

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

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

**December 31, 2010 and 2009**

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

**FINANCIAL STATEMENTS  
and  
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**December 31, 2010 and 2009**

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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, 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 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, 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 March 28, 2011, 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. Such information is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America.

*Bollam Sheedy Torani & Co LLP*

Albany, New York  
March 28, 2011

**SHERBURNE AREA LOCAL  
DEVELOPMENT CORPORATION**

**STATEMENTS OF FINANCIAL POSITION**

		<u>December 31,</u>	
		<u>2010</u>	<u>2009</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash		\$ 25,319	\$ 1,395
<b>CAPITAL ASSETS</b>			
Land and land improvements		744,549	291,015
<b>OTHER ASSETS</b>			
Organizational costs, net		19,783	20,824
Loan fees		7,500	-
		<u>27,283</u>	<u>20,824</u>
		<b><u>\$ 797,151</u></b>	<b><u>\$ 313,234</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		\$ 7,849	\$ 28,687
Accrued interest		10,890	4,095
Current installments of mortgage payable		30,377	18,391
		<u>49,116</u>	<u>51,173</u>
<b>NONCURRENT LIABILITIES</b>			
Mortgage payable, less current installments		260,154	272,140
Deferred rental income		500,000	-
		<u>760,154</u>	<u>272,140</u>
<b>COMMITMENTS</b>			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt		454,018	484
Unrestricted		(466,137)	(10,563)
		<u>(12,119)</u>	<u>(10,079)</u>
		<b><u>\$ 797,151</u></b>	<b><u>\$ 313,234</u></b>

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**

	<b>Years Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>REVENUES</b>		
Rental income	\$ 8,400	\$ 8,400
<b>EXPENSES</b>		
Amortization	1,041	-
Audit and accounting	3,950	4,260
Legal	-	3,816
Interest expense	6,795	6,095
Real estate taxes	-	1,126
Other	-	375
	11,786	15,672
<b>Operating loss</b>	<b>(3,386)</b>	<b>(7,272)</b>
<b>OTHER INCOME</b>		
Interest income	1,346	-
<b>CHANGE IN NET ASSETS</b>	<b>(2,040)</b>	<b>(7,272)</b>
<b>NET ASSETS, <i>beginning of year</i></b>	<b>(10,079)</b>	<b>(2,807)</b>
<b>NET ASSETS, <i>end of year</i></b>	<b>\$ (12,119)</b>	<b>\$ (10,079)</b>

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>2010</u>	<u>2009</u>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from rents	\$ 8,400	\$ 8,400
Cash paid to vendors	<u>(24,788)</u>	<u>(7,739)</u>
	<b><u>(16,388)</u></b>	<b><u>661</u></b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>		
Acquisition of land and land improvements	(453,534)	(101,504)
Interest income	<u>1,346</u>	<u>-</u>
	<b><u>(452,188)</u></b>	<b><u>(101,504)</u></b>
<b>CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
Payment of loan fees	(7,500)	-
Proceeds from deferred rental income	500,000	-
Proceeds from mortgage, Village of Sherburne	-	45,000
Repayment of mortgage, Village of Sherburne	<u>-</u>	<u>(2,267)</u>
	<b><u>492,500</u></b>	<b><u>42,733</u></b>
<b>Net increase (decrease) in cash</b>	<b>23,924</b>	<b>(58,110)</b>
<b>CASH, beginning of year</b>	<u>1,395</u>	<u>59,505</u>
<b>CASH, end of year</b>	<b><u>\$ 25,319</u></b>	<b><u>\$ 1,395</u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (3,386)	\$ (7,272)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Amortization	1,041	-
Increase (decrease) in		
Accounts payable	(20,838)	3,838
Accrued interest	<u>6,795</u>	<u>4,095</u>
	<b><u>\$ (16,388)</u></b>	<b><u>\$ 661</u></b>

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

**SHERBURNE AREA LOCAL  
DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 1 - 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. Accounting Method*

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) for public authorities. 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.

In preparing financial statements in conformity with GAAP, management is required 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.

*c. 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, 2010 and 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*d. Capital Assets*

Capital assets are reported at the lower of cost or expected realizable value. All capital assets currently held by the Corporation are nondepreciable assets. 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.

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, 2010 or 2009.

*e. Income Taxes*

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.

*f. Subsequent Events*

In preparing the financial statements and notes thereto, the Agency considered subsequent events through March 28, 2011, the date the financial statements were available to be issued.

*g. Reclassification*

Certain 2009 accounts have been reclassified to conform to 2010 presentation.

**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, 2010 and 2009, were fully collateralized.

**NOTE 3 - CAPITAL ASSETS**

Capital assets are comprised of land purchased for eventual resale. Costs to acquire and develop the land are capitalized as incurred. No depreciation expense is recorded.

**SHERBURNE AREA LOCAL  
DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 3 - CAPITAL ASSETS - Continued**

Land costs are summarized as follows:

	December 31,	
	2010	2009
Acquisition of land	\$ 197,356	\$ 197,356
Other acquisition and development costs		
Survey	2,063	2,063
Engineering	105,076	49,926
Legal	11,349	11,349
Development	408,405	10,021
Design	17,000	17,000
Other	3,300	3,300
	\$ 744,549	\$ 291,015

Land and related acquisition and development costs at December 31, 2010 and 2009, 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."

**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. Amortization expense for the year ended December 31, 2010, was \$1,041.

**NOTE 5 - MORTGAGE PAYABLE, 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, 2010 and 2009, 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 \$18,391 and \$10,890, respectively, at December 31, 2010.

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

For the year ending December 31,	2011	\$ 30,377
	2012	12,281
	2013	12,584
	2014	235,289
		\$ 290,531

**SHERBURNE AREA LOCAL  
DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 5 - MORTGAGE PAYABLE, VILLAGE OF SHERBURNE - Continued**

Interest expense incurred and paid on this indebtedness totaled \$6,795 and \$-0-, respectively, for the year ended December 31, 2010, and \$6,095 and \$2,000, respectively, for the year ended December 31, 2009.

**NOTE 6 - DEFERRED RENTAL INCOME**

During October 2009, the Corporation entered into an agreement with the Village known as the Project Development Agreement (Agreement). Under the Agreement, and upon completion or substantial completion of the Sherburne Electric Business Park (Note 3), the Corporation will lease an approximately 10.24 acre portion of the land to the Village in connection with a certain project known as the "Village Building Project."

Under the "Village Building Project," the Corporation will issue \$1,700,000 of tax-exempt revenue bonds in connection with the planning, design, and construction of an approximately 16,000 square foot facility for lease to the Village and use by the Village's Electric Department and Department of Public Works, including the acquisition and installation of certain equipment, machinery, and other tangible personal property.

Under the terms of the Agreement, the Village agrees to lease the facility for a term of up to fifteen (15) years with annual rentals reflective of the debt service and other related payments required to retire the revenue bonds. The lease will be "triple net" with all operation, maintenance, utility, and repair costs borne by the Village. Additional terms of the Agreement require that the Village place a deposit with the Corporation in the amount of \$500,000 to be utilized by the Corporation in furtherance of the land development and construction of the facility. The lease deposit is non-refundable.

As the land development and construction of the facility is not complete or in a usable state as of December 31, 2010, the lease deposit has been reported as deferred rental income in these financial statements.

**NOTE 7 - RENTAL AGREEMENT**

The Corporation has entered into a month-to-month lease agreement with the Village for the rental of a pole barn located on property owned by the Corporation. Monthly rent receipts are \$700.

**NOTE 8 - COMMITMENTS**

During June 2010, the Corporation entered into an agreement with NBT Bank, in which NBT Bank would provide long-term financing for the acquisition and development of the land by issuing tax-exempt revenue bonds. As part of the agreement, the Corporation was required to pay a \$7,500 loan fee. As of March 28, 2011, the tax-exempt revenue bonds had not been issued. Terms of the bonds are unknown at March 28, 2011.

**NOTE 9 - ACCOUNTING STANDARD ISSUED BUT NOT YET IMPLEMENTED**

In December 2010, GASB issued GASB 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.

**SHERBURNE AREA LOCAL  
DEVELOPMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009**

**NOTE 9 - ACCOUNTING STANDARD ISSUED BUT NOT YET IMPLEMENTED - Continued**

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.

GASB Statement No. 62 is effective for financial statements for periods beginning after December 15, 2011; however, early adoption is encouraged. The Corporation has not yet adopted this statement.

**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 years ended December 31, 2010 and 2009, and have issued our report thereon dated March 28, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 10-01 and 10-02.

This report is intended solely for the information and use of members and management of the Corporation and 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.

*Bollam Sheedy Torani & Co. LLP*

Albany, New York  
March 28, 2011

**SHERBURNE AREA LOCAL  
DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2010**

**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**

**10-01. Posting and Maintaining Reports and Policies on Public Authority Website**

*Criteria:* The New York State Authority Budget Office (ABO) issued Policy Guidance on April 12, 2010, in response to the Public Authorities Reform Act (PARA) of 2009. This guidance states that effective immediately, public authorities are required to make specific information available to the public through the internet.

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

*Effect:* Required Corporation reports and policies are currently not available to the public through the internet.

*Cause:* The Corporation does not currently maintain a website.

*Recommendation:* Using available ABO guidance, the Corporation should develop a 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.

**10-02. 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.

*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.

**SHERBURNE AREA LOCAL  
DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2010**

**Section III - Compliance Findings - Continued**

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

*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 2012 annual budget.