

**TOWN OF LOCKPORT
INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

DECEMBER 31, 2010

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

Table of Contents

December 31, 2010

Independent Auditors' Report

Financial Statements

Statements of Net Assets

Statements of Revenues, Expenses, and Changes in Net Assets

Statements of Cash Flows

Notes to Financial Statements

Compliance Reports

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*

Independent Accountants' Report on 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

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Town of Lockport Industrial Development Agency

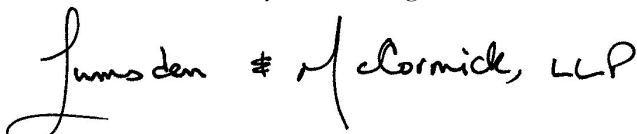
We have audited the accompanying statements of net assets of Town of Lockport Industrial Development Agency (the Agency) as of December 31, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are 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 respective financial position of the Agency as of December 31, 2010 and 2009, 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 22, 2011 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 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 22, 2011

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

Statements of Net Assets

December 31,	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,095,177	\$ 1,089,169
Property and equipment, net (Note 3)	444,416	451,614
	<u>\$ 1,539,593</u>	<u>\$ 1,540,783</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 7,806	\$ 9,854
Due to other governments	27,853	-
	<u>35,659</u>	<u>9,854</u>
Net assets:		
Invested in capital assets	444,416	451,614
Unrestricted	1,059,518	1,079,315
	<u>1,503,934</u>	<u>1,530,929</u>
	<u>\$ 1,539,593</u>	<u>\$ 1,540,783</u>

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

Statements of Revenues, Expenses, and Changes in Net Assets

For the years ended December 31,	2010	2009
Operating revenues:		
Administrative and application fees	\$ 52,357	\$ 511,350
Rental income	5,000	2,250
Total operating revenues	<u>57,357</u>	<u>513,600</u>
Program expenses:		
Management and other fees	44,700	51,100
Legal and professional	23,447	27,449
Travel and meetings	6,910	3,445
Insurance	323	323
Repairs and maintenance	5,831	7,418
Property taxes	2,247	2,191
Dues and membership fees	950	950
Advertising and promotion	25,572	6,658
Office supplies	2,094	3,537
Total program expenses	<u>112,074</u>	<u>103,071</u>
Operating income (loss)	<u>(54,717)</u>	<u>410,529</u>
Nonoperating revenues (expenses):		
Gain on sale of land	20,302	305,708
Sale of property rights	30,000	-
Interest income	5,273	2,297
New York State administrative fee	(27,853)	-
Total nonoperating revenues	<u>27,722</u>	<u>308,005</u>
Change in net assets	(26,995)	718,534
Net assets - beginning	<u>1,530,929</u>	<u>812,395</u>
Net assets - ending	\$ 1,503,934	\$ 1,530,929

See accompanying notes.

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

Statements of Cash Flows

For the years ended December 31,	2010	2009
Operating activities:		
Receipts from fees	\$ 52,357	\$ 511,350
Rental income	5,000	2,250
Payments for contractual services	(114,122)	(105,941)
Net operating activities	(56,765)	407,659
Capital and related financing activities:		
Proceeds from sale of land and property rights	57,500	474,320
Purchases of land	-	(113,312)
Net capital and related financing activities	57,500	361,008
Investing activities:		
Net proceeds from sale of short-term investments	-	306,864
Interest income	5,273	2,297
Net investing activities	5,273	309,161
Net increase in cash and cash equivalents	6,008	1,077,828
Cash and cash equivalents - beginning	1,089,169	11,341
Cash and cash equivalents - ending	\$ 1,095,177	\$ 1,089,169
Reconciliation of operating income (loss) to net operating activities:		
Operating income (loss)	\$ (54,717)	\$ 410,529
Adjustments to reconcile operating income (loss) to net operating activities:		
Changes in accounts payable	(2,048)	(2,870)
Net operating activities	\$ (56,765)	\$ 407,659

See accompanying notes.

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 guidance previously residing only in Financial Accounting Standards Board (FASB) and AICPA pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB 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, 2010, 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:

	2010	2009
Land available for sale	\$ 444,416	\$ 451,614
Office equipment	16,085	16,085
	<u>460,501</u>	<u>467,699</u>
Less accumulated depreciation	16,085	16,085
	<u>\$ 444,416</u>	<u>\$ 451,614</u>

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.

4. Due to Other Governments:

Included in amounts due to other governments is \$27,853 of administrative fees assessed by the State in accordance with Public Authorities Law section 2975. This law requires all industrial development agencies to contribute an administrative fee equal to 4.533% of an agency's prior year revenue as defined and determined by the State for the State's fiscal year ending March 31, 2011. Management together with legal counsel and other State development agencies are vigorously contesting this assessment, seeking to force legislative repeal.

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 statement of net assets of Town of Lockport Industrial Development Agency (the Agency) as of December 31, 2010, 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 22, 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 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of an 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*.

We noted certain matters that we reported to management of the Agency in a separate letter dated March 22, 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.

Jimmie # McCormick, LLP

March 22, 2011

INDEPENDENT ACCOUNTANTS' REPORT

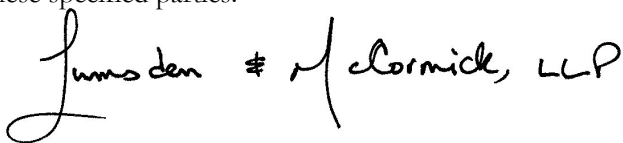
The Board of Directors
Town of Lockport Industrial Development Agency

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, 2010. 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, 2010.

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 22, 2011