

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED MARCH 31, 2015**

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
FOR THE YEAR ENDED MARCH 31, 2015**

TABLE OF CONTENTS

	<u>Exhibit</u>	
INDEPENDENT AUDITORS' REPORT		1
MANAGEMENT'S DISCUSSION AND ANALYSIS		3
FINANCIAL STATEMENTS		
Statement of Net Position	A	10
Statement of Activities	B	11
Statement of Net Position - Proprietary Funds	C	12
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	D	13
Statement of Cash Flows	E	14
Notes to the Financial Statements		16
SUPPLEMENTAL FINANCIAL INFORMATION		
Schedule of Leases	F	30
Schedule of Payments in Lieu of Taxes	G	31
Schedule of Bonds	H	32
Financial Data Schedules (REAC)		33
INTERNAL CONTROL AND COMPLIANCE		
Independent Auditors' 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>		40
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		42
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		
Schedule of Expenditures of Federal Awards	I	47
Notes to the Schedule of Expenditures of Federal Awards		49
Schedule of Findings and Questioned Costs		50
Status of Prior Year Findings and Recommendations		52

R.A. MERCER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

63 SO. MAIN STREET
CATTARAUGUS, NY 14719
(716) 257-9511

RAYMOND A. MERCER, CPA 1931-1983

ROBERT W. IRWIN, CPA

Fax (716) 257-9513

www.ramercercpa.com

CATHIE J. BRIDGES, CPA
KENNETH FRANK, CPA
ROGER J. LIS, JR., CPA
JULIE L. JAGODA - BOOTH, CPA
DENISE D. VELOSKI, CPA
KATHRYN A. LARRACUENTE, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
City of Salamanca Industrial Development Agency
Salamanca, New York 14779

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the City of Salamanca Industrial Development Agency, a component unit of the City of Salamanca, as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the City of Salamanca

Industrial Development Agency, as of March 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-10 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Salamanca Industrial Development Agency's basic financial statements. The supplemental financial information schedules and financial data schedules (REAC) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplemental financial section schedules, financial data schedules (REAC), and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental financial information schedules, the financial data schedules (REAC), and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated July 17, 2015, on our consideration of the City of Salamanca 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 these reports 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Salamanca Industrial Development Agency's internal control over financial reporting and compliance.

Cattaraugus, New York
July 17, 2015

R.A. MERCER & CO., P.C.

R.A. Mercer & Co. P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Salamanca Industrial Development Agency's annual financial report, the Agency's management provides narrative discussion and analysis of the financial activities of the Agency for the fiscal year ended March 31, 2015. The City of Salamanca Industrial Development Agency's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

FINANCIAL HIGHLIGHTS

The City of Salamanca Industrial Development Agency's assets exceeded its liabilities by \$1,735,923 for the fiscal year ended March 31, 2015. This compares to the previous year when assets exceeded liabilities by \$1,731,070.

Total net position comprise the following:

1. Net Investment in Capital Assets of \$911,040 includes property and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase, construction, and improvement of the capital assets.
2. Net position of \$501,420 is restricted by constraints imposed from outside the Agency, such as grantor requirements, laws, and regulations.
3. Unrestricted net position of \$323,463 represents the portion available to continue the Agency's objectives of community service to its citizens and to meet the obligations of its creditors.

Total liabilities of the Agency decreased \$250,508 to \$562,798 during the fiscal year.

Revenues for the year ended March 31, 2015, totaled \$780,419, of which \$325,614 was from charges for services, \$425,938 from operating grants, \$28,725 from gain on sale of capital assets, and \$142 from interest income.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Agency's basic financial statements. The basic financial statements include: 1) governmentwide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The City of Salamanca Industrial Development Agency also includes in this report additional information to supplement the basic financial statements.

Governmentwide Financial Statements

The City of Salamanca Industrial Development Agency's annual report includes two governmentwide financial statements. These statements provide both long-term and short-term information about the Agency's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these governmentwide statements is the Statement of Net Position. This is the governmentwide statement of position presenting information that includes all of the Agency's assets and liabilities, with the difference reported as net position. In addition to the information provided in this report, an evaluation of the overall economic health of the Agency would extend to other nonfinancial factors, such as the quality of its loan portfolio, the diversification and strength of the economy in the Salamanca, New York area, and the condition of the Agency's capital assets.

The second governmentwide statement is the Statement of Activities, which reports how the Agency's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the Agency's distinct activities or functions on revenue provided by the Agency's grantors, as well as on revenue derived from its rental and lending activities.

The City of Salamanca Industrial Development Agency comprises only business-type activities. These include the General Operating Fund, the Program Income Revolving Loan Fund, the Section 8 Housing Choice Vouchers Program, the Urban Development Action Grant Program, and the Community Development Fund.

The Salamanca Area Development Corporation has been determined to be a component unit and is presented as a separate major fund within these financial statements. Therefore, there are no separately issued financial statements.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Agency uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The Agency utilizes proprietary funds that are reported in the fund financial statements and generally report services for which the Agency charges customers a fee. The Agency also receives grants and contributions. These funds essentially encompass the same functions reported as business-type activities in the governmentwide statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the governmentwide financial statements but with more detail for major enterprise funds.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the governmentwide and fund financial statements. The notes to the financial statements are located directly after the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the City of Salamanca Industrial Development Agency's progress. Supplemental information follows the notes to the financial statements.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

The Agency's net position at March 31, 2015, was \$1,735,923 which represents an increase of \$4,853 from the prior year. The following table provides a summary of the Agency's net position.

	2015	2014	Amount of Change
Assets:			
Current and Other Assets	\$ 1,137,241	1,544,739	(407,498)
Capital Assets, Net	1,161,480	999,637	161,843
Total Assets	2,298,721	2,544,376	(245,655)
Liabilities:			
Other Liabilities	347,850	127,442	220,408
Long-Term Liabilities	214,948	685,864	(470,916)
Total Liabilities	562,798	813,306	(250,508)
Net Position:			
Net Investment in			
Capital Assets	911,040	577,132	333,908
Restricted	452,056	806,873	(354,817)
Unrestricted	372,827	347,065	25,762
Total Net Position	\$ 1,735,923	1,731,070	4,853

The following table provides a summary of the Agency's changes in net position:

	Business-Type Activities			
	2015	% of Totals	2014	% of Totals
Revenue:				
Charges for Services	\$ 325,614	43.3	335,891	36.8
Operating Grants	425,938	56.7	575,651	63.2
Total Revenue	<u>751,552</u>	<u>100.0</u>	<u>911,542</u>	<u>100.0</u>
Expenses:				
Administrative and Contractual Expenses	88,028	11.4	284,426	29.0
Personnel Services	74,400	9.6	79,078	8.0
Housing Assistance Payments	512,119	66.0	514,027	52.5
Home and Community Services	93,657	12.1	87,800	9.0
Interest Expense	7,362	0.9	14,292	1.5
Total Expense	<u>775,566</u>	<u>100.0</u>	<u>979,623</u>	<u>100.0</u>
Change in Net Position Before General Revenue	<u>(24,014)</u>		<u>(68,081)</u>	
General Revenue:				
Interest Earned on Investments	142		315	
Gain on Sale of Capital Assets	28,725			
Total General Revenue	<u>28,867</u>		<u>315</u>	
Interfund Transfers, Net	-		-	
Change in Net Position	<u>\$ 4,853</u>		<u>(67,766)</u>	

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

Proprietary Funds

The proprietary fund statements share the same focus as the governmentwide statements, reporting both short-term and long-term information about financial status.

The City of Salamanca Industrial Development Agency reports the following major proprietary funds:

General Operating Fund- This fund includes the Agency's Rochester Street rental activities and mortgage interest.

Program Income Revolving Loan Fund (RLF) - This fund includes the Agency's economic development, and rehabilitation loan programs, each of which is used to meet community development needs.

Section 8 Housing Choice Vouchers Program - This program provides rental assistance to low income families to help them afford safe and sanitary rental housing.

Third Generation Urban Development Action Grant Program - The overall objective of this program is to stimulate economic development activity and aid in the economic recovery of the City of Salamanca. The program provides funding to eligible community development projects.

Community Development Fund - This fund was created to assist the City of Salamanca with the replacement of its water reservoir.

Salamanca Area Development Corporation Fund – This fund was created upon the formation of the Salamanca Area Development Corporation (SADC) which is a not-for-profit local development corporation to assist the City of Salamanca Industrial Development Agency and City of Salamanca in the implementation of programs, projects, and activities designed to create or stimulate economic and community development programs in the City of Salamanca.

Capital Assets and Debt Administration

Capital Assets

The City of Salamanca Industrial Development Agency's investment in capital assets, net of accumulated depreciation, for business-type activities as of March 31, 2015, was \$1,161,480. This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The total increase in the Agency's investment in capital assets for the current year of \$161,843 was mainly due to the capitalization of building improvements.

	2015	2014
<u>Nondepreciable:</u>		
Land and Land Improvements	\$ 10,500	10,500
Construction in Progress	-	13,500
<u>Depreciable:</u>		
Buildings and Leasehold Improvements	2,730,084	2,488,321
Machinery and Equipment	32,105	31,940
Accumulated Depreciation	(1,611,209)	(1,544,624)
Total	<u>\$ 1,161,480</u>	<u>999,637</u>

Long-Term Debt

At the end of the year, the Agency had debt outstanding of \$250,440, which included two notes payable to the Urban Development Corporation and the Apex Bank for a total amount of \$122,750, and one mortgage payable to Cattaraugus County Bank (CCB) for an amount of \$127,690.

Notes & Mortgage Payable:

	2015	2014
Due Within One Year	\$ 50,922	61,592
Due After One Year	199,518	360,913
Total	<u>\$ 250,440</u>	<u>422,505</u>

Economic Factors and Next Year's Budgets and Rates

In the upcoming year, the Agency will be exploring the possibility of building a warehouse on our Morningside lot for Norton Smith Hardwoods. It is possible to build a 24,000 square foot building on the 1.1 acre lot.

Norton Smith Hardwoods is currently renting a warehouse off of his location due to his business growth and needing more room for his productivity. The IDA will explore a low interest loan through a local bank to build the structure. An agreement with Norton Smith Hardwoods to lease the new building for the term of the loan will be signed.

The focus of the agency continues to be to sustain and develop the Morningside and Rochester Street Industrial Parks.

The Agency's total expense budget for the fiscal year ending March 2016 is \$722,014, which consists of \$568,140 in budget expenses in the Section 8 Housing Choice Voucher Program and \$153,874 among the remaining programs.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's finances, comply with finance-related laws and regulations, and demonstrate the Agency's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City of Salamanca Industrial Development Agency at 225 Wildwood Avenue, Salamanca, NY 14779.

FINANCIAL STATEMENTS

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
AS OF MARCH 31, 2015**

	<u>Primary Government Business-Type Activities</u>
ASSETS	
Unrestricted Cash and Cash Equivalents	\$ 202,963
Restricted Cash and Cash Equivalents	386,190
Accounts Receivable, Net	41,925
Current Portion of Direct Financing Leases	4,153
Current Portion of Notes Receivable, Net	115,075
Noncurrent Assets	
Grant Receivable	-
Prepaid Utility Deposit	3,060
Direct Financing Leases	33,087
Notes Receivable, Net	350,788
Capital Assets	
Land and Land Improvements	10,500
Construction in Progress	-
Buildings and Leasehold Improvements	2,730,084
Machinery and Equipment	32,105
Less: Accumulated Depreciation	(1,611,209)
Total Assets	<u>2,298,721</u>
LIABILITIES	
Accounts Payable	3,132
Accrued Liabilities	2,368
Equipment Lease Payable	574
Due to HUD	-
Due to Other Governments	7,252
Long-Term Liabilities	
Due and Payable Within One Year	
Unearned Revenue	283,602
Mortgage Payable	13,297
Notes Payable	37,625
Due and Payable After One Year	
Unearned Revenue	15,430
Mortgage Payable	114,393
Notes Payable	85,125
Total Liabilities	<u>562,798</u>
NET POSITION	
Net Investment in Capital Assets	911,040
Restricted	501,420
Unrestricted	323,463
Total Net Position	<u>\$ 1,735,923</u>

See accompanying notes to the financial statements.

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2015**

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-Type Activities
Expenses					
Primary Government:					
Business-Type Activities:					
Administrative and Contractual	\$	88,028	70,910	-	(17,118)
Personnel Services		74,400	134,622	-	60,222
Housing Assistance Payments		512,119	-	425,938	(86,181)
Home and Community Services		93,657	94,841	-	1,184
Interest Expense		7,362	25,241	-	17,879
Total Business-Type Activities		775,566	325,614	425,938	(24,014)
Total Primary Government		775,566	325,614	425,938	(24,014)

General Revenue:		
Gain on Sale of Capital Assets		28,725
Interest Income		142
Total General Revenue		28,867
Interfund Transfers:		
Transfer In		-
Transfer Out		-
Interfund Transfers, Net		-
Change in Net Position		4,853
Net Position - Beginning of the Year		1,731,070
Net Position - End of the Year	\$	1,735,923

See accompanying notes to the financial statements.

CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION- PROPRIETARY FUNDS
AS OF MARCH 31, 2015

	General Operating Fund	Program Income RLF	Housing Choice Vouchers	Third Generation UDAG	Community Development	Salamanca Area Development Corporation	Total Proprietary Funds
ASSETS							
Current Assets							
Unrestricted Cash and Cash Equivalents	\$ 34,624	-	168,339	-	-	-	202,963
Restricted Cash and Cash Equivalents	-	184,518	49,364	152,308	-	-	386,190
Accounts Receivable, Net	16,243	19,198	-	6,484	-	-	41,925
Due From Other Funds	5,249	35,684	-	-	-	75,230	116,163
Current Portion of Direct Financing Leases	4,153	-	-	-	-	-	4,153
Current Portion of Notes Receivable, Net	-	88,344	-	1,734	-	24,997	115,075
Total Current Assets	60,269	327,744	217,703	160,526	-	100,227	866,469
Other Assets							
Grant Receivable	-	-	-	-	-	-	-
Prepaid Utility Deposit	3,060	-	-	-	-	-	3,060
Noncurrent Direct Financing Leases	33,087	-	-	-	-	-	33,087
Noncurrent Notes Receivable, Net	-	350,788	-	-	-	-	350,788
Total Other Assets	36,147	350,788	-	-	-	-	386,935
Capital Assets							
Land and Land Improvements	500	-	-	10,000	-	-	10,500
Construction in Progress	-	-	-	-	-	-	-
Buildings and Leasehold Improvements	1,763,485	643,990	-	119,949	-	202,660	2,730,084
Machinery and Equipment	8,881	-	23,224	-	-	-	32,105
Less: Accumulated Depreciation	(1,447,304)	(60,928)	(23,116)	(36,028)	-	(43,833)	(1,611,209)
Total Capital Assets	325,562	583,062	108	93,921	-	158,827	1,161,480
Total Assets	421,978	1,261,594	217,811	254,447	-	259,054	2,414,884
LIABILITIES AND NET POSITION							
Current Liabilities							
Accounts Payable	192	-	-	2,740	-	200	3,132
Accrued Liabilities	2,368	-	-	-	-	-	2,368
Equipment Lease Payable	574	-	-	-	-	-	574
Due to Other Funds	13,488	23,650	-	77,010	2,015	-	116,163
Due to HUD	-	-	-	-	-	-	-
Due to Other Governments	7,252	-	-	-	-	-	7,252
Unearned Revenue, Current Portion	-	283,602	-	-	-	-	283,602
Mortgage Payable, Current Portion	-	13,297	-	-	-	-	13,297
Notes Payable, Current Portion	37,625	-	-	-	-	-	37,625
Total Current Liabilities	61,499	320,549	-	79,750	2,015	200	464,013
Noncurrent Liabilities							
Unearned Revenue, Net of Current Portion	15,430	-	-	-	-	-	15,430
Mortgage Payable, Net of Current Portion	-	114,393	-	-	-	-	114,393
Notes Payable, Net of Current Portion	85,125	-	-	-	-	-	85,125
Total Noncurrent Liabilities	100,555	114,393	-	-	-	-	214,948
Total Liabilities	162,054	434,942	-	79,750	2,015	200	678,961
Net Position							
Net Investment in Capital Assets	202,812	455,372	108	93,921	-	158,827	911,040
Restricted	-	371,280	49,364	80,776	-	-	501,420
Unrestricted (Deficit)	57,112	-	168,339	-	(2,015)	100,027	323,463
Total Net Position	\$ 259,924	826,652	217,811	174,697	(2,015)	258,854	1,735,923

See accompanying notes to the financial statements.

CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION- PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2015

	General Operating Fund	Program Income RLF	Housing Choice Vouchers	Third Generation UDAG	Community Development	Salamanca Area Development Corporation	Total Proprietary Funds
Operating Revenues							
Program Income, Net of Allowance for Bad Debt	\$ -	65,608	-	-	-	-	65,608
Interest on Mortgages and Leases	1,430	26,102	-	1,509	-	192	29,233
Rental of Real Property	69,289	84,570	-	24,000	-	-	177,859
Federal Grant Revenue	-	-	425,938	-	-	-	425,938
Other Revenue	-	1,000	51,914	-	-	-	52,914
Total Operating Revenue	70,719	177,280	477,852	25,509	-	192	751,552
Operating Expenses							
Administrative and Contractual	32,928	16,105	25,590	13,405	-	-	88,028
Personnel Services	14,105	7,397	38,568	5,057	-	-	65,127
Employee Benefits	3,363	1,119	3,972	819	-	-	9,273
Housing Assistance Payments	-	-	512,119	-	-	-	512,119
Home and Community Services	-	4,419	-	2,436	-	-	6,855
Depreciation Expense	59,641	16,166	57	4,183	-	6,755	86,802
Total Operating Expense	110,037	45,206	580,306	25,900	-	6,755	768,204
Operating Income (Loss)	(39,318)	132,074	(102,454)	(391)	-	(6,563)	(16,652)
Nonoperating Revenues (Expenses)							
Gain on Sale of Capital Assets	-	28,725	-	-	-	-	28,725
Interest Earned on Investments	7	4	81	50	-	-	142
Interest Expense	(1,237)	(5,448)	-	(677)	-	-	(7,362)
Transfer In	-	-	-	-	-	-	-
Transfer Out	-	-	-	-	-	-	-
Net Nonoperating Revenue (Expense)	(1,230)	23,281	81	(627)	-	-	21,505
Change in Net Position	(40,548)	155,355	(102,373)	(1,018)	-	(6,563)	4,853
Net Position - Beginning of the Year	300,472	671,297	320,184	175,715	(2,015)	265,417	1,731,070
Net Position - End of the Year	\$ 259,924	826,652	217,811	174,697	(2,015)	258,854	1,735,923

See accompanying notes to the financial statements.

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2015
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	General Operating Fund	Program Income RLF	Housing Choice Vouchers	Third Generation UDAG	Community Development	Salamanca Area Development Corporation	Total Proprietary Funds
Cash Flows From Operating Activities:							
Receipts From Tenants	\$ 69,289	84,789	-	37,171	-	-	191,249
Receipts From Customers	1,430	27,440	-	-	-	-	28,870
Payments to Employees	(15,100)	(8,516)	(42,540)	(5,876)	-	-	(72,032)
Payments to Suppliers	(33,418)	(25,226)	(537,709)	52,809	-	(74,152)	(617,696)
Receipts From Other Governments	-	-	425,941	-	-	-	425,941
Payments to Other Governments	2,252	(2,894)	-	-	-	-	(642)
Other Receipts	6,668	1,000	51,914	1,509	-	192	61,283
Net Cash Provided by (Used in) Operating Activities	31,121	76,593	(102,394)	85,613	-	(73,960)	16,973
Cash Flows From Capital and Related Financing Activities:							
Acquisition and Modernization of Capital Assets	(5,948)	(291,877)	(168)	-	-	-	(297,993)
Proceeds from Sale of Assets	-	75,000	-	-	-	-	75,000
Principal Payments on Long-Term Debt	(44,324)	(12,783)	-	(114,957)	-	-	(172,064)
Interest Paid	(1,237)	(5,448)	-	(677)	-	-	(7,362)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(51,509)	(235,108)	(168)	(115,634)	-	-	(402,419)
Cash Flows From Investing Activities:							
Proceeds From Notes and Leases Receivable	3,638	91,974	-	4,532	-	22,974	123,118
Issuance of Notes Receivable	-	(75,000)	-	-	-	-	(75,000)
Interest Income Received	7	4	81	50	-	-	142
Net Cash Provided by (Used in) Investing Activities	3,645	16,978	81	4,582	-	22,974	48,260
Net Cash and Cash Equivalents Increase (Decrease) for the Year	(16,743)	(141,537)	(102,481)	(25,439)	-	(50,986)	(337,186)
Cash and Cash Equivalents, Beginning of Year	51,367	326,055	320,184	177,747	-	50,986	926,339
Cash and Cash Equivalents, End of Year	\$ 34,624	184,518	217,703	152,308	-	-	589,153

Cash Flows From Operating Activities:

Operating Income (Loss)	\$	(39,318)	132,074	(102,454)	(391)	-	(6,563)	(16,652)
Adjustments :								
Depreciation		59,641	19,236	57	4,183	-	6,755	89,872
Allowance for Bad Debt		-	(3,196)	-	-	-	-	(3,196)
Changes in Assets and Liabilities:								
Decrease (Increase) in Accounts Receivable		-	219	3	13,171	-	-	13,393
Decrease (Increase) in Grant Receivable		-	12,000	-	-	-	-	12,000
Decrease (Increase) in Due From Other Funds		6,668	-	-	8,952	-	(74,152)	(58,532)
Increase (Decrease) in Due to City of Salamanca		2,252	-	-	-	-	-	2,252
Increase (Decrease) in Due to HUD		-	(2,894)	-	-	-	-	(2,894)
Increase (Decrease) in Accounts Payable		(490)	(2,600)	-	(935)	-	-	(4,025)
Increase (Decrease) in Accrued Liabilities		2,368	-	-	-	-	-	2,368
Increase (Decrease) in Due to Other Funds		-	(2,102)	-	60,633	-	-	58,531
Increase (Decrease) in Deferred Revenue		-	(76,144)	-	-	-	-	(76,144)
Net Cash Provided by (Used in) Operating Activities		<u>31,121</u>	<u>76,593</u>	<u>(102,394)</u>	<u>85,613</u>	<u>-</u>	<u>(73,960)</u>	<u>16,973</u>
Reconciliation of Unrestricted and Restricted Cash and Cash Equivalents:								
Cash and Cash Equivalents, Unrestricted		34,624	-	168,339	-	-	-	202,963
Cash and Cash Equivalents, Restricted		-	184,518	49,364	152,308	-	-	386,190
Total Unrestricted and Restricted Cash and Cash Equivalents	\$	<u>34,624</u>	<u>184,518</u>	<u>217,703</u>	<u>152,308</u>	<u>-</u>	<u>-</u>	<u>589,153</u>

See accompanying notes to the financial statements.

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015**

NOTE A - ORGANIZATION

The City of Salamanca Industrial Development Agency is a component unit of the City of Salamanca, based on management's evaluation in accordance with the criteria of Governmental Accounting Standards Board (GASB) Statement 39. This criteria includes the following:

1. Financial accountability
2. The appointment of a voting majority of the Agency's board of directors
3. Imposition of will
4. Financial benefit or burden on the primary government
5. Fiscal dependency

The City of Salamanca Industrial Development Agency was established in 1971 to promote the economic welfare and prosperity of the inhabitants of the City of Salamanca, and to develop economically sound commerce and industry. Its board is made up of from 3 to 7 members recommended for appointment by the mayor of the City of Salamanca.

The Agency has the power to acquire, hold and dispose of property as it sees fit, and property under its control is exempt from real property taxes. The Agency may also issue bonds for any legitimate corporate purpose on virtually any terms as limited by New York State Empire Development. Unless expressly provided otherwise, such bonds constitute special obligation bonds of the Agency, and are payable from project revenues. There were no bonds outstanding as of March 31, 2015.

The City of Salamanca Industrial Development Agency performs services pursuant to a subrecipient agreement with the City of Salamanca to administer the City of Salamanca's Main Street Community Development Block Grant Program, the Program Income Revolving Loan Fund, the Third Generation Urban Development Action Grant Program, the Section 8 Housing Choice Vouchers Program, the Community Development Fund and the Salamanca Area Development Corporation (a blended component unit). The Agency's reporting entity includes each of these programs.

The City of Salamanca Industrial Development Agency's principal sources of revenue are obtained from rental activities, grant proceeds, and revenues derived from the Agency's lending related activities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Financial Reporting Entity

The financial reporting entity consists of the following, as defined by Statement 39 of the Governmental Accounting Standards Board's Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14:

1. The primary government, which is the City of Salamanca Industrial Development Agency.

2. Programs for which the City of Salamanca Industrial Development Agency is financially accountable.
3. Other programs for which the nature and significance of their relationship with the City of Salamanca Industrial Development Agency are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the Agency's reporting entity is based on several criteria set forth in GASB 39, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Salamanca Area Development Corporation has been reported as a blended component unit within these financial statements.

Governmentwide Financial Statements

The governmentwide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City of Salamanca Industrial Development Agency as a whole. Individual funds are not displayed but the statements highlight business-type activities, generally financed in whole or in part with rental income charged to tenants, funds received from grantors, and other fees charged in the Agency's economic development activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include charges for services that report fees and other charges to users of the Agency's services. Program revenues also include operating grants and contributions that finance annual operating activities, including interest income earned by the Agency.

Fund Financial Statements

Fund financial statements are provided for the Agency's proprietary funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City of Salamanca Industrial Development Agency are prepared in accordance with generally accepted accounting principles (GAAP). The Agency's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The proprietary fund financial statements apply GASB Statement No. 62- Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

The governmentwide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity. Proprietary fund financial statements report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the funds. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue is presented as general revenue.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use unrestricted resources first, then restricted resources as needed.

Proprietary Funds

The City of Salamanca Industrial Development Agency reports the following major proprietary funds:

General Operating Fund - This fund includes the Agency's Rochester Street rental activities.

Program Income Revolving Loan Fund (RLF) - This fund includes the Agency's economic development and rehabilitation loan programs.

Section 8 Housing Choice Vouchers Program - This program provides rental assistance to low income families. The program provides a monthly rental subsidy that allows eligible participants to rent privately owned housing.

Third Generation Urban Development Action Grant Program (UDAG) - This program funds eligible activities in an effort to stimulate economic development in the City of Salamanca, New York.

Community Development Fund - This fund was created to assist the City of Salamanca with the replacement of its water reservoir.

Salamanca Area Development Corporation Fund (a blended component unit) - This fund was created upon the formation of the Salamanca Area Development Corporation (SADC) which is a not-for-profit local development corporation to assist the City of Salamanca Industrial Development Agency and City of Salamanca in the implementation of programs, projects, and activities designed to create or stimulate economic and community development programs in the City of Salamanca.

The operations of each major fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund net position, and revenue and expenses. The operations are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, and limitations.

Basis of Accounting

The financial statements of the City of Salamanca Industrial Development Agency have been prepared in conformity with generally accepted accounting principles (GAAP) that provide for proprietary fund accounting for industrial development agencies. Management must make estimates and assumptions that affect the reported amounts of 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 these estimates. These estimates and accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements. The following is a summary of the more significant accounting policies:

Cash Equivalents and Investments

The City of Salamanca Industrial Development Agency has its own written investment policy. The Agency is authorized to use demand accounts and certificates of deposit, as well as other permissible investments, which include obligations of the federal government, the State of New York, and revenue and tax anticipation notes authorized by the state comptroller. Certificates of deposit with maturities of less than 90 days are considered cash equivalents.

Cash includes demand deposits, savings accounts, and cash on hand.

Budgetary Basis of Accounting

Budgets are adopted by the City of Salamanca Industrial Development Agency board of directors. Budgetary data is not included in this report. The Agency does not encumber appropriations to the following year.

Due To/From Other Funds and Interfund Transfers

Due to/from other funds arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These amounts have been eliminated on the Statement of Net Position. Interfund revenue and expenses have also been eliminated under the provisions of GASB 34.

Unearned Revenue

Unearned revenue is recorded when grant funds received by the Agency are subsequently loaned out under a revolving loan fund program. Revenue is ultimately recognized upon repayment of the loan principal and interest.

Estimates

Management must make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The City of Salamanca Industrial Development Agency is exempt from federal and state income tax provisions.

Capital Assets

Capital assets are recorded at actual cost, or in the case of gifts and contributions, at the fair market value at the time received.

Property acquired with Program Income Revolving Loan funds is capitalized within the fund and not depreciated until rented to eligible program participants. The accumulated depreciation is increased by charges to unearned revenues.

Depreciation on the property and equipment has been recorded in accordance with generally accepted accounting principles. Depreciation is computed using the straight-line method over the estimated useful life of the related asset, ranging from 3 to 30 years, as follows:

	Estimated Useful Life	Capitalization Threshold
Building	30 years	\$500
Improvements	15 years	\$500
Furniture, Fixtures, and Equipment	3-7 years	\$500

Notes Receivable

Notes receivable are stated at principal balances, less the estimated portion that is expected to be uncollectible as of March 31, 2015.

The allowance for loan losses on notes receivable is increased by charges to deferred revenue. Management's periodic evaluation of the adequacy of the allowance is based on the aging of the notes receivable balances.

Retirement Benefits

Employees of the City of Salamanca Industrial Development Agency participate in the New York State Retirement System. The City of Salamanca administers the plan on behalf of its employees and those of related agencies. The City of Salamanca bills the Agency for its share of the pension costs.

The City of Salamanca offers a 457b deferred compensation plan to employees. The key full-time employee of the Salamanca IDA participates and makes contributions to the plan.

Net Position

Net position presents the difference between assets and liabilities in the Statement of Net Position. Net position invested in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on its use by Agency legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Explanation of Differences Between the Proprietary Fund Balances and the Statement of Net Position

Total assets and liabilities in the Agency's proprietary funds differ from the total assets and liabilities as reported on the Statement of Net Position. This difference results from the elimination of due to/due from balances.

Explanation of Differences Between Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Balances and the Statement of Activities

Total expense in the proprietary funds differs from total expenditures in the Statement of Activities. The difference is the allocation of depreciation among functional expense categories, and elimination of interfund revenues and expenses.

NOTE C - CASH

The Agency's policies regarding deposits of cash and investments are discussed in Note B. The table presented below is designed to disclose the level of custody credit risk assumed by the Agency based upon how its deposits were insured or secured with collateral at March 31, 2015. The categories of credit risk are defined as follows:

- Category 1 - Insured by FDIC or collateralized with securities held by the Agency or by its agent in the Agency's name.
- Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Agency's name.
- Category 3 - Uninsured and uncollateralized.

Type of Deposit	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Demand Deposits	\$ -	-	-	-	-
Savings and Time Deposits	592,124	250,000	342,124	-	589,103
Cash on Hand	-	-	-	-	50
Total Deposits	<u>\$ 592,124</u>	<u>250,000</u>	<u>342,124</u>	<u>-</u>	<u>589,153</u>

Reconciliation to the Statement of Net Position:

Unrestricted Cash	\$ 252,327
Restricted Cash	<u>336,826</u>
Total	<u>\$ 589,153</u>

The restricted cash comprises funds that are subject to limitations imposed by grantors.

NOTE D - ACCOUNTS RECEIVABLE

Receivables at March 31, 2015, included the following:

	General Operating Fund	Program Income RLF	Housing Choice Vouchers	Third Generation UDAG
Tenants	\$ 16,043	12,596	23,161	-
Allowance	-	-	(23,161)	-
Miscellaneous	200	6,602	-	6,484
Total	<u>\$ 16,243</u>	<u>19,198</u>	<u>-</u>	<u>6,484</u>

NOTE E - CAPITAL ASSETS

A summary of the Agency's capital assets for the General Operating Fund, the Program Income Revolving Loan Fund, the Section 8 Housing Choice Vouchers Program, the Urban Development Action Grant Program, and the Salamanca Area Development Corporation Fund is as follows:

Description	Balance at 4/1/14	Additions	Deletions and Other Adjustments	Balance at 3/31/15
<u>Nondepreciable</u>				
Land and Land Improvements	\$ 10,500	-	-	10,500
Construction in Progress	13,500	-	13,500	-
<u>Depreciable</u>				
Buildings and Leasehold Improvements	2,488,321	311,324	69,561	2,730,084
Machinery and Equipment	31,940	165	-	32,105
Totals	2,544,261	311,489	83,061	2,772,689
Less: Accumulated Depreciation	(1,544,624)	(89,872)	23,287	(1,611,209)
Net Land, Buildings, and Equipment	<u>\$ 999,637</u>	<u>221,617</u>	<u>59,774</u>	<u>1,161,480</u>

On the Statement of Activities (Exhibit B) a depreciation expense allocation of \$86,802 was made to the Home and Community Services function. The amount of \$3,070 was charged to deferred revenue through the Program Income Fund.

NOTE F - NOTES RECEIVABLE

As of March 31, 2015, the City of Salamanca Industrial Development Agency had notes receivable with varying interest rates and terms. Notes receivable at March 31, 2015, were as follows:

	Program Income	UDAG	SADC	Total
Notes Receivable	\$ 441,722	7,561	25,443	474,726
Less: Allowance for Doubtful Accounts	(2,590)	(5,827)	(446)	(8,863)
Total Notes Receivable, Net	439,132	1,734	24,997	465,863
Less: Noncurrent Notes Receivable, Net	(350,788)	-	-	(350,788)
Total Current Portion of Notes Receivable, Net	<u>\$ 88,344</u>	<u>1,734</u>	<u>24,997</u>	<u>115,075</u>

NOTE G - INVESTMENT IN DIRECT FINANCING LEASES

As of March 31, 2015, the City of Salamanca Industrial Development Agency was the lessor for one lease with an outstanding present value minimum lease payment of \$37,240 of which the current portion was \$4,153. The lease agreement has an implicit interest rate of 3.52 percent on a building requiring monthly installments of \$450. At any time during the term of the lease, the lessee has the option of acquiring the building by paying the Agency the present value of the lease.

The future value of minimum lease payments is \$42,747. The future minimum lease payments to be received for the next five years and for the subsequent years in five-year intervals are as follows:

	Principal	Interest
2016	\$ 4,153	1,247
2017	4,301	1,099
2018	4,455	945
2019	4,614	786
2020	4,779	621
2021-2023	14,938	809
	<u>\$ 37,240</u>	<u>5,507</u>

NOTE H - DUE FROM/TO OTHER FUNDS

As of March 31, 2015, amounts due from and to other funds were as follows:

	Due From	Due To
General Operating Fund	\$ 5,249	13,488
Program Income Revolving Loan Fund	35,684	23,650
Third Generation UDAG Fund	-	77,010
Community Development Fund	-	2,015
SADC Fund	75,230	-
	<u>\$ 116,163</u>	<u>116,163</u>

These balances were eliminated in accordance with the provisions of GASB Statement No. 34 for the Statement of Net Position.

NOTE I - DUE TO CITY OF SALAMANCA AND OTHER RELATED-PARTY TRANSACTIONS

Amounts Paid to the City of Salamanca

Expenses of \$10,259 were incurred by the City of Salamanca Industrial Development Agency for the year ended March 31, 2015 in connection with the City of Salamanca's services to the Agency relating to comptroller services, use of a copy machine, and monthly rental for office space.

The City of Salamanca Industrial Development Agency made payments in the amount of \$55,242 to the Salamanca Housing Authority, a related organization. These payments were for rental housing assistance under the Agency's Section 8 Housing Choice Voucher program.

Amounts Received from the City of Salamanca

Reimbursements totaling \$32,400 were received from the City of Salamanca during the fiscal year. The reimbursements in the UDAG fund amounted to \$31,222 for costs associated with the 18-20 Main Street property and the General Fund received \$1,178.

NOTE J - UNEARNED REVENUES

Pursuant to HUD regulations, revolving loans made from the revolving loan fund grant programs are recorded as unearned revenue when the respective note receivable is established. Revenue is recognized upon repayment of loan principal and interest. As of March 31, 2015, the Agency had unearned revenues of \$299,032 of which \$283,602 was the current portion and \$15,430 was the long term portion.

NOTE K - NOTES/MORTGAGE PAYABLE

The changes in the City of Salamanca Industrial Development Agency's long-term indebtedness during the year ended March 31, 2015, are summarized as follows:

	Balance 4/1/14	Additions	Reductions	Balance 3/31/15	Due Within One Year
<u>General Operating Fund</u>					
Urban Development & Apex Bank	\$ 167,074	-	44,324	122,750	37,625
<u>Program Income Fund</u>					
CCB Mortgage Payable	140,473	-	12,783	127,690	13,297
<u>UDAG Fund</u>					
CCB Mortgage Payable	114,958	-	114,958	-	-
Total	<u>\$ 422,505</u>	<u>-</u>	<u>172,065</u>	<u>250,440</u>	<u>50,922</u>

On April 29, 2014, the Agency paid in full the outstanding Cattaraugus County Bank mortgage on the 18-20 Main Street, Salamanca New York property.

A summary of the Agency's long-term debt at March 31, 2015, is as follows:

Urban Development & Apex Bank

Payments of \$3,224 are due on a monthly basis at an interest rate of 1.00%*. The maturity date of the loan is September 1, 2018. The loan is secured by real estate.

\$ 122,750

Cattaraugus County Bank (CCB)

Payments of \$1,519 are due on a monthly basis at an interest rate of 3.99%. The maturity date of the loan is May 2018. The loan is secured by real estate.

127,690

250,440

Less Current Portion

(50,922)

Total Long-Term Notes & Mortgage Payable

\$ 199,518

*Interest at below market rates on the note payable to the Urban Development Corporation is considered an element of the grant, and therefore, the face amount of the obligation is not discounted, nor is an effective rate of interest imputed. In the event of disposition of the property acquired with grant funds, the full face amount of the obligation may be repayable to the grantor.

Presented below is a summary of estimated long-term debt requirements for the next five years and for the subsequent years in five-year intervals.

	Principal	Interest
For the year ending March 31,		
2016	\$ 50,922	5,990
2017	51,861	5,051
2018	52,232	4,098
2019	95,425	606
Total	<u>\$ 250,440</u>	<u>15,745</u>

Interest expense on the above indebtedness was \$7,362 for the year ended March 31, 2015.

NOTE L - NET POSITION

The business-type activities of the City of Salamanca Industrial Development Agency utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents net position of the Agency not restricted for any project or other purpose.

NOTE M - ADMINISTRATIVE AND CONTRACTUAL EXPENSES

The following is a detail of administrative and contractual expenses:

	General Operating Fund	Program Income RLF	Housing Choice Vouchers	Third Gen UDAG	SADC	Total
Administrative	\$ -	-	479	2,638	-	3,117
Bad Debt Expense/(Recovery)	-	-	-	-	-	-
Comptroller Expense	-	578	1,157	-	-	1,735
Contractual	1,161	1,874	5,443	1,521	-	9,999
Insurance	5,820	3,300	-	-	-	9,120
Lease	6,521	1,796	-	2,189	-	10,506
Miscellaneous Expense	-	75	-	-	-	75
Office Expense	1,213	1,095	3,788	933	-	7,029
Printing and Advertising	67	100	-	-	-	167
Professional Fees and Consulting	3,026	5,297	4,080	1,275	-	13,678
Rent	722	541	1,530	902	-	3,695
Repairs and Maintenance	13,447	56	8,718	-	-	22,221
Subscriptions & Publications	-	-	395	-	-	395
Telephone Expense	516	744	-	-	-	1,260
Travel	-	-	-	-	-	-
Utilities	435	649	-	3,947	-	5,031
	<u>\$ 32,928</u>	<u>16,105</u>	<u>25,590</u>	<u>13,405</u>	<u>-</u>	<u>88,028</u>

NOTE N - OPERATING LEASES

The City of Salamanca Industrial Development Agency, as lessee, renewed land leases with the Seneca Nation of Indians in 1991 for a term of forty years with a forty-year renewal clause. For the year ended March 31, 2015, the Agency paid \$10,506 for these leases, which were recorded as expenditures in the General Operating, Program Income, and Third Generation UDAG Funds. The Agency is obligated to make future minimum lease rental payments of approximately \$8,600 per year over the remaining 18 years of the lease, based on the properties owned at March 31, 2015.

During the year ended March 31, 2015, the Agency owned four cancellable leases and one noncancellable operating lease on properties for which it was the lessor. These properties are accounted for in the Agency's General Operating Fund. The net book value of all properties available for lease totals \$325,561, comprising \$1,762,270 of original costs less accumulated depreciation of \$1,436,709. The lease agreements require monthly installments or annual payments varying in amount from \$400 to \$2,891. On the termination of the lease agreement, the tenant would surrender the property to the Agency. Total rental payments received for the fiscal year were \$69,289.

NOTE O - RETIREMENT BENEFITS

The City of Salamanca Industrial Development Agency participates in the New York State and Local Employees' Retirement System. This system is a cost-sharing multiple employer, public employee retirement system. The system offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability. All full-time employees of the Agency are covered by the pension plan.

a. Plan Description

Employees' Retirement System

The Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. As set forth in the New York State Retirement and Social Security Law, the comptroller of the state of New York serves as sole trustee and administrative head of the system. The comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the system and for the custody and control of its funds. The Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

b. Funding Policies

The system is noncontributory, except for employees who joined the system after July 27, 1976, who contribute 3 percent of their salary. Employees in the system more than ten years are no longer required to contribute. Under the authority of the New York State Retirement and Social Security Law, the comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Agency is required to contribute at an actuarially determined rate. The Agency's required contribution for the current year was \$2, which the Agency paid in full. During the fiscal years ended March 31, 2014 and 2013, the Agency's contributions were \$13,194 and \$34,918, respectively. Each of these payments represents 100 percent of the required contribution.

NOTE P - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

The Agency reimburses the City of Salamanca for on-behalf payments for fringe benefits and salaries to employees and taxing entities. The total amount recognized was \$72,226.

NOTE Q - NEW ACCOUNTING STANDARDS

The Agency has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At March 31, 2015, the Agency implemented the following new standards issued by GASB:

GASB Statement No. 67 – "Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25" replaces existing standards for financial reporting and note disclosure for most pension plans that are administered through trusts or equivalent arrangements. The statement specifies the required approach for measuring the pension liability of all employers and non-employer contributing entities participating in a pension plan and details required note disclosures for financial reporting. The requirements of this statement are effective for periods beginning after June 15, 2013.

NOTE R - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 68 – "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27" replaces existing standards of accounting and financial reporting for pension plans that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources and deferred inflows of resources, and expense/expenditures. The requirements of this statement are effective for periods beginning after June 15, 2014.

GASB Statement No. 69 – "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70 – "Accounting and Financial Reporting for Nonexchange Financial Guarantees" have both been issued effective for the year ending June 30, 2015.

The Agency will evaluate the impact each may have on its financial statements and will implement them as applicable and when material.

NOTE S - SALAMANCA AREA DEVELOPMENT CORPORATION (SADC)

In 2010, the City of Salamanca Industrial Development Agency formed the Salamanca Area Development Corporation (SADC) as a not-for-profit local development corporation to assist the City of Salamanca Industrial Development Agency and City of Salamanca in the implementation of programs, projects, and activities designed to create or stimulate economic and community development programs in the City of Salamanca. In some circumstances the SADC will administer grant projects, when the municipality or Salamanca Industrial Development Agency is unable to do so as a unit of local government. The SADC purchased 18-20 Main Street (the former O'Laughlin Pontiac building) for redevelopment for several reasons. First, the building's footprint is approximately 8,000 sq. ft. per floor, and it was felt that it was important to the overall Main Street revitalization efforts to control such a substantial building at a key location along the corridor. Second, the parcel itself is also quite substantial, and includes an area at the rear of the building (near the existing City of Salamanca parking lot) as well as a 1 acre lot on the North side of East Race Street that is included in the Downtown Parking Plan. Third, the SIDA sees the opportunity to reuse the building for multiple reasons, including upper floor housing, the creation of a senior center at the rear of the complex, and for street level commercial occupancy. This concept is the subject of a 2010 CDBG application to the NYS Office of Community Renewal. To date, the Salamanca Area Senior Center occupies approximately one third of the main floor.

Because of the nature of the activity conducted by the Salamanca Area Development Corporation, it has been determined to be a component unit of the Salamanca Industrial Development Agency, and is required to be reported within these financial statements. The State of New York has requested that it be reported as a separate major fund for the year ended March 31, 2015.

NOTE T - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 17, 2015, the date on which the financial statements were available to be issued.

SUPPLEMENTAL FINANCIAL INFORMATION

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF LEASES
FOR THE YEAR ENDED MARCH 31, 2015**

Name of Project:	Great Wall, Inc.
Project Owner and Address:	Great Wall, Inc. 83 Main Street Salamanca, New York 14779
Year of Origination:	1998
Purpose:	Retail Restaurant
Estimated Project Amount:	\$100,000
Amount of Tax Exemption:	N/A
Estimated Jobs:	
New	0
Retained	2

The accompanying independent auditors' report should be read in conjunction with these financial statements.

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF PAYMENTS IN LIEU OF TAXES
FOR THE YEAR ENDED MARCH 31, 2015**

Name of Project:	Great Wall, Inc.
Project Owner and Address:	Great Wall, Inc. 83 Main Street Salamanca, New York 14779
Purpose:	Retail Restaurant
Amount of PILOT	\$2,400
Estimated Jobs:	
New	0
Retained	2

The accompanying independent auditors' report should be read in conjunction with these financial statements.

CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF BONDS
FOR THE YEAR ENDED MARCH 31, 2015

Project Name	Project No.	Issue Date	Interest Rate	Maturity Date	Balance at 4/1/12	Issued During Fiscal Year	Paid During Fiscal Year	Balance at 3/31/13
None Issued								

The accompanying independent auditors' report should be read in conjunction with these financial statements.

City of Salamanca (NY403)
Salamanca, NY
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$168,339	\$168,339		\$168,339
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted	\$49,364	\$49,364		\$49,364
114 Cash - Tenant Security Deposits				
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$217,703	\$217,703	\$0	\$217,703
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects	\$0	\$0		\$0
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants				
126.1 Allowance for Doubtful Accounts -Tenants				
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current				
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$0	\$0
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets				
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$217,703	\$217,703	\$0	\$217,703
161 Land				
162 Buildings				
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration	\$23,224	\$23,224		\$23,224
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$23,116	-\$23,116		-\$23,116
167 Construction In Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$108	\$108	\$0	\$108
171 Notes, Loans and Mortgages Receivable - Non-Current				
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$108	\$108	\$0	\$108
200 Deferred Outflow of Resources				
290 Total Assets and Deferred Outflow of Resources	\$217,811	\$217,811	\$0	\$217,811
311 Bank Overdraft				
312 Accounts Payable <= 90 Days				
313 Accounts Payable >90 Days Past Due				

321	Accrued Wage/Payroll Taxes Payable				
322	Accrued Compensated Absences - Current Portion				
324	Accrued Contingency Liability				
325	Accrued Interest Payable				
331	Accounts Payable - HUD PHA Programs	\$0	\$0		\$0
332	Account Payable - PHA Projects				
333	Accounts Payable - Other Government				
341	Tenant Security Deposits				
342	Unearned Revenue				
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344	Current Portion of Long-term Debt - Operating Borrowings				
345	Other Current Liabilities	\$0	\$0		\$0
346	Accrued Liabilities - Other				
347	Inter Program - Due To				
348	Loan Liability - Current				
310	Total Current Liabilities	\$0	\$0	\$0	\$0
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				
352	Long-term Debt, Net of Current - Operating Borrowings				
353	Non-current Liabilities - Other				
354	Accrued Compensated Absences - Non Current				
355	Loan Liability - Non Current				
356	FASB 5 Liabilities				
357	Accrued Pension and OPEB Liabilities				
350	Total Non-Current Liabilities	\$0	\$0	\$0	\$0
300	Total Liabilities	\$0	\$0	\$0	\$0
400	Deferred Inflow of Resources				
508.4	Net Investment in Capital Assets	\$108	\$108		\$108
511.4	Restricted Net Position	\$49,364	\$49,364		\$49,364
512.4	Unrestricted Net Position	\$168,339	\$168,339		\$168,339
513	Total Equity - Net Assets / Position	\$217,811	\$217,811	\$0	\$217,811
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$217,811	\$217,811	\$0	\$217,811

City of Salamanca (NY403)
Salamanca, NY
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2015

	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue				
70400 Tenant Revenue - Other				
70500 Total Tenant Revenue	\$0	\$0		\$0
70600 HUD PHA Operating Grants	\$425,938	\$425,938		\$425,938
70610 Capital Grants				
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants				
71100 Investment Income - Unrestricted	\$81	\$81		\$81
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery	\$6,633	\$6,633		\$6,633
71500 Other Revenue	\$45,281	\$45,281		\$45,281
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted				
70000 Total Revenue	\$477,933	\$477,933		\$477,933
91100 Administrative Salaries	\$38,568	\$38,568		\$38,568
91200 Auditing Fees	\$4,080	\$4,080		\$4,080
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$3,972	\$3,972		\$3,972
91600 Office Expenses	\$19,979	\$19,979		\$19,979
91700 Legal Expense				
91800 Travel				
91810 Allocated Overhead				
91900 Other				
91000 Total Operating - Administrative	\$66,599	\$66,599		\$66,599
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other				
92500 Total Tenant Services	\$0	\$0		\$0
93100 Water				
93200 Electricity				
93300 Gas				
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$0	\$0		\$0

94100 Ordinary Maintenance and Operations - Labor				
94200 Ordinary Maintenance and Operations - Materials and Other				
94300 Ordinary Maintenance and Operations Contracts				
94500 Employee Benefit Contributions - Ordinary Maintenance				
94000 Total Maintenance	\$0	\$0		\$0
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs				
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$0		\$0
96110 Property Insurance				
96120 Liability Insurance				
96130 Workmen's Compensation				
96140 All Other Insurance				
96100 Total Insurance Premiums	\$0	\$0		\$0
96200 Other General Expenses				
96210 Compensated Absences				
96300 Payments in Lieu of Taxes				
96400 Bad debt - Tenant Rents				
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$0	\$0		\$0
96710 Interest of Mortgage (or Bonds) Payable				
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$0		\$0
96900 Total Operating Expenses	\$66,599	\$66,599		\$66,599
97000 Excess of Operating Revenue over Operating Expenses	\$411,334	\$411,334		\$411,334
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments	\$473,857	\$473,857		\$473,857
97350 HAP Portability-In	\$38,262	\$38,262		\$38,262
97400 Depreciation Expense	\$57	\$57		\$57
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense	\$1,531	\$1,531		\$1,531
90000 Total Expenses	\$580,306	\$580,306		\$580,306
10010 Operating Transfer In				
10020 Operating transfer Out				
10030 Operating Transfers from/to Primary Government				
10040 Operating Transfers from/to Component Unit				
10050 Proceeds from Notes, Loans and Bonds				
10060 Proceeds from Property Sales				
10070 Extraordinary Items, Net Gain/Loss				
10080 Special Items (Net Gain/Loss)				
10091 Inter Project Excess Cash Transfer In				
10092 Inter Project Excess Cash Transfer Out				
10093 Transfers between Program and Project - In				
10094 Transfers between Project and Program - Out				
10100 Total Other financing Sources (Uses)	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$102,373	-\$102,373		-\$102,373

11020 Required Annual Debt Principal Payments	\$0	\$0		\$0
11030 Beginning Equity	\$320,184	\$320,184		\$320,184
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors				
11050 Changes in Compensated Absence Balance				
11060 Changes in Contingent Liability Balance				
11070 Changes in Unrecognized Pension Transition Liability				
11080 Changes in Special Term/Severance Benefits Liability				
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100 Changes in Allowance for Doubtful Accounts - Other				
11170 Administrative Fee Equity	\$168,447	\$168,447		\$168,447
11180 Housing Assistance Payments Equity	\$49,364	\$49,364		\$49,364
11190 Unit Months Available	2088	2088		2088
11210 Number of Unit Months Leased	1766	1766		1766
11270 Excess Cash				
11610 Land Purchases				
11620 Building Purchases				
11630 Furniture & Equipment - Dwelling Purchases				
11640 Furniture & Equipment - Administrative Purchases				
11650 Leasehold Improvements Purchases				
11660 Infrastructure Purchases				
13510 CFFP Debt Service Payments				
13901 Replacement Housing Factor Funds				

THIS PAGE INTENTIONALLY LEFT BLANK

INTERNAL CONTROL AND COMPLIANCE

R.A. MERCER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

63 SO. MAIN STREET
CATTARAUGUS, NY 14719
(716) 257-9511

RAYMOND A. MERCER, CPA 1931-1983

ROBERT W. IRWIN, CPA

CATHIE J. BRIDGES, CPA
KENNETH FRANK, CPA
ROGER J. LIS, JR., CPA
JULIE L. JAGODA - BOOTH, CPA
DENISE D. VELOSKI, CPA
KATHRYN A. LARRACUENTE, CPA

Fax (716) 257-9513
www.ramercercpa.com

INDEPENDENT AUDITORS' 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
City of Salamanca Industrial Development Agency
Salamanca, New York 14779

We have audited, in accordance with the 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, the financial statements of the business-type activities and each major fund of the City of Salamanca Industrial Development Agency, as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Salamanca Industrial Development Agency's basic financial statements and have issued our report thereon dated July 17, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Salamanca Industrial Development Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 City of Salamanca Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Salamanca Industrial Development Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (item 2013-1) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Salamanca Industrial Development Agency's financial statements are free from 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*.

City of Salamanca Industrial Development Agency's Response to Findings

The City of Salamanca Industrial Development Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Salamanca Industrial Development Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cattaraugus, New York
July 17, 2015

R.A. MERCER & CO., P.C.
R.A. Mercer & Co., P.C.

R.A. MERCER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

63 SO. MAIN STREET
CATTARAUGUS, NY 14719
(716) 257-9511

RAYMOND A. MERCER, CPA 1931-1983

ROBERT W. IRWIN, CPA

CATHIE J. BRIDGES, CPA
KENNETH FRANK, CPA
ROGER J. LIS, JR., CPA
JULIE L. JAGODA - BOOTH, CPA
DENISE D. VELOSKI, CPA
KATHRYN A. LARRACUENTE, CPA

Fax (716) 257-9513
www.ramercercpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
City of Salamanca Industrial Development Agency
Salamanca, New York 14779

Report on Compliance for Each Major Federal Program

We have audited the City of Salamanca Industrial Development Agency's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Salamanca Industrial Development Agency's major federal program for the year ended March 31, 2015. The City of Salamanca Industrial Development Agency's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City of Salamanca Industrial Development Agency's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Salamanca Industrial Development Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Salamanca Industrial Development Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Salamanca Industrial Development Agency, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2015.

Report on Internal Control Over Compliance

Management of the City of Salamanca Industrial Development Agency, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Salamanca Industrial Development Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Salamanca Industrial Development Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cattaraugus, New York
July 17, 2015

R.A. MERCER & CO., P.C.
RAMercer & Co, P.C.

THIS PAGE INTENTIONALLY LEFT BLANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2015**

<u>Federal Grantor/ Program Title</u>	<u>CFDA No.</u>	<u>Grant ID No.</u>	<u>Expenditures/ Disbursements</u>
<u>Department of Housing and Urban Development</u>			
Passthrough: City of Salamanca			
Section 8 Program:			
Housing Choice Vouchers*	14.871	NY-403	\$ <u>580,249</u>
Total Federal Expenditures			\$ <u><u>580,249</u></u>

*Major Program

The accompanying independent auditors' report should be read in conjunction with this financial statement.

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The accompanying schedule of expenditures of federal awards includes federal grant activity of the City of Salamanca Industrial Development Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. The accounts presented in this schedule do not differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Fund Accounting

In order to account for the grant funds, each grant program is maintained in a separate self-balancing general ledger which comprise the assets, liabilities, revenues, and expenditures.

Pursuant to grantor regulations, program income of a grant is also recorded in these individual ledgers or a separate ledger designed so that the income is expended in connection with the program for which it relates.

3. Budgets

Each program has a budget approved by the grantor for the grant period. These budgets are maintained for each grant program for management control.

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2015**

I. SUMMARY OF AUDIT RESULTS

- a. The auditors' report expresses an unmodified opinion on the financial statements of the City of Salamanca Industrial Development Agency.
- b. One material weakness was disclosed during the audit of the financial statements as reported in the Independent Auditors' 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*.
- c. No instances of noncompliance material to the financial statements of the City of Salamanca Industrial Development Agency were disclosed in the audit.
- d. No control deficiencies were disclosed during the audit of the major federal award programs as reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
- e. The auditors' report on compliance for the major federal award programs for the City of Salamanca Industrial Development Agency expresses an unmodified opinion.
- f. There were no audit findings relative to the major federal award program for the City of Salamanca Industrial Development Agency.
- g. The program tested as a major program was the Section 8 Housing Choice Voucher Program (CFDA #14.871).
- h. The threshold for distinguishing between Types A and B programs was \$300,000.
- i. The City of Salamanca Industrial Development Agency does not qualify as a low-risk auditee.

II. FINDINGS - FINANCIAL STATEMENTS AUDIT

Internal Control Over Financial Reporting

2013-1 – Adjusting Journal Entries and Required Disclosures to the Financial Statements

Condition and Criteria: During the current year, significant adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the Agency to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments included adjusting unearned revenues, notes receivable, grants receivable, reclassifying income being netted with expenses, and payroll related items. In addition, the draft of the financial statements was prepared by the auditors and accepted by the Agency.

Effect: The American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards Number 115, entitled Communicating Internal Control Related Matters in an Audit. This standard considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

Auditors' Recommendation: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the Agency should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft of the financial statements.

Agency's Response: The Agency will continue to review and accept both proposed and adjusting journal entries, footnote disclosures and financial statements per the audit. The appropriate adjusting journal entries will be entered in a timely manner. The Salamanca IDA's accounting policies have been strictly reviewed and the appropriate action will be taken on a monthly basis.

III. FINDINGS AND QUESTIONED COSTS- FEDERAL AWARDS

There were no findings for the year ended March 31, 2015.

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
STATUS OF PRIOR-YEAR FINDINGS AND RECOMMENDATIONS**

Findings reported for the year ended March 31, 2014 were as follows:

Internal Control Over Financial Reporting

2013-1 – Adjusting Journal Entries and Required Disclosures to the Financial Statements

Condition and Criteria: During the current year, significant adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the Agency to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments included adjusting unearned revenues, notes receivable, grants receivable, reclassifying income being netted with expenses, and payroll related items. In addition, the draft of the financial statements was prepared by the auditors and accepted by the Agency.

Effect: The American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards Number 115, entitled Communicating Internal Control Related Matters in an Audit. This standard considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

Auditors' Recommendation: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the Agency should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft of the financial statements.

Agency's Response: The Administrative staff of the Salamanca IDA changed significantly during the year. The Agency will continue to review and accept both proposed and adjusting journal entries, footnote disclosures and financial statements per the audit. The appropriate adjusting journal entries will be entered in a timely manner. The Salamanca IDA's accounting policies have been strictly reviewed and the appropriate action will be taken on a monthly basis.

Status: – This finding has been repeated for the year ended March 31, 2015.

2013-2 – Segregation of Duties

Condition and Criteria: Many critical duties of the Agency are combined and performed by the only employee. The employee responsible for the handling and depositing of cash receipts and processing invoices for payment also reconciles bank accounts, posts to the cash receipts journal, and maintains the accounts receivable subsidiary ledger. These duties should be segregated to maintain the best control system possible.

Effect: The lack of segregation of duties in an Agency results in a deficiency in the internal control system.

Auditors' Recommendation: The Agency should consider hiring an individual in the daily financial operations of the Agency in order to allow for segregation of duties to strengthen the internal control system.

Agency's Response: The Agency has hired an additional employee. This additional staff will assist with the segregation of duties within the Salamanca IDA. We understand that the segregation of duties will strengthen the internal control of our system.

Status: – This finding has been cleared for the year ended March 31, 2015.

THIS PAGE INTENTIONALLY LEFT BLANK