

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED MARCH 31, 2013

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
FOR THE YEAR ENDED MARCH 31, 2013**

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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, 2013, 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.

Auditor's 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 auditor's 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, 2013, 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 December 5, 2013, 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
January 31, 2014

R.A. MERCER & CO., P.C.
RA 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, 2013. 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 \$1,798,836 for the fiscal year ended March 31, 2013. This compares to the previous year when assets exceeded liabilities by \$1,882,160.

Total net position comprise the following:

1. Capital assets, net of related debt, of \$577,485 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 \$835,775 is restricted by constraints imposed from outside the Agency, such as grantor requirements, laws, and regulations.
3. Unrestricted net position of \$385,576 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 \$322,107 to \$992,869 during the fiscal year.

Revenues for the year ended March 31, 2013, totaled \$1,013,072, of which \$359,802 was from charges for services, \$652,875 from operating grants, and \$395 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, 2013, was \$1,798,836 which represents a decrease of \$83,324 from the prior year. The following table provides a summary of the Agency's net position.

	2013	2012	Amount of Change
Assets:			
Current and Other Assets	\$ 1,730,114	2,052,962	(322,848)
Capital Assets, Net	1,061,591	1,146,174	(84,583)
Total Assets	2,791,705	3,199,136	(407,431)
Liabilities:			
Long-Term Liabilities	841,704	1,141,341	(299,637)
Other Liabilities	151,165	175,635	(24,470)
Total Liabilities	992,869	1,316,976	(324,107)
Net Position:			
Invested in Capital Assets, Net of Related Debt	577,485	614,252	(36,767)
Restricted	835,775	903,638	(67,863)
Unrestricted*	385,576	364,270	21,306
Total Net Position	\$ 1,798,836	1,882,160	(83,324)

* - Restated

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

	Business-Type Activities			
	2013	% of Totals	2012	% of Totals
Revenue:				
Charges for Services	\$ 359,802	35.5	358,434	37.9
Operating Grants	652,875	64.5	586,120	62.1
Total Revenue	1,012,677	100.0	944,554	100.0
Expenses:				
Administrative and Contractual Expenses	367,296	30.5	90,614	8.3
Personnel Services	155,931	12.9	198,909	18.3
Housing Assistance Payments	555,797	46.2	526,543	48.5
Home and Community Services	102,805	8.5	246,436	22.7
Interest Expense	22,309	1.9	23,880	2.2
Total Expense	1,204,138	100.0	1,086,382	100.0
Change in Net Position Before General Revenue	(191,461)		(141,828)	
General Revenue:				
Interest Earned on Investments	395		702	
Total General Revenue	395		702	
Interfund Transfers, Net	-		-	
Restatement	-		107,742	
Change in Net Position	\$ (191,066)		(33,384)	

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 Operations 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, 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, 2013, was \$1,061,591. This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The total decrease in the Agency's investment in capital assets for the current year of \$84,583 was due to the combination of the capitalization of building improvements and annual depreciation.

	<u>2013</u>	<u>2012</u>
<u>Nondepreciable:</u>		
Land and Land Improvements	\$ 10,500	10,500
<u>Depreciable:</u>		
Buildings and Leasehold Improvements	2,477,777	2,477,777
Machinery and Equipment	33,655	33,655
Accumulated Depreciation	<u>(1,460,341)</u>	<u>(1,375,758)</u>
Total	<u>\$ 1,061,591</u>	<u>1,146,174</u>

Long-Term Debt

At the end of the year, the Agency had debt outstanding of \$484,106, which included two notes payable to the Urban Development Corporation and the Apex Bank for a total amount of \$206,918, and two mortgage payables to Cattaraugus County Bank (CCB) for a total amount of \$277,188.

Notes & Mortgage Payable:

	<u>2013</u>	<u>2012</u>
Due After One Year	\$ 425,906	481,059
Due Within One Year	58,200	50,863
Total	<u>\$ 484,106</u>	<u>531,922</u>

Economic Factors and Next Year's Budgets and Rates

The purpose of the City of Salamanca Industrial Development Agency is to promote, develop, encourage, and assist in the industrial manufacturing, warehousing, commercial, research, and recreational facilities of the City of Salamanca. In addition, it is the Agency's objective to advance the job opportunities, health, general prosperity, and economic welfare of the citizens of the City of Salamanca and to improve their recreational opportunities, their prosperity, and their standard of living.

In the upcoming year, the Agency will continue to seek tenants for its real estate located at 115 - 117½ Main Street in the City of Salamanca. In addition to other property acquisition plans, the Agency will focus on blight removal in the City of Salamanca. It is anticipated that the City of Salamanca Industrial Development Agency's plans for continued growth and activity will be assisted by the use of State of New York aid, generated by local casino revenues. The Agency will also focus on sustaining and developing the Rochester Street Industrial Park.

The Agency's total expense budget for the fiscal year ending March 31, 2014, is \$808,150, which consists of \$488,556 in budgeted expenses in the Section 8 Housing Choice Vouchers Program and \$319,594 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 Agency at 225 Wildwood Avenue, Salamanca, NY 14779.

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FINANCIAL STATEMENTS

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
AS OF MARCH 31, 2013**

		Primary Government Business-Type Activities
ASSETS		
Unrestricted Cash and Cash Equivalents	\$	261,901
Restricted Cash and Cash Equivalents		888,073
Accounts Receivable, Net		47,479
Direct Financing Leases		3,871
Notes Receivable, Net		159,610
Noncurrent Assets		
Grant Receivable		24,000
Prepaid Utility Deposit		3,060
Direct Financing Leases		41,421
Notes Receivable, Net		300,699
Capital Assets		
Land		10,500
Buildings and Improvements		2,477,777
Equipment		33,655
Less: Accumulated Depreciation		(1,460,341)
Total Assets		2,791,705
LIABILITIES		
Accounts Payable		5,718
Equipment Lease Payable		574
Due to HUD		19,097
Due to City of Salamanca		
Due to Other Governments		2,400
Long-Term Liabilities		
Due and Payable Within One Year		
Deferred Revenue		65,176
Mortgage Payable		18,337
Notes Payable		39,863
Due and Payable After One Year		
Deferred Revenue		415,798
Mortgage Payable		258,851
Notes Payable		167,055
Total Liabilities		992,869
NET POSITION		
Invested in Capital Assets, Net of Related Debt		577,485
Restricted		835,775
Unrestricted		385,576
Total Net Position	\$	1,798,836

See accompanying notes to the financial statements.

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2013**

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
Business-Type Activities:				
Administrative and Contractual	\$ 367,296	45,118	31,492	(290,687)
Personnel Services	155,931	93,965	65,586	3,620
Housing Assistance Payments	555,797	-	555,797	-
Home and Community Services	102,805	203,101	-	100,296
Interest Expense	22,309	17,618	-	(4,691)
Total Business-Type Activities	1,204,138	359,802	652,875	(191,462)
Total Primary Government	1,204,138	359,802	652,875	(191,461)
General Revenue:				
Interest Income				395
Total General Revenue				395
Interfund Transfers:				
Transfer In				-
Transfer Out				-
Interfund Transfers, Net				-
Change in Net Position				(191,066)
Net Position - Beginning of the Year				1,882,160
Restatement				107,742
Net Position - End of the Year				\$ 1,798,836

See accompanying notes to the financial statements.

CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION- PROPRIETARY FUNDS
AS OF MARCH 31, 2013

	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	\$ 71,594	-	163,952	-	-	26,355	261,901
Restricted Cash and Cash Equivalents	-	571,995	115,868	200,210	-	-	888,073
Accounts Receivable, Net	14,291	16,519	16,431	238	-	-	47,479
Due From Other Funds	24,353	18,844	-	-	-	1,078	44,275
Current Portion of Direct Financing Leases	3,871	-	-	-	-	-	3,871
Current Portion of Notes Receivable	-	125,494	-	12,762	-	21,354	159,610
Total Current Assets	114,109	732,852	296,251	213,210	-	48,787	1,405,209
Other Assets							
Grant Receivable	-	24,000	-	-	-	-	24,000
Prepaid Utility Deposit	3,060	-	-	-	-	-	3,060
Direct Financing Leases, Net of Current Portion	41,421	-	-	-	-	-	41,421
Notes Receivable, Net of Current Portion	-	252,148	-	-	-	48,551	300,699
Total Other Assets	44,481	276,148	-	-	-	48,551	369,180
Capital Assets							
Land	500	-	-	10,000	-	-	10,500
Buildings and Improvements	1,748,989	406,199	-	119,949	-	202,660	2,477,777
Equipment	10,596	-	23,059	-	-	-	33,655
Less: Accumulated Depreciation	(1,329,079)	(50,091)	(23,003)	(31,185)	-	(26,983)	(1,460,341)
Total Capital Assets	430,988	356,108	56	98,764	-	175,677	1,061,591
Total Assets	589,576	1,365,108	296,307	311,974	-	273,015	2,835,980
LIABILITIES AND NET ASSETS							
Current Liabilities							
Accounts Payable	178	2,600	-	2,740	-	200	5,718
Equipment Lease Payable	574	-	-	-	-	-	574
Due to Other Funds	13,488	23,650	-	5,122	2,015	-	44,275
Due to HUD	-	2,647	16,450	-	-	-	19,097
Due to Other Governments	2,400	-	-	-	-	-	2,400
Deferred Revenue, Current Portion	-	65,176	-	-	-	-	65,176
Mortgage Payable, Current Portion	-	10,546	-	7,791	-	-	18,337
Notes Payable, Current Portion	39,863	-	-	-	-	-	39,863
Total Current Liabilities	56,503	104,619	16,450	15,653	2,015	200	195,440
Noncurrent Liabilities							
Deferred Revenue, Net of Current Portion	15,430	400,368	-	-	-	-	415,798
Mortgage Payable, Net of Current Portion	-	141,433	-	117,418	-	-	258,851
Notes Payable, Net of Current Portion	167,055	-	-	-	-	-	167,055
Total Noncurrent Liabilities	182,485	541,801	-	117,418	-	-	841,704
Total Liabilities	238,988	646,420	16,450	133,071	2,015	200	1,037,144
Net Position							
Invested in Capital Assets, Net of Related Debt	224,068	204,129	56	(26,445)	-	175,677	577,485
Restricted	-	514,559	115,868	205,348	-	-	835,775
Unrestricted (Deficit)	126,520	-	163,933	-	(2,015)	97,138	385,576
Total Net Position	\$ 350,588	718,688	279,857	178,903	(2,015)	272,815	1,798,836

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, 2013**

	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	-	160,771	-	-	-	-	160,771
Interest on Mortgages and Leases	1,690	35,999	-	734	-	3,907	42,330
Rental of Real Property	57,330	48,549	-	16,440	-	-	122,319
Federal Grant Revenue	-	-	652,011	-	-	-	652,011
Other Grant Revenue	-	-	864	-	-	-	864
Other Revenue	1,553	8	-	31,222	-	1,599	34,382
Total Operating Revenue	<u>60,573</u>	<u>245,327</u>	<u>652,875</u>	<u>48,396</u>	<u>-</u>	<u>5,506</u>	<u>1,012,677</u>
Operating Expenses							
Administrative and Contractual	32,461	289,637	19,033	28,035	8	122	367,296
Personnel Services	35,117	-	43,167	28,106	-	-	106,390
Employee Benefits	16,995	-	14,340	18,206	-	-	49,541
Housing Assistance Payments	-	-	555,797	-	-	-	555,797
Home and Community Services	1,001	18,490	-	3,802	-	-	21,293
Depreciation Expense	58,794	11,701	264	3,998	-	6,755	81,512
Total Operating Expense	<u>144,368</u>	<u>317,828</u>	<u>632,601</u>	<u>80,147</u>	<u>8</u>	<u>6,877</u>	<u>1,181,829</u>
Operating Income (Loss)	<u>(83,795)</u>	<u>(72,501)</u>	<u>20,274</u>	<u>(31,751)</u>	<u>(8)</u>	<u>(1,371)</u>	<u>(189,152)</u>
Nonoperating Revenues (Expenses)							
Interest Earned on Investments	43	4	210	136	-	-	395
Interest Expense	(2,062)	(11,075)	-	(9,172)	-	-	(22,309)
Transfer In	-	-	-	-	-	-	-
Transfer Out	-	-	-	-	-	-	-
Net Nonoperating Revenue (Expense)	<u>(2,019)</u>	<u>(11,071)</u>	<u>210</u>	<u>(9,034)</u>	<u>-</u>	<u>-</u>	<u>(21,914)</u>
Change in Net Position	<u>(85,814)</u>	<u>(83,572)</u>	<u>20,484</u>	<u>(40,785)</u>	<u>(8)</u>	<u>(1,371)</u>	<u>(191,066)</u>
Net Position - Beginning of the Year	328,660	802,260	259,373	219,688	(2,007)	274,186	1,882,160
Restatement	107,742	-	-	-	-	-	107,742
Net Position - End of the Year	<u>\$ 350,588</u>	<u>718,688</u>	<u>279,857</u>	<u>178,903</u>	<u>(2,015)</u>	<u>272,815</u>	<u>1,798,836</u>

See accompanying notes to the financial statements.

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2013
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	\$ 87,167	48,560	-	16,202	-	-	151,929
Receipts From Customers	1,690	42,420	-	-	-	-	44,110
Payments to Employees	(52,112)	-	(57,507)	(46,312)	-	-	(155,931)
Payments to Suppliers	(21,529)	(307,639)	(571,450)	(32,890)	(8)	(1,723)	(935,239)
Receipts From Other Governments	-	-	647,997	-	-	-	647,997
Payments to Other Governments	2,400	542	-	-	-	-	2,942
Other Receipts	(11,935)	8	-	31,956	-	5,506	25,535
Net Cash Provided by (Used in) Operating Activities	5,681	(216,109)	19,040	(31,044)	(8)	3,783	(218,657)
Cash Flows From Capital and Related Financing Activities:							
Acquisition and Modernization of Capital Assets	-	3,070	-	-	-	-	3,070
Principal Payments on Long-Term Debt	(33,397)	(7,155)	-	(7,264)	-	-	(47,816)
Principal Payments on Equipment Lease	(225)	-	(250)	-	-	-	(475)
Interest Paid	(2,062)	(11,075)	-	(9,172)	-	-	(22,309)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(35,684)	(15,160)	(250)	(16,436)	-	-	(67,530)
Cash Flows From Investing Activities:							
Proceeds From Notes and Leases Receivable	5,856	163,281	-	4,042	-	18,893	192,072
Issuance of Notes Receivable	-	(12,000)	-	-	-	-	(12,000)
Interest Income Received	43	4	210	138	-	-	395
Net Cash Provided by (Used in) Investing Activities	5,899	151,285	210	4,180	-	18,893	180,467
Net Cash and Cash Equivalents Increase (Decrease) for the Year	(24,104)	(79,984)	19,000	(43,300)	(8)	22,676	(105,720)
Cash and Cash Equivalents, Beginning of Year	95,698	651,979	260,820	243,510	8	3,679	1,255,694
Cash and Cash Equivalents, End of Year	71,594	571,995	279,820	200,210	-	26,355	1,149,974

Cash Flows From Operating Activities:

Operating Income (Loss)									
Adjustments:									
Depreciation	\$ (83,795)	(72,501)	20,274	(31,751)	(8)	(1,371)	(169,152)		
Allowance for Bad Debt	58,794	11,701	264	3,998	-	6,755	81,512		
Changes in Assets and Liabilities:									
Decrease (Increase) in Accounts Receivable	28,836	11	(4,878)	(238)	-	-	23,731		
Decrease (Increase) in Grant Receivable	(13,488)	12,000	-	-	-	-	12,000		
Decrease (Increase) in Due From Other Funds	1,001	-	-	-	-	-	(13,488)		
Decrease (Increase) in Prepaid Expenses	2,400	-	-	325	-	-	1,326		
Increase (Decrease) in Due to City of Salamanca	-	542	3,380	-	-	-	2,400		
Increase (Decrease) in Due to HUD	(1,555)	(1,512)	-	(3,378)	-	(1,601)	3,922		
Increase (Decrease) in Accounts Payable	13,488	-	-	-	-	-	(8,046)		
Increase (Decrease) in Due to Other Funds	-	(166,350)	-	-	-	-	13,488		
Increase (Decrease) in Deferred Revenue	-	(216,109)	-	-	-	-	(166,350)		
Net Cash Provided by (Used in) Operating Activities	5,681	(216,109)	19,040	(31,044)	(8)	3,783	(218,657)		

Reconciliation of Unrestricted and Restricted Cash and Cash Equivalents:

Cash and Cash Equivalents, Unrestricted	71,594	-	163,952	-	-	26,355	261,901
Cash and Cash Equivalents, Restricted	-	571,995	115,868	200,210	-	-	888,073
Total Unrestricted and Restricted Cash and Cash Equivalents	71,594	571,995	279,820	200,210	-	26,355	1,149,974

See accompanying notes to the financial statements

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

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 without limitation as to amount. 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, 2013.

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 Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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 Operations 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. Budgets for the Urban Development Action Grant Program and the Section 8 Housing Choice Vouchers Program, in addition to being adopted by the Agency's board of directors, are also approved by HUD. 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.

Deferred Revenue

Deferred 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.

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:

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

The cost of capital assets is recorded as follows:

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 deferred revenues.

Notes Receivable

Notes receivable are stated at principal balances, less the estimated portion that is expected to be uncollectible as of March 31, 2013.

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.

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, 2013. 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	\$ 26,355	26,355	-	-	26,355
Savings and Time Deposits	1,125,823	250,000	875,823	-	1,123,569
Cash on Hand	-	-	-	-	50
Total Deposits	\$ 1,152,178	276,355	875,823	-	1,149,974

Reconciliation to the Statement of Net Position:

Unrestricted Cash	\$ 261,901
Restricted Cash	888,073
Total	\$ 1,149,974

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

NOTE D - ACCOUNTS RECEIVABLE

Receivables at March 31, 2013, included the following:

	General Operations Fund	Program Income Fund	Housing Choice Vouchers	Third Generation UDAG
Tenants	\$ 14,404	8,339	22,324	-
Allowance	(313)	-	(5,893)	-
Miscellaneous	200	8,180	-	238
Total	\$ 14,291	16,519	16,431	238

NOTE E - GRANTS RECEIVABLE

As of March 31, 2013, the City of Salamanca Industrial Development Agency had a grant receivable of \$24,000. This grant was provided in conjunction with a loan through the Program Income Revolving Loan Fund. Funding for this grant was provided by a Small Cities Community Development Block Grant. Amortization of the grant by the borrower is contingent on employment objectives specified in the grant agreement.

NOTE F - 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 4/1/12	Additions	Deletions and Other Adjustments	Balance at 3/31/13
<u>Nondepreciable</u>				
Land	\$ 10,500	-	-	10,500
<u>Depreciable</u>				
Buildings and Improvements	2,477,777	-	-	2,477,777
Equipment	33,655	-	-	33,655
Totals	<u>2,521,932</u>	<u>-</u>	<u>-</u>	<u>2,521,932</u>
Less: Accumulated				
Depreciation	<u>(1,375,758)</u>	<u>(84,583)</u>	<u>-</u>	<u>(1,460,341)</u>
Net Land, Buildings, and Equipment	<u>\$ 1,146,174</u>	<u>(84,583)</u>	<u>-</u>	<u>1,061,591</u>

On the Statement of Activities (Exhibit B) a depreciation expense allocation of \$81,512 was made to the Home and Community Services function. The amount of \$3,071 was charged to deferred revenue through the Program Income Fund.

NOTE G - NOTES RECEIVABLE

As of March 31, 2013, the City of Salamanca Industrial Development Agency had notes receivable with interest rates of 7 percent. The terms vary in length. Notes receivable at March 31, 2013, were as follows:

	Program Income	UDAG	SADC	Total
Notes Receivable	\$ 627,472	18,589	70,351	716,412
Less: Allowance for Doubtful Accounts	<u>(249,830)</u>	<u>(5,827)</u>	<u>(446)</u>	<u>(256,103)</u>
Total Notes Receivable, Net	377,642	12,762	69,905	460,309
Less: Noncurrent Notes				
Receivable, Net	<u>(252,148)</u>	<u>-</u>	<u>(48,551)</u>	<u>(300,699)</u>
Total Current Portion of Notes Receivable, Net	<u>\$ 125,494</u>	<u>12,762</u>	<u>21,354</u>	<u>159,610</u>

NOTE H - INVESTMENT IN DIRECT FINANCING LEASES

As of March 31, 2013, the City of Salamanca Industrial Development Agency was the lessor for one lease with an outstanding present value minimum lease payment of \$45,292 of which the current portion was \$3,871. 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 \$53,719. 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:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 3,871	1,529
2015	4,009	1,391
2016	4,153	1,247
2017	4,301	1,099
2018	4,455	945
2019-2023	<u>24,503</u>	<u>2,216</u>
	<u>\$ 45,292</u>	<u>8,427</u>

NOTE I - DUE FROM/TO OTHER FUNDS

As of March 31, 2013, amounts due from and to other funds were as follows:

	<u>Due From</u>	<u>Due To</u>
General Operating Fund	24,353	13,488
Program Income Revolving Loan Fund	18,844	23,650
Third Generation UDAG Fund	-	5,122
Community Development Fund	-	2,015
SADC Fund	1,078	-
	<u>\$ 44,275</u>	<u>44,275</u>

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

NOTE J - DUE TO GRANTOR

As of March 31, 2013, funds due to the U.S. Department of Housing and Urban Development were as follows:

Program Income Revolving Loan Fund	\$ 2,647
Section 8 Housing Program	16,450
Total Due to HUD	<u>\$ 19,097</u>

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

Amounts Paid to the City of Salamanca

Expenses of \$11,194 were incurred by the City of Salamanca Industrial Development Agency for the year ended March 31, 2013 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 \$41,725 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 L - DEFERRED REVENUES

Pursuant to HUD regulations, revolving loans made from the revolving loan fund grant programs are recorded as deferred revenue when the respective note receivable is established. Revenue is recognized upon repayment of loan principal and interest. As of March 31, 2013, the Agency had deferred revenues of \$480,974 of which \$65,176 was the current portion and \$415,798 was the long term portion.

NOTE M - NOTES/MORTGAGE PAYABLE

The changes in the City of Salamanca Industrial Development Agency's long-term indebtedness during the year ended March 31, 2013, are summarized as follows:

	Balance 4/1/12	Additions	Reductions	Balance 3/31/13	Due Within One Year
<u>General Operating Fund</u>					
Urban Development & Apex Bank	\$ 240,315	-	33,397	206,918	39,863
<u>Program Income Fund</u>					
CCB Mortgage Payable	159,134	-	7,155	151,979	10,546
<u>UDAG Fund</u>					
CCB Mortgage Payable	132,473	-	7,264	125,209	7,791
Total	<u>\$ 531,922</u>	<u>-</u>	<u>47,816</u>	<u>484,106</u>	<u>58,200</u>

A summary of the Agency's long-term debt at March 31, 2013, 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.

\$ 206,918

Cattaraugus County Bank

Payments of \$1,519 are due on a monthly basis at an interest rate of 7.00%. The maturity date of the loan is November 4, 2015. The loan is secured by real estate

151,979

Cattaraugus County Bank

Payments of \$1,370 are due on a monthly basis at an interest rate of 7.1%. The maturity date of the loan is March 20, 2024. The loan is secured by real estate.

	125,209
	<u>484,106</u>
Less Current Portion	(58,200)
Total Long-Term Notes & Mortgage Payable	<u>\$ 425,906</u>

*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.

	<u>Principal</u>	<u>Interest</u>
For the year ending March 31,		
2014	\$ 55,287	21,234
2015	53,792	19,556
2016	182,627	14,950
2017	47,568	7,550
2018	48,656	6,461
2019 - 2023	80,356	17,939
2024	15,820	615
Total	<u>\$ 484,106</u>	<u>88,305</u>

Interest expense on the above indebtedness was \$22,309 for the year ended March 31, 2013.

NOTE N - NET POSITION

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

Invested in Capital Assets, Net of Related Debt - 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.

The net position of the General Fund has been restated in the amount of \$107,742 to realize

the amount reported as a deferred revenue in a prior year that was not reclassified as a revenue when the corresponding expenses were incurred.

NOTE O - 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	Community Development & SADC	Total
Administrative	\$ -	-	422	-	-	422
Comptroller Expense	-	-	1,157	-	-	1,157
Continuing Education	900	-	35	-	-	935
Contractual	1,824	274,939	5,314	1,820	130	284,027
Insurance	7,238	6,118	-	8,219	-	21,575
Lease	6,365	1,297	-	3,930	-	11,592
Miscellaneous Expense	100	-	-	-	-	100
Office Expense	1,486	349	3,698	2,397	-	7,930
Printing and Advertising	-	181	-	79	-	260
Professional Fees and Consulting	5,951	6,153	4,080	1,591	-	17,775
Rent	993	-	1,083	1,083	-	3,159
Repairs and Maintenance	3,605	-	3,244	-	-	6,849
Subscriptions & Publications	-	490	-	-	-	490
Telephone Expense	640	-	-	481	-	1,121
Travel	364	-	-	622	-	986
Utilities	2,995	110	-	5,813	-	8,918
	<u>\$ 32,461</u>	<u>289,637</u>	<u>19,033</u>	<u>26,035</u>	<u>130</u>	<u>367,296</u>

NOTE P - 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, 2013, the Agency paid \$11,592 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, 2013.

During the year ended March 31, 2013, 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 \$430,985, comprising \$1,749,469 of original costs less accumulated depreciation of \$1,318,484. 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 \$57,330.

NOTE Q - 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 \$34,918, which the Agency paid in full. During the fiscal years ended March 31, 2012 and 2011, the Agency's contributions were \$21,001 and \$23,126, respectively. Each of these payments represents 100 percent of the required contribution.

NOTE R - 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 \$118,356.

NOTE S - NEW ACCOUNTING STANDARDS

The Agency has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At March 31, 2013, the Agency implemented the following new standards issued by GASB:

GASB Statement No. 62 – "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. This statement incorporates into the GASB's authoritative literature the applicable guidance issued before November 30, 1989 from FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure.

GASB Statement No. 63 – “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position” provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows and inflows are the consumption and acquisition of net assets by a governmental entity that is applicable to a future reporting period. This statement amends the net asset reporting requirements in Statement No. 34 – “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

NOTE T - ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statements No. 65 – “Items Previously Reported as Assets and Liabilities” establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources such as changes in the determination of the major fund calculations and limiting the use of the term deferred in the financial statement presentations. The requirements of this statement are effective for periods beginning after December 15, 2012.

GASB Statement No. 66 – “Technical Corrections -2012- an Amendment of GASB Statements No. 10 and No. 62” improves accounting and financial reporting for a governmental entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. Statements No. 54 – “Fund Balance Reporting and Governmental Fund Type Definitions” and No. 62 – “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” This statement amends Statement No. 10 by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of this statement are effective for periods beginning after December 15, 2012.

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.

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 U - 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, 2013.

NOTE V - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 31, 2014, the date on which the financial statements were available to be issued.

On May 14, 2013, the Agency refinanced its existing mortgages payable with Cattaraugus County Bank at a 3.99% interest rate which is a reduction from 7%. The monthly payment amount on each of these mortgages remains unchanged.

SUPPLEMENTAL FINANCIAL INFORMATION

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF LEASES
FOR THE YEAR ENDED MARCH 31, 2013**

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, 2013**

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, 2013**

<u>Project Name</u>	<u>Project No.</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 4/1/12</u>	<u>Issued During Fiscal Year</u>	<u>Paid During Fiscal Year</u>	<u>Balance at 3/31/13</u>
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: 03/31/2013

	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$163,952	\$163,952		\$163,952
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted	\$115,868	\$115,868		\$115,868
114 Cash - Tenant Security Deposits				
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$279,820	\$279,820		\$279,820
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$22,324	\$22,324		\$22,324
126.1 Allowance for Doubtful Accounts - Tenants	-\$5,893	-\$5,893		-\$5,893
126.2 Allowance for Doubtful Accounts - Other				
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	\$16,431	\$16,431		\$16,431
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	\$296,251	\$296,251		\$296,251
161 Land				
162 Buildings				
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration	\$23,059	\$23,059		\$23,059
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$23,003	-\$23,003		-\$23,003
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$56	\$56		\$56
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	\$56	\$56		\$56
190 Total Assets	\$296,307	\$296,307		\$296,307
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			
332	Account Payable - PHA Projects			
333	Accounts Payable - Other Government	\$16,450	\$16,450	\$16,450
341	Tenant Security Deposits			
342	Deferred Revenues			
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			
344	Current Portion of Long-term Debt - Operating Borrowings			
345	Other Current Liabilities			
346	Accrued Liabilities - Other			
347	Inter Program - Due To			
348	Loan Liability - Current			
310	Total Current Liabilities	\$16,450	\$16,450	\$16,450
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
300	Total Liabilities	\$16,450	\$16,450	\$16,450
508.1	Invested In Capital Assets, Net of Related Debt	\$56	\$56	\$56
511.1	Restricted Net Assets	\$115,968	\$115,968	\$115,968
512.1	Unrestricted Net Assets	\$163,933	\$163,933	\$163,933
513	Total Equity/Net Assets	\$279,857	\$279,857	\$279,857
600	Total Liabilities and Equity/Net Assets	\$296,307	\$296,307	\$296,307

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

Submission Type: Audited/A-133

Fiscal Year End: 03/31/2013

	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	\$652,011	\$652,011		\$652,011
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	\$210	\$210		\$210
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery	\$964	\$964		\$964
71500 Other Revenue				
71600 Gain or Loss on Sale of Capital Assets				
72000 Investment Income - Restricted	\$0	\$0		\$0
70000 Total Revenue	\$653,085	\$653,085		\$653,085
91100 Administrative Salaries	\$43,167	\$43,167		\$43,167
91200 Auditing Fees				
91300 Management Fee				
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$14,340	\$14,340		\$14,340
91600 Office Expenses	\$19,032	\$19,032		\$19,032
91700 Legal Expense				
91800 Travel				
91810 Allocated Overhead				
91900 Other				
91000 Total Operating - Administrative	\$76,539	\$76,539		\$76,539
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	\$76,539	\$76,539	\$76,539
97000 Excess of Operating Revenue over Operating Expenses	\$576,546	\$576,546	\$576,546
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments	\$527,214	\$527,214	\$527,214
97350 HAP Portability-In	\$26,583	\$26,583	\$26,583
97400 Depreciation Expense	\$264	\$264	\$264
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$632,600	\$632,600	\$632,600
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	\$20,485	\$20,485	\$20,485
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$259,372	\$259,372	\$259,372
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0
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	\$163,989	\$163,989	\$163,989
11180 Housing Assistance Payments Equity	\$115,868	\$115,868	\$115,868
11190 Unit Months Available	1639	1639	1639
11210 Number of Unit Months Leased	12	12	12
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			

INTERNAL CONTROL AND COMPLIANCE

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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, 2013, 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 December 5, 2013.

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 deficiencies described in the accompanying schedule of findings and questioned costs (item 2013-1 and 2013-2) to be material weaknesses.

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
January 31, 2014

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

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

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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, 2013. 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.

Auditor's 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.

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, 2013.

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
January 31, 2014

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARD

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2013**

<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>632,337</u>
Total Federal Expenditures			\$ <u>632,337</u>

*Major Program

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

**CITY OF SALAMANCA
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2013**

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, 2013**

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. Two material weaknesses were 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 programs 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 qualifies as 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 deferred revenues, grants receivable, and reclassifying income being netted with expenses. 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.

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 placed an ad for 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.

III. FINDINGS AND QUESTIONED COSTS- FEDERAL AWARDS

There were no findings for the year ended March 31, 2013.

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

There were no findings reported for the year ended March 31, 2012.