

TOWN OF UNION
LOCAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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CONTENTS

Independent Auditors' Report	1
Statements of Financial Position at December 31, 2011 and 2010	2
Statement of Activities and Change in Net Assets for the Year Ended December 31, 2011 With Comparative Totals for 2010	3
Statements of Cash Flows for the Years Ended December 31, 2011 and 2010	4
Notes to Financial Statements	5 - 8
Independent Auditors' Report on Additional Information	9
SCHEDULE 1 - Schedule of Loans Receivable for the Year Ended December 31, 2011	10
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11 - 12
Independent Auditors' Report on Internal Controls	13 - 14

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Town of Union Local Development Corporation
Endwell, New York

We have audited the accompanying statement of financial position of TOWN OF UNION LOCAL DEVELOPMENT CORPORATION (a non-profit organization), a component unit of the Town of Union, as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Town of Union Local Development Corporation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. We have previously examined the financial statements for the year ended December 31, 2010, on which we expressed an unqualified opinion. The data from that report has been included for the purpose of comparison.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 15, 2012 on our consideration of Town of Union Local Development 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 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.

Piaker & Lyons, P.C.
PIAKER & LYONS, P.C.

Binghamton, New York
March 15, 2012

TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011</u>	<u>2010</u>
Current Assets				
Cash and Cash Equivalents	\$ 223	\$ 844,097	\$ 844,320	\$ 1,125,361
Loans Receivable - Current Portion (Net of Reserve for Doubtful Loans of \$87,560 and \$57,460 in 2011 and 2010, Respectively)	-	495,556	495,556	202,548
Accounts Receivable	-	407	407	3,569
Prepaid Expense	-	2,153	2,153	1,920
Total Current Assets	<u>223</u>	<u>1,342,213</u>	<u>1,342,436</u>	<u>1,333,398</u>
Other Assets				
Loans Receivable - Non-Current Portion	-	965,920	965,920	965,973
Accrued Interest Receivable	-	23,700	23,700	23,700
Total Other Assets	<u>-</u>	<u>989,620</u>	<u>989,620</u>	<u>989,673</u>
TOTAL ASSETS	<u>\$ 223</u>	<u>\$ 2,331,833</u>	<u>\$ 2,332,056</u>	<u>\$ 2,323,071</u>
Current Liabilities:				
Accounts Payable	\$ -	\$ 197	\$ 197	\$ 3,270
Accrued Liabilities	-	249	249	339
Compensated Absences - Current Portion	-	3,789	3,789	3,934
Total Current Liabilities	<u>-</u>	<u>4,235</u>	<u>4,235</u>	<u>7,543</u>
Long - Term Liabilities:				
Compensated Absences, Net of Current Portion	-	18,015	18,015	14,475
Total Liabilities	<u>-</u>	<u>22,250</u>	<u>22,250</u>	<u>22,018</u>
Net Assets				
Unrestricted	223	-	223	473
Temporarily Restricted	-	2,309,583	2,309,583	2,300,580
Total Net Assets	<u>223</u>	<u>2,309,583</u>	<u>2,309,806</u>	<u>2,301,053</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 223</u>	<u>\$ 2,331,833</u>	<u>\$ 2,332,056</u>	<u>\$ 2,323,071</u>

See the accompanying notes to financial statements.

TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE TOTALS FOR 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011</u>	<u>2010</u>
Support and Revenue				
Federal Aid - CDBG	\$ -	\$ 103,812	\$ 103,812	\$ 123,707
Contributed Revenue - Town of Union	-	4,200	4,200	4,800
Total Support and Revenue	<u>-</u>	<u>108,012</u>	<u>108,012</u>	<u>128,507</u>
Interest Income				
CDBG Loan Interest	-	30,401	30,401	30,381
UDAG Loan Interest	-	10,520	10,520	13,620
Other Interest Income	-	1,356	1,356	2,436
Total Interest Income	<u>-</u>	<u>42,277</u>	<u>42,277</u>	<u>46,437</u>
Net Assets Released From Restrictions	<u>141,286</u>	<u>(141,286)</u>	<u>-</u>	<u>-</u>
Total Support and Other Revenue	<u>141,286</u>	<u>9,003</u>	<u>150,289</u>	<u>174,944</u>
Expenditures				
Salaries	67,821	-	67,821	71,386
Administration Fees	5,060	-	5,060	5,804
Employee Benefits	25,044	-	25,044	31,030
Occupancy	4,200	-	4,200	4,800
Audit	3,500	-	3,500	3,750
Marketing Expense	5,450	-	5,450	12,610
Legal Fees	361	-	361	2,935
Provision for Loan Losses	30,100	-	30,100	-
Total Expenditures	<u>141,536</u>	<u>-</u>	<u>141,536</u>	<u>132,315</u>
Change in Net Assets	<u>(250)</u>	<u>9,003</u>	<u>8,753</u>	<u>42,629</u>
Net Assets - Beginning	<u>473</u>	<u>2,300,580</u>	<u>2,301,053</u>	<u>2,258,424</u>
Net Assets - Ending	<u>\$ 223</u>	<u>\$ 2,309,583</u>	<u>\$ 2,309,806</u>	<u>\$ 2,301,053</u>

See the accompanying notes to financial statements.

TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 8,753	\$ 42,629
Adjustment to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Increase in Allowance for Loan Losses	30,100	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	3,162	(686)
Accounts Payable	(3,073)	756
Prepaid Expense	(233)	(890)
Compensated Absences	3,395	3,603
Accrued Liabilities	(90)	(64)
Total Adjustments	<u>33,261</u>	<u>2,719</u>
Net Cash Provided By Operating Activities	<u>42,014</u>	<u>45,348</u>
Cash Flows From Investing Activities:		
Principal Repayments on Loans Receivable	206,945	366,083
Loans Issued	(530,000)	(270,000)
Net Cash Provided By (Used In) Investing Activities	<u>(323,055)</u>	<u>96,083</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(281,041)</u>	<u>141,431</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,125,361</u>	<u>983,930</u>
Cash and Cash Equivalents at End of Year	<u>\$ 844,320</u>	<u>\$ 1,125,361</u>
Supplemental Disclosure:		
Taxes Paid	<u>\$ 260</u>	<u>\$ 263</u>

See the accompanying notes to financial statements.

TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Operations** - The Town of Union Local Development Corporation (LDC) was established to aid the Town of Union in growth and development of business concerns by encouraging the location of industrial, manufacturing and commercial capacity, and the creation of new and improved job opportunities and retention of existing jobs within the geographic boundaries of the Town of Union.

B. **Reporting Entity** - The LDC is a nonprofit corporation and is a component unit of the Town of Union. The requirements under the U.S., Office of Management and Budget Circular A-133, "*Audits of the States, Local Governments, and Non-Profit Organizations*" have been satisfied at the reporting entity level.

C. **Basis of Accounting and Presentation** - The financial statements of the LDC have been prepared on the accrual basis of accounting and are presented in accordance with the provisions of the Financial Accounting Standards Board Codification (ASC) 958-205 "*Financial Statements of Not-for-Profit Organizations*". This pronouncement requires not-for-profit organizations to report information regarding their financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets - Represents resources recognized as unrestricted and/or resources generated by other sources, which are expendable and available for support of operations.

Temporarily Restricted Net Assets - Represents resources recognized as restricted support until such a time when all associated restrictions have been met. The activities relative to the Community Development Block Grant and Urban Development Action Grant programs administered by LDC are accounted for as temporarily restricted net assets.

Permanently Restricted Net Assets - Represents resources that contain a stipulation that permanently restricts the use of such funds but allows earnings from the funds to be used in a certain manner. The LDC has no permanently restricted net assets.

D. **Federal Income Taxes** - The LDC is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, it is not liable for income taxes or federal unemployment insurance. The LDC files annual informational returns to the Internal Revenue Service (Form 990) and to New York State Department of Law (Office of the Attorney General) (Form CHAR500). The LDC has not been informed of any tax examinations by either the Internal Revenue Service or New York State.

The LDC has adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 740, "Income Taxes", as amended. Management has determined there were no liabilities for unrecognized tax benefits as a result of this implementation. Furthermore, management has estimated that there are no material unrecognized tax benefits for either the U.S. Federal or New York State jurisdictions for which it would be subject to income tax as of December 31, 2011 and as such, has not recognized any interest or penalties that would have been related to these benefits, if applicable. The tax years 2008, 2009, and 2010 are still open for both federal and state purposes.

E. **Cash and Cash Equivalents** - The LDC considers short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. **Support and Revenue** - LDC is funded principally through grants from the Town of Union Community Development Block Grant Program (CDBG). LDC recognizes the grant funds from CDBG when received, which coincides with the disbursement of funds by LDC for various operation expenses and new loans.

LDC also receives revenue in the form of repayments on loans from the Urban Development Action Grant Program (UDAG) and grants from the Town of Union's (UDAG) program. Program income generated from CDBG and UDAG loans is recognized as revenue when received.

The Town of Union contributes office space to the LDC for its operations. The accompanying financial statements include amounts for this contributed service, which as of December 31, 2011 and 2010 was valued at approximately \$4,200 and \$4,800 by management, respectively.

G. **Compensated Absences** - The LDC utilizes employees of the Town of Union. The amount shown as of December 31, 2011, represents unused vacation pay and sick leave as allowed per the Town's personnel policy.

H. **Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. **Expendable Restricted Resources** - Certain resources of LDC are considered temporarily restricted. Donor, grantor, or other outside parties have restricted the use of the funds for particular purposes. Temporarily restricted resources held by the LDC include the following:

CDBG Resources - Amounts received from drawdown requests for federal assistance and program income generated from CDBG monies, including principal and interest repayments on loans, penalties assessed on delinquent loans, and interest earned on the investment of these monies.

UDAG - Amounts received from repayment of principal and interest on UDAG loans.

J. **Reserve for Doubtful Loans** - The LDC follows the policy of providing currently for bad debts in order to maintain an adequate reserve for anticipated losses. Management anticipates certain loan receivables are doubtful as to collection and therefore, established a reserve for doubtful loans receivable of \$87,560 and \$57,460 at December 31, 2011 and 2010, respectively.

**TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 2 - LOANS RECEIVABLE

Loan Transactions are summarized as follows:

	<u>2011</u>	<u>2010</u>
Loans Receivable Balance, Beginning of Period	\$ 1,225,981	\$ 1,322,064
Year Ended December 31, Activity:		
Loan Advances	530,000	270,000
Loan Write-Offs	-	-
Principal Repayment	<u>(206,945)</u>	<u>(366,083)</u>
Loans Receivable Balance, End of the Period	1,549,036	1,225,981
Less: Reserve for Doubtful Loans	(87,560)	(57,460)
Less: Current Portion of Loans Receivable	<u>(495,556)</u>	<u>(202,548)</u>
Long-Term Portion of Loans Receivable	<u>\$ 965,920</u>	<u>\$ 965,973</u>

The principal balance at December 31, 2011 includes \$863,099 loaned from Community Development Block Grant (CDBG) funds and \$685,937 in Urban Development Action Grant (UDAG) repayment funds.

NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the LDC to concentrations of credit risk, consist of deposits with a single financial institution, cash in excess of FDIC insurance, and loans receivable. The LDC generally places its cash and investments with quality financial institutions and collateralizes cash deposits in excess of FDIC coverage with obligations of the United States and its agencies. Furthermore, the Federal Deposit Insurance Corporation (FDIC) provided unlimited coverage per depositor, on non interest bearing accounts through December 31, 2012.

Concentrations of credit risk with respect to loans receivable are limited due to the large number of loans and the dispersion across many different industries. Also, the LDC requires security to support the loan receivable.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The LDC has approved various development loan commitments as of December 31, 2011. Such commitments will be funded upon the satisfaction of all loan provisions by the applicants and the availability of funds at the time of closing the loan.

TOWN OF UNION LOCAL DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 5 - TOWN OF UNION AGREEMENT

The LDC has an agreement with the Town of Union, regarding the use of CDBG funds for various economic development programs. The agreement expired at September 30, 2010. Either party was able to terminate without cause upon 30 days written notice. Upon termination, all loans related to funds allocated by CDBG Program become the property of the Town of Union and the LDC shall assign to the Town related security interest. The agreement was renewed on November 17, 2011 and is set to expire on September 30, 2012.

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTION

Net Assets were released from restriction by incurring expenses satisfying the restricted purposes during the year ended December 31, 2011.

NOTE 7 - COMPARATIVE FINANCIAL INFORMATION

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Town of Union Local Development Corporation's financial statements for the year ended December 31, 2010 from which the summarized information was derived.

NOTE 8 - EVENTS OCCURRING AFTER REPORTING DATE

The Corporation has evaluated events and transactions that occurred between January 1, 2012 and March 15, 2012, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.