchased with a maturity of three months or less are considered cash equivalents. Obligations that may be pledged as collateral are obligations of the United States and its agencies, New York State, irrevocable letters of credit issued by a qualified bank, or a surety bond.

Cash balances at December 31, 2011 and 2010, were fully collateralized.

NOTE 3 - CAPITAL ASSETS

Capital assets are comprised of land purchased for eventual resale, a building, and building related costs. Costs to acquire and develop the land and building are capitalized as incurred. No depreciation expense is recorded on the land held for eventual resale.

**SHERBURNE AREA LOCAL
DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 3 - CAPITAL ASSETS - Continued

A summary of the Corporation's capital assets is as follows:

	December 31, 2011		
	Balance at Beginning of Year	Additions	Balance at End of Year
Land	\$ 744,549	\$ 3,765	\$ 748,314
Building	-	1,644,358	1,644,358
	744,549	1,648,123	2,392,672
Less accumulated depreciation	-	(6,851)	(6,851)
	\$ 744,549	\$ 1,641,272	\$ 2,385,821
	December 31, 2010		
	Balance at Beginning of Year	Additions	Balance at End of Year
Land	\$ 291,015	\$ 453,534	\$ 744,549

Land and related acquisition and development costs at December 31, 2011 and 2010, represent a 30.919 acre parcel of land located adjacent to Classic Street within the Village. The land was purchased and is being developed for the purposes of undertaking the development of a multi-tenant industrial park to be known as "Sherburne Electric Business Park."

Land costs are summarized as follows:

	December 31,	
	2011	2010
Acquisition of land	\$ 197,356	\$ 197,356
Other acquisition and development costs		
Survey	2,063	2,063
Engineering	105,076	105,076
Legal	11,349	11,349
Development	408,405	408,405
Design	17,000	17,000
Other	7,065	3,300
	\$ 748,314	\$ 744,549

NOTE 4 - ORGANIZATIONAL COSTS

The Corporation incurred certain start-up costs in regard to its creation and organization. These costs include legal and other professional fees totaling \$20,824.

These costs will be amortized over 20 years, on a straight-line basis, beginning January 1, 2010. Future annual amortization expense is \$1,041.

**SHERBURNE AREA LOCAL
DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 5 - INDEBTEDNESS, VILLAGE OF SHERBURNE

During 2008, the Village loaned the Corporation \$250,000 to finance the acquisition of a certain parcel of land and related costs (Note 3) and to provide funding for certain organizational costs of the Corporation (Note 4). During 2009, the Village loaned an additional \$45,000 to the Corporation. The balance of the mortgage at December 31, 2011 and 2010, was \$290,531.

Terms of the mortgage include monthly payments of \$1,541, including interest at 2.44%, with a balloon payment of \$232,095 in April 2014, the due date of the mortgage. The loan is secured by the property financed and all fixtures and personal property which now is or which later may be attached to the property.

The Corporation is currently in arrears with its scheduled payments of principal and interest. Unpaid scheduled principal and interest totaled \$30,375 and \$18,391 at December 31, 2011 and 2010, respectively.

Future maturities of the mortgage, including amounts in arrears, are as follows:

For the year ending December 31, 2012	\$ 42,656
2013	12,584
2014	<u>235,291</u>
	<u><u>\$ 290,531</u></u>

Interest expense incurred and paid on this indebtedness totaled \$6,507 and \$-0-, respectively, for the year ended December 31, 2011, and \$6,795 and \$-0-, respectively, for the year ended December 31, 2010.

In addition, during 2011, the Village made a \$170,000 loan to the Corporation to provide partial funding for the acquisition and construction of a building (Note 3). The loan is non-interest bearing and will be repaid to the Village when certain cash balances are released by NBT Bank, in accordance with the terms of a bond issuance (Note 6). The balance of this loan payable was \$170,000 at December 31, 2011.

NOTE 6 - BONDS PAYABLE

On June 1, 2011, the Corporation issued two tax-exempt Revenue Bonds, Series 2011, for the (1) acquisition of certain lands located within the Sherburne Electric Business Park; (2) planning, design, and construction of a 15,000 square foot facility for lease to the Village and use by the Village's Electric Department and Department of Public Works; (3) acquisition of certain equipment, machinery, and other tangible personal property, and (4) paying of certain costs and expenses incidental to the issuance of the bonds.

Interest on the bonds is 4.25% and was due and payable on a monthly basis from July 1, 2011 through December 31, 2011. Beginning January 1, 2011, the Corporation is obligated to make annual payments of principal and interest through January 2021. The terms of one of the bonds also includes a balloon payment on January 1, 2021. Interest expense incurred and paid on these bonds was \$34,720 for the year ended December 31, 2011. The Corporation paid the annual installment of principal and interest, due January 1, 2012, during December 2011.

The bonds are secured by a mortgage and Security Agreement, dated June 1, 2011, and are collateralized by the land, building, and equipment described above. In addition, the bonds are secured by an assignment of certain leases and rents (Note 7).

**SHERBURNE AREA LOCAL
DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 6 - BONDS PAYABLE - Continued

A summary of bonds payable is as follows:

	<u>December 31, 2011</u>
Revenue Bond, Series 2011, payable in annual installments of principal of \$18,700 plus interest at 4.25%, maturing January 1, 2021, with a balloon payment of \$205,700	\$ 355,300
Revenue Bond, Series 2011, payable in annual installments of principal of \$132,600 plus interest at 4.25%, maturing January 1, 2021.	<u>1,193,400</u>
	<u><u>\$ 1,548,700</u></u>

The following is a summary of annual principal and interest payments for the bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the year ending December 31, 2012	\$ -	\$ -	\$ -
2013	151,300	66,917	218,217
2014	151,300	60,214	211,514
2015	151,300	53,694	204,994
2016	151,300	47,176	198,476
2017 through 2021	<u>979,500</u>	<u>138,234</u>	<u>1,117,734</u>
	<u><u>\$ 1,584,700</u></u>	<u><u>\$ 366,235</u></u>	<u><u>\$ 1,950,935</u></u>

In addition, under the terms of the bond issuance, the Corporation was required to leave \$170,000 of the bond proceeds on deposit with NBT Bank, until certain outstanding bond balances are achieved. This deposit is included in cash held by fiscal agent in these financial statements.

NOTE 7 - RENTAL AGREEMENT

On June 1, 2011, the Corporation entered into a lease agreement with the Village for the rental of a building owned by the Corporation (Note 3).

Base rents under the agreement are in an amount sufficient to pay the interest and principal due and payable on the bonds on each bond payment date. The lease terminates on December 1, 2021. Rental income for the years ended December 31, 2011 and 2010, totaled \$43,831 and \$8,400, respectively. The Village paid the January 2012 base payment totaling \$157,522 during December 2011. This amount has been reported as deferred rental income at December 31, 2011.

The Village is responsible for most building related expenses, including water, gas, oil, electricity, heat, telephone, sewage, trash removal, janitorial service, and snow removal.

A schedule of future minimum rental receipts is as follows:

For the year ending December 31, 2012	\$ 157,522
2013	218,217
2014	211,514
2015	204,994
2016	198,476
2017 through 2021	<u>1,117,734</u>
	<u><u>\$ 2,108,457</u></u>

**SHERBURNE AREA LOCAL
DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010**

NOTE 7 - RENTAL AGREEMENT - Continued

In addition to the lease agreement described above, during October 2009, the Corporation entered into an agreement with the Village which required the Village to place a \$500,000 deposit with the Corporation, to be utilized by the Corporation in furtherance of the land development and construction of the building. This deposit is considered additional rent under the lease agreement and will be amortized into rental income on a straight-line basis, over a ten-year period beginning November 1, 2011, and expiring October 31, 2021. Rental income recognized from this deposit totaled \$8,333 for the year ended December 31, 2011.

Amortization of this deferred rental income is as follows:

For the year ending December 31, 2012	\$ 49,998
2013	49,998
2014	49,998
2015	49,998
2016	49,998
2017 through 2021	<u>241,677</u>
	<u><u>\$ 491,667</u></u>

NOTE 8 - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that statement for enterprise funds and business-type activities to apply post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989, FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this statement.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

GASB Statement Nos. 62 and 63 are effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged. Management has not estimated the potential impact of these statements on the Corporation's financial statements.

**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
Sherburne Area Local Development Corporation
Sherburne, New York

We have audited the financial statements of the Sherburne Area Local Development Corporation (Corporation) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 5, 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 and correct 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 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 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 Responses as items 11-01 and 11-02.

The Corporation's responses to the findings identified in our report are described in the accompanying schedule of findings and responses. We did not audit the Corporation's responses, and accordingly, we express no opinion on it.

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

Bollam Sheedy Torani & Co. LLP

Albany, New York
March 5, 2012

**SHERBURNE AREA LOCAL
DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2011**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported
- Noncompliance material to financial statements? _____ Yes X No

Section II - Financial Statement Findings

None

Section III - Compliance Findings

11-01. Posting and Maintaining Reports and Policies on Public Authority Website

Criteria: The New York State Authority Budget Office (ABO), in response to the Public Authorities Reform Act (PARA) of 2009, issued guidance and requirements to public authorities to make specific information available to the public through the internet.

Condition: The Corporation is not in full compliance with PARA requirements.

Effect: Required Corporation reports are not currently available to the public through the internet as follows:

- Report on operations and accomplishments;
- Performance measures report;
- Personal and real property transactions;
- Management's assessment of internal control structure and procedures, and
- Mission statement.

Cause: The Corporation has not updated its website for the inclusion of these reports.

Recommendation: Using available ABO guidance, the Corporation should develop its website and schedule periodic maintenance and review to ensure required information is available to the public in a timely manner.

View of Responsible Officials: The Corporation is in the process of updating its website to be in compliance with ABO requirements.

11-02. Budget Report Filed in the Public Authority Reporting Information System (PARIS)

Criteria: In accordance with Section 2801 of Public Authorities Law, local authorities must file a budget report 60 days prior to the start of the fiscal year.

Condition: The Corporation was not in compliance with Section 2801 of Public Authorities Law.

**SHERBURNE AREA LOCAL
DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2011**

Section III - Compliance Findings - Continued

10-02. Budget Report Filed in the Public Authority Reporting Information System (PARIS) - Continued

Effect: The Corporation budget information was not available to the public when required.

Cause: The Corporation did not update and certify the budget in PARIS until after the filing deadline.

Recommendation: The Corporation should approve its budget and assign an individual to file the report prior to the ABO deadline.

View of Responsible Officials: Management understands its responsibilities and will take corrective and timely action as it relates to the submission of the 2013 annual budget.