

**TOWN OF WATERFORD
INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL REPORT

DECEMBER 31, 2010 AND 2009

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HADJIOANNOU & ASSOCIATES

Certified Public Accountants and Management Consultants

PO Box 201, East Schodack, NY 12063 • (518) 732-0543 • FAX (518) 732-0101

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Town of Waterford Industrial
Development Agency
Waterford, New York

We have audited the accompanying statements of net assets of the Town of Waterford Industrial Development Agency (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 by the United States of America and 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 audit provides a reasonable basis for our opinion.

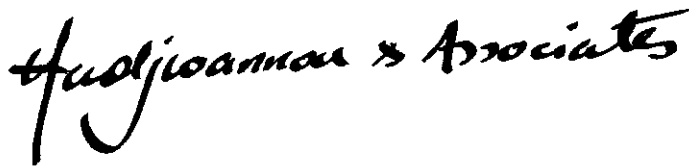
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Waterford Industrial Development Agency as of December 31, 2010 and 2009, and the changes in its financial position and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2011 on our consideration of the Waterford Industrial Development Agency'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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This information is the responsibility of the Agency's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Industrial Development Revenue Bonds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

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HADJIOANNOU & ASSOCIATES, CPA'S
Castleton, New York
September 30, 2011

**TOWN OF WATERFORD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010 AND 2009**

The following Management's Discussion and Analysis (MD&A) provides an introduction and overview to the financial activities and performance of the Town of Waterford Industrial Development Agency (Agency) for the years ended December 31, 2010 and 2009, as mandated by Governmental Accounting Standards Board Statement No. 34. This information should be reviewed in conjunction with the basic financial statements of the Agency.

Overview of Financial Statements

The Agency's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principals promulgated by the Governmental Accounting Standards Board (GASB). The Agency is structured in a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. See the notes to the financial statements for a summary of Agency's significant policies.

The Statements of Net Assets present information on the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Agency's financial position.

The Statements of Revenues, Expenses, and Changes in Net Assets present information showing how the Agency's net assets changed during the most recent years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will result in future cash flows.

The Statement of Cash Flows relate to the flows of cash and cash equivalents. Consequently, only transactions that affect the Agency's cash accounts are recorded in these statements.

In addition to the basic financial statements and accompanying notes, this report also presents the Schedule of Industrial Development Revenue Bonds.

Financial Highlights

The Agency's net assets decreased \$27,700 from December 31, 2009 to 2010 as compared to an increase of approximately \$51,000 from December 31 2008 to 2009. The change in net assets was primarily due to a one time refund of PILOT payments in 2010 of approximately \$106,000.

**TOWN OF WATERFORD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010 AND 2009**

In 2010, the Agency made two new loans totaling \$65,000. There were no new loans in 2009.

The Agency received in 2010 a grant for \$94,358. The proceeds of this grant will be used to expand the Agency's small economic development loan program.

The Agency's administrative fees are based on the amounts collected from Payments in Lieu of Taxes (PILOT). These fees are expected to decrease as the PILOT agreements expire.

Financial Analysis

The tables below present condensed financial information derived from the Agency's financial statements as of December 31, 2010 and 2009.

Statement of Net Assets	2010	2009	Change
Total Assets	\$827,109	\$858,172	(\$31,063)
Total Liabilities	\$1,580	\$4,943	\$3,363
Total Unrestricted Net Assets	\$825,529	\$853,229	\$27,700

Statement of Revenues, Expenses and Change in Net Assets	2010	2009	Change
Total Revenues	\$123,700	\$88,064	\$35,636
Total Expenses	\$151,400	\$37,242	\$114,158
Excess (deficiency) of Revenue over Expenses	(\$27,700)	\$50,822	(\$78,522)

Request for Information

This financial report is designated to provide a general overview of the Agency's finances for all interested parties. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Agency's Treasurer at Town of Waterford Industrial Development Agency, 65 Broad Street, Waterford, N.Y 12188.

**TOWN OF WATERFORD INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF NET ASSETS
DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 630,711	\$ 699,615
Loans receivable, net	185,528	158,557
Accounts Receivable	10,870	
Total Assets	\$ 827,109	\$ 858,172
 LIABILITES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,580	\$ 4,943
 NET ASSETS, UNRESTRICTED		
Total Liabilities and Net Assets	\$ 827,109	\$ 858,172

**TOWN OF WATERFORD INDUSTRIAL DEVELOPMENT AGENCY
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Revenues		
Administrative fees	\$ 19,856	\$ 72,835
Interest	9,486	15,229
Grant	94,358	
Total revenues	123,700	88,064
 Expenses		
Contractual	39,483	34,742
Grants	5,330	2,500
PILOT refund	106,587	
Total expenses	151,400	37,242
Excess (deficiency) of revenues over expenses	(27,700)	50,822
Net Assets – Unrestricted, beginning of year	853,229	802,407
Net Assets – Unrestricted, end of year	\$ 825,529	\$ 853,229

See accompanying notes and independent auditor's report.

**TOWN OF WATERFORD INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Administrative fees and Grant collected	\$ 103,343	\$ 72,835
Contractual costs paid	(42,846)	(31,133)
PILOT refunds, net	(106,587)	
Grants paid	(5,330)	(2,500)
Net cash provided (used) in operating	(51,420)	39,202
 CASH FLOWS FROM FINANCING AND INVESTING ACTIVITIES:		
New loans	(65,000)	
Loan repayments	38,381	31,308
Interest income received	9,135	15,229
Net cash provided (used) by financing & investing	(17,484)	46,537
Net increase (decrease) in cash	(68,904)	85,739
Cash, beginning of year	699,615	613,876
Cash, end of year	\$ 630,711	\$ 699,615

See accompanying notes and independent auditor's report.

TOWN OF WATERFORD INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Town of Waterford Industrial Development Agency (Agency) have been prepared in conformity with generally accepted accounting principles applicable to Governmental entities. Significant accounting policies are:

Organization Purpose: The Agency was created in 1982 by the Town of Waterford Board of Supervisors under the provisions of General Municipal Law Article 18-A of New York State for the purpose of encouraging economic growth in the Town of Waterford. It provides local businesses with micro loans that encourage economic development within the Town of Waterford. The Agency, although established by the Town of Waterford Board of Supervisors, is a separate entity and operates independently of the Town of Waterford.

Basis of Accounting: The financial statements of the Agency have been prepared on the accrual basis of accounting.

Income Taxes: The Agency operates as a Governmental entity and is exempt from Federal, State and local income taxes.

Payments in lieu of taxes (PILOTS): The Agency collects on behalf of the taxing authorities PILOTS. The amounts collected are recorded as a liability upon receipt and are reversed when payments of such PILOTS are made to the taxing authorities.

2. INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

All industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the Town. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts. The Agency's primary function is to arrange the financing between the borrowing companies and the bond and note holders. Funds arising from these transactions are controlled by trustees or banks acting as fiscal agents. For providing this conduit financial service, the agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized upon issuance of the bonds, notes or other debt.

At December 31, 2010 and 2009, the total amount of bonds issued by the Agency since it was created aggregated \$63,884,590 (unaudited) with no outstanding balances.

3. CASH

The Agency's investment policies are governed by New York State statutes. Agency monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The Agency is authorized to use demand, money market accounts and certificates of deposit. Collateral is required for all of the invested funds not covered by federal deposit insurance.

Permissible collateral includes obligations of the U.S. Treasury, and obligations of New York State and its localities. The total bank balances of \$630,711 at December 31, 2010 and \$699,615 at December 31, 2009 were covered by FDIC Insurance, and other obligations pledged as collateral.

4. LOANS RECEIVABLE:

Loans receivable amounted to \$200,528 and \$173,557 at December 31, 2010 and 2009 respectively. The balance is for economic development loans that were made to local business. The agency collected approximately \$7,987 during 2010 and \$8,988 during 2009 in interest from these loans. The loans receivable are due over varying repayments terms with interest rates ranging from 4% to 8.5%. A reserve for bad debts in the amount of \$15,000 has been established for both years. All loan balances are determined to be collectible, considering the established reserve.

TOWN OF WATERFORD INDUSTRIAL DEVELOPMENT AGENCY
 SCHEDULE OF INDUSTRIAL DEVELOPMENT REVENUE BONDS
 DECEMBER 31, 2010 AND 2009
 (UNAUDITED)

Bond Issue	Issue Date	Original Issue Amount	2010 Outstanding Balance	2009 Outstanding Balance
Adirondack Hydro Development	July 1, 1990	\$20,100,000	\$ -	\$ -
Degussa Corporation	July 1, 1990	39,988,525	-	-
Degussa Corporation	May10, 1995	3,796,065	-	-
Total		\$ 63,884,590	\$ -	\$ -



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**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**

To the Board of Directors
Town of Waterford Industrial
Development Agency
Waterford, New York

We have audited the financial statements of the Town of Waterford Industrial Development Agency (Agency), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated September 30, 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 opinions 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.

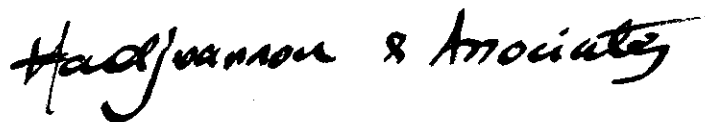
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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 statements 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 the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Hadjioannou & Associates". The signature is written in a cursive, flowing style.

HADJIOANNOU & ASSOCIATES, CPA'S
Castleton, New York
September 30, 2011

TOWN OF WATERFORD INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

BOARD POLICIES AND PROCEDURES

The Agency has established a loan approval process. However we recommend that the Agency reviews its existing loan due diligence procedures and strengthens them further where necessary. We believe that establishing stricter credit worthiness standards might protect the Agency against loan defaults.

TOWN OF WATERFORD INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
DECEMBER 31, 2010 and 2009

BOARD POLICIES:

The Agency Board developed and adopted all required policies. This prior year finding has been resolved.