TOWN OF LOCKPORT
INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2013

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Town of Lockport Industrial Development Agency

We have audited the accompanying financial statements of Town of Lockport Industrial Development Agency (the Agency), a business-type activity, which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency'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 Agency'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The Agency has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2014 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Jumoden & McCormick, LLP

March 13, 2014

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

Balance Sheets

December 31,	2013	2012
Assets		
Current assets:		
Cash	**$ 1,392,928**	$ 1,563,113
Property available for sale, net (Note 3)	**431,344**	431,344
	$ 1,824,272	$ 1,994,457
Liabilities and Net Position		
Current liabilities:		
Current portion of long-term debt (Note 4)	**$ 14,000**	$ 14,000
Accounts payable	**5,157**	8,321
	19,157	22,321
Long-term debt (Note 4)	**68,000**	82,000
	87,157	104,321
Net position:		
Net investment in capital assets	**361,344**	351,344
Unrestricted	**1,375,771**	1,538,792
	1,737,115	1,890,136
	$ 1,824,272	$ 1,994,457

See accompanying notes.

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

Statements of Revenues, Expenses, and Changes in Net Position

For the years ended December 31,	2013	2012
Operating revenues:		
Administrative and application fees	**$ 2,000**	$ 61,078
Rental income	**100**	253
Sale of property rights	**-**	129,296
Total operating revenues	**2,100**	190,627
Operating expenses:		
Management and other fees	**41,692**	40,383
Legal and professional	**80,964**	28,595
Travel and meetings	**3,964**	3,103
Insurance	**323**	323
Repairs and maintenance	**17,555**	18,622
Property taxes	**2,151**	1,626
Dues and membership fees	**960**	960
Advertising and promotion	**8,226**	9,417
Office supplies	**172**	569
Interest expense	**1,440**	1,650
Total operating expenses	**157,447**	105,248
Operating income (loss)	**(155,347)**	85,379
Nonoperating revenue		
Interest	**2,326**	4,158
Change in net position	**(153,021)**	89,537
Net position - beginning	**1,890,136**	1,800,599
Net position - ending	**$ 1,737,115**	$ 1,890,136

See accompanying notes.

TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

Statements of Cash Flows

For the years ended December 31,	2013	2012
Operating activities:		
Receipts from fees and rent	**$ 2,100**	$ 61,331
Cash received from land sales and property rights	**-**	205,821
Payments for goods and services	**(159,171)**	(99,631)
Interest paid	**(1,440)**	(1,650)
Net operating activities	**(158,511)**	165,871
Capital and related financing activities:		
Principal repayments on debt	**(14,000)**	(14,000)
Investing activities:		
Interest income	**2,326**	4,158
Net change in cash	**(170,185)**	156,029
Cash - beginning	**1,563,113**	1,407,084
Cash - ending	**$ 1,392,928**	$ 1,563,113
Reconciliation of operating income (loss) to net operating activities:		
Operating income (loss)	**$ (155,347)**	$ 85,379
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Cost of property sold	**-**	76,525
Accounts payable	**(3,164)**	3,967
Net operating activities	**$ (158,511)**	$ 165,871

See accompanying notes.

1. Summary of Significant Accounting Policies:

Nature of Organization:

Town of Lockport Industrial Development Agency (the Agency) was established by the Town of Lockport (the Town) under Title I of Article 18-A of the General Municipal Law of the State of New York (the State), as amended, and Chapter 426 of the Laws of 1981 of the State, the Industrial Development Agency Act. The purpose of the Agency is to promote, attract, encourage and develop economically sound commerce and industry through governmental action. The Agency, although established by the Town Board, is a separate entity and operates independently of the Town. Its revenues are generated primarily by administrative fees, rents and sale of property in an industrial development park.

The Agency is considered to be a proprietary fund (business-type activity) as its purpose and operations are similar to those found in the private sector; therefore the determination of net income is necessary for sound financial administration.

Basis of Presentation:

The financial statements of the Agency are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Agency applies all Governmental Accounting Standards Board (GASB) pronouncements as well as applicable accounting and financial reporting guidance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

Measurement Focus:

The financial statements are prepared on the accrual basis of accounting and are based on a flow of economic resources measurement focus.

All assets, deferred outflows, liabilities and deferred inflows associated with the operation of the Agency are included on the balance sheets. Operating statements present increases (revenues) and decreases (expenses) in total net position.

Property Available for Sale:

The Agency records property and equipment used in operation at cost net of accumulated depreciation. Depreciation is provided over estimated useful lives using the straight-line method. Estimated useful lives range from five to seven years. Property acquired for resale is accounted for at the lower of cost or net realizable value.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Lease Transactions:

The Agency maintains a lease program to provide state and local tax benefits to companies developing industrial and other properties. Under this program, the Agency receives or retains title to properties under development, and leases the property to the previous title holder (lessee). Title to these properties is transferred to the lessee at the end of the maximum tax benefit period or at any time during the lease at the option of the lessee. The Agency does not record assets acquired or retained under the lease program since the Agency's primary function is to provide state and local tax benefits to the lessee. The Agency receives administrative fees from the lessee for providing this service which is recognized in income at lease inception (unconditional lease) or ratably over the term of the lease (conditional lease) depending on the terms between the lessee and the Agency.

2. Cash

Cash management policies are governed by State laws and as established in the Agency's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure the Agency's deposits may not be returned to it. At December 31, 2013, the Agency's deposits were fully collateralized by FDIC coverage and securities held by the pledging institution's trust department or agent in the Agency's name.

3. Property Available for Sale:

	2013	2012
Land available for sale	**$ 341,344**	$ 341,344
Development property	**90,000**	90,000
Office equipment	**16,085**	16,085
	447,429	447,429
Less accumulated depreciation	**16,085**	16,085
	$ 431,344	$ 431,344

The Agency maintains land in an industrial park that is classified as available for sale. The land is recorded at cost; management believes that future sales proceeds will exceed the recorded amount of the land.

The Agency has a purchase contract for rail property adjacent to their Industrial Development Park amounting to $75,000. The Agency paid $7,500 for the purchase commitment.

4. Long-Term Debt:

	2013	2012
Serial bond, secured by real estate, interest payable annually at a fixed rate of 1.5%, annual principal payments of $10,000, due December 2020.	**$ 70,000**	$ 80,000
Note payable, interest payable annually at a fixed rate of 1.5%, annual principal payments of $4,000, due December 2016.	**12,000**	16,000
	$ 82,000	$ 96,000
Less current portion	**14,000**	14,000
	$ 68,000	$ 82,000

Principal and interest payments on long-term debt subsequent to December 31, 2013 are:

	Principal	Interest
2014	$ 14,000	$ 1,230
2015	14,000	1,020
2016	14,000	810
2017	10,000	600
2018	10,000	450
2019-2020	20,000	450
	$ 82,000	$ 4,560

5. Conduit Debt:

Industrial development revenue bonds and notes issued by the Agency are secured by the properties which are leased to companies and retired by lease payments. The financing arising from these bonds and notes is not an obligation of the Agency, the Town, the County of Niagara or the State. The Agency does not reflect an asset or a liability resulting from bond and note issues.

The primary function of the Agency is to facilitate the financing between eligible companies with approved offerings and banks and other bond purchasers to provide either real property tax abatements or sales tax savings related to construction materials. The funds arising from these transactions are controlled by trustees or banks acting as fiscal agents. The Agency receives administrative fees from the companies issuing the bonds.

Agency management is aware of two bond offerings effectuated in the 1980's and totaling $8,000,000. To the best of management's knowledge, one bond has been paid in full; the other is believed to be outstanding.

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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*

The Board of Directors
Town of Lockport Industrial Development Agency

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 Town of Lockport Industrial Development Agency (the Agency), a business-type activity, which comprise the balance sheet as of December 31, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 13, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Munsden & McCormick, LLP

March 13, 2014

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW

The Board of Directors
Town of Lockport Industrial Development Agency

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Town of Lockport Industrial Development Agency (the Agency), a business-type activity, which comprise the balance sheet as of December 31, 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated March 13, 2014.

In connection with our audit, nothing came to our attention that caused us to believe that the Agency failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2013. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Agency's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

Lumsden & McCormick, LLP

March 13, 2014