

TOWN OF AMHERST  
INDUSTRIAL DEVELOPMENT AGENCY  
AMHERST, NEW YORK

Management's Discussion and Analysis,  
Financial Statements and  
Supplemental Information

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

# TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 8
Financial Statements:	
Statements of Net Position	9 - 10
Statements of Revenue, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	13 - 20
Additional Information and Other Supplemental Information:	
Schedule 1 - Schedule of Financing Activity	21 - 24
Schedule 2 - Schedule of Detailed Financing Activity	25
Schedule 3 - Schedule of Revenue	26
Schedule 4 - Schedule of Revenue and Expenses - Budget and Actual	27 - 28
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, Including Compliance with Investment Guidelines, Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	29 - 30

\* \* \* \* \*

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Town of Amherst Industrial  
Development Agency:

We have audited the accompanying statements of net position of the Town of Amherst Industrial Development Agency (the Agency), as of December 31, 2012 and 2011 and the related statements of revenue, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Town of Amherst Industrial Development Agency as of December 31, 2012 and 2011, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

As described in note 1 to the financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position."

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and schedule 4 on pages 26 and 27 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 audits were made for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 20 through 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2013, 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 and should be considered in assessing the results of our audit.

Toski & Co., CPAs, P.C.

Williamsville, New York  
March 26, 2013

# TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

## Management's Discussion and Analysis

December 31, 2012

This section of the Town of Amherst Industrial Development Agency's (the Agency) annual financial report presents a discussion and analysis of the Agency's financial performance during the year ended December 31, 2012. Please read it in conjunction with the Agency's basic financial statements following this section.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Agency exceeded liabilities at December 31, 2012 by \$2,273,638. Of this amount, \$1,975,917 (unrestricted net assets) may be used to meet ongoing obligations, \$70,374 is invested in capital assets, net of related debt and \$227,347 that is restricted for future loans and mortgage escrow.
- The Agency's total net position increased by \$245,191.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This annual report includes the independent auditors' report, management's discussion and analysis, and the financial statements of the Agency.

Required Financial Statements - The statements are prepared using the accrual basis of accounting. This provides an indication of the Agency's financial health. The financial statements include:

- The Statements of Net Position - List all assets, liabilities and net assets. This information can be found on pages 9-10.
- The Statements of Revenue, Expenses and Changes in Net Position - Show the financial activity for 2012 and 2011 and display how this financial activity changes the Agency's assets. This information can be found on page 11.
- The Statements of Cash Flows - Show the cash provided and used during 2012 and 2011 and how it affects cash balances of December 31, 2012 and 2011. This information can be found on page 12.

The notes to the financial statements provide information regarding the Agency and explain in more detail some of the information in the financial statements.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY  
Management's Discussion and Analysis, Continued

**FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. At December 31, 2012, assets exceeded liabilities by \$2,273,638.

**Summary of Amherst Industrial Development Agency's Net Position**

	<u>2012</u>	<u>2011</u>
Current assets	\$ 1,936,016	1,653,933
Capital assets, net of depreciation	708,234	732,236
Restricted assets	227,347	303,613
Other assets	<u>50,000</u>	<u>50,000</u>
<b>Total assets</b>	<b><u>2,921,597</u></b>	<b><u>2,739,782</u></b>
Current liabilities	44,334	70,437
Long-term liabilities	<u>603,625</u>	<u>640,898</u>
<b>Total liabilities</b>	<b><u>647,959</u></b>	<b><u>711,335</u></b>
Invested in capital assets, net of related debt	70,374	56,265
Restricted for future industrial development loans	162,408	238,672
Restricted for mortgage escrow	64,939	64,941
Unrestricted	<u>1,975,917</u>	<u>1,668,569</u>
<b>Total net position</b>	<b>\$ <u>2,273,638</u></b>	<b><u>2,028,447</u></b>

A large portion of the Agency's net assets (86.9%, 82.3 in 2011) is unrestricted and available to meet ongoing and future liabilities. Other portions of the Agency's assets, such as future industrial development loans (7.1%, 11.8% in 2011) and mortgage escrow (2.9%, 3.2% in 2011), are resources that are subject to restrictions on how they are used.

At the end of the year, the Agency is able to report a positive net position.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY  
Management's Discussion and Analysis, Continued

The current year and previous year excess of revenue over expenses is presented below:

**Summary Statement of Revenue, Expenses and Changes in Net Position**

	<u>2012</u>	<u>2011</u>
Operating revenue	\$ 1,049,644	1,205,946
Operating expenses	(807,278)	(848,131)
Non-operating activities	<u>2,825</u>	<u>2,965</u>
Excess of revenue over expenses	245,191	360,780
Net position at January 1	<u>2,028,447</u>	<u>1,667,667</u>
Net position at December 31	\$ <u>2,273,638</u>	<u>2,028,447</u>

The following table represents the amount of revenue from various sources, as well as increases or decreases from the prior year:

	<u>Revenue</u>			<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
	<u>2012</u>	<u>Percent of Total</u>	<u>2011</u>		
Operating revenue:					
Administration fees	\$ 761,746	72.4%	699,040	62,706	9.0%
Lease termination fees	-	0.0%	412,500	(412,500)	-100.0%
Other revenue - refund	32,073	3.0%	45,956	(13,883)	-30.2%
Application fees	2,500	0.2%	7,500	(5,000)	-66.7%
Transfer from Amherst Development Corporation	<u>253,325</u>	<u>24.1%</u>	<u>40,950</u>	<u>212,375</u>	<u>518.6%</u>
Total operating revenue	1,049,644	99.7%	1,205,946	(156,302)	-13.0%
Non-operating revenue - interest income	<u>2,825</u>	<u>0.3%</u>	<u>2,965</u>	<u>(140)</u>	<u>-4.7%</u>
<b>Total revenue</b>	<b>\$ <u>1,052,469</u></b>	<b><u>100.0%</u></b>	<b><u>1,208,911</u></b>	<b><u>(156,442)</u></b>	<b><u>-12.9%</u></b>

The following provides an explanation of revenue that significantly changed over the prior year:

- **Administrative fees** - The number and dollar value of projects increased from the prior year resulting in an increase in fees collected on projects in 2012.
- **Lease termination fees** - The amount is the result of HSBC leasing operations in Amherst and the subsequent renegotiation of the lease obligation that occurred in 2011.



TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY  
 Management's Discussion and Analysis, Continued

- **Other revenue** - Reimbursement from Erie County Industrial Development Agency remains constant in both years. Revenue in 2011 includes a reimbursement from New York State for the Public Authority Assessment Tax. The tax was rescinded in 2011 and therefore 2012 includes no revenue from this source.
- **Interest income** - Interest rates remain at historic lows affecting the amount of income the Agency derives from its cash and equivalents.
- **Transfer from Amherst Development Corporation** - These are administrative fees collected by the Amherst Development Corporation for projects completed during the year. These fees were then transferred to the Agency.

**Expenses by Function**

	<u>2012</u>	<u>Percent of Total</u>	<u>2011</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating expenses:					
Salaries and benefits	\$ 491,777	60.9%	487,273	4,504	0.9%
General operating	296,456	36.7%	347,113	(50,657)	-14.6%
Marketing/events	<u>19,045</u>	<u>2.4%</u>	<u>13,745</u>	<u>5,300</u>	<u>38.6%</u>
<b>Total operating expenses</b>	<b>\$ <u>807,278</u></b>	<b><u>100.0%</u></b>	<b><u>848,131</u></b>	<b><u>(40,853)</u></b>	<b><u>-4.8%</u></b>

The following provides an explanation of the expenses that changed significantly over the prior year:

- **General operating** - During 2012 and 2011, the Agency remitted \$76,000 of CDBG funds to the Town of Amherst. Additionally, the Agency decreased in its participation level with the Buffalo Niagara Enterprise (BNE) by \$40,000 from the 2011 high.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Agency's investment in capital assets for its activities as of December 31, 2012, amounted to \$708,234 (net of accumulated depreciation). The investment in capital assets includes leasehold improvements and equipment.

All depreciable assets were depreciated under the straight-line method.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY  
 Management's Discussion and Analysis, Continued

Capital assets net of depreciation are presented below:

<b><u>Summary of Agency's Capital Assets</u></b>		
<b><u>(Net of Depreciation)</u></b>		
	<b><u>2012</u></b>	<b><u>2011</u></b>
Land	\$ 100,000	100,000
Leasehold improvements	18,709	18,709
Equipment	152,036	144,376
Building	<u>719,835</u>	<u>719,835</u>
	990,580	982,920
Less accumulated depreciation	<u>(282,346)</u>	<u>(250,684)</u>
	<b><u>\$ 708,234</u></b>	<b><u>732,236</u></b>

**Current Liabilities**

As of December 31, 2012, the Agency had current liabilities in the amount of \$44,334 comprised of current installments of a mortgage payable for the purchase of the office building and land during 2006, with accounts payable consisting of an annual commitment fee.

**Long-Term Debt**

The Agency has a long-term liability of \$603,625 at December 31, 2012 for a mortgage note on its building.

**Request for Information**

This financial report is designed to provide a general overview of the Agency's finances for all interested parties. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to: Town of Amherst Industrial Development Agency, 4287 Main Street, Amherst, New York 14226.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY  
 Statements of Net Position  
 December 31, 2012 and 2011

	<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:			
Cash and equivalents		\$ 1,722,335	1,607,671
Prepaid insurance		4,951	4,988
Receivables:			
Accounts receivable		174,912	7,456
Grant receivable		33,818	33,818
	Total receivables	<u>208,730</u>	<u>41,274</u>
	Total current assets	<u>1,936,016</u>	<u>1,653,933</u>
Property and equipment at cost:			
Land		100,000	100,000
Leasehold improvements		18,709	18,709
Equipment		152,036	144,376
Building		719,835	719,835
		<u>990,580</u>	<u>982,920</u>
Less accumulated depreciation		<u>(282,346)</u>	<u>(250,684)</u>
	Net property and equipment	<u>708,234</u>	<u>732,236</u>
Other assets - note receivable, related party		<u>50,000</u>	<u>50,000</u>
Restricted assets:			
Restricted for future industrial development loans		162,408	238,672
Cash restricted for mortgage escrow		64,939	64,941
	Total restricted assets	<u>227,347</u>	<u>303,613</u>
	Total assets	<u>2,921,597</u>	<u>2,739,782</u>

(Continued)

See accompanying notes to financial statements.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY  
Statements of Net Position, Continued

<u>Liabilities</u>	<u>2012</u>	<u>2011</u>
Current liabilities:		
Accounts payable	\$ 10,000	35,000
Due to U.S. Treasury Department	99	363
Current installments of mortgage payable	<u>34,235</u>	<u>35,074</u>
Total current liabilities	44,334	70,437
Mortgage payable, less current portion	<u>603,625</u>	<u>640,898</u>
Total liabilities	<u>647,959</u>	<u>711,335</u>
Commitment and contingencies (note 8)	<u>                    </u>	<u>                    </u>
Net position:		
Invested in capital assets, net of related debt	70,374	56,265
Restricted:		
Restricted for future industrial development loans	162,408	238,672
Restricted for mortgage escrow	<u>64,939</u>	<u>64,941</u>
	<u>227,347</u>	<u>303,613</u>
Unrestricted:		
Reserved for future investments	100,000	100,000
Unreserved	<u>1,875,917</u>	<u>1,568,569</u>
	<u>1,975,917</u>	<u>1,668,569</u>
Total net position	<u>\$ 2,273,638</u>	<u>2,028,447</u>

See accompanying notes to financial statements.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY  
Statements of Revenue, Expenses and Changes in Net Position  
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenue:		
Administrative fees	\$ 761,746	699,040
Lease termination fees	-	412,500
Application fees	2,500	7,500
Refund of expenditures	29,823	29,823
Other revenue	2,250	16,133
Transfer from Town of Amherst Development Corporation	<u>253,325</u>	<u>40,950</u>
Total operating revenue	<u>1,049,644</u>	<u>1,205,946</u>
Operating expenses:		
Salaries and benefits, net	<u>491,777</u>	<u>487,273</u>
General and administrative:		
Town of Amherst - CDBG Funds	76,000	76,000
Building mortgage interest	36,584	44,319
Professional fees	24,375	25,715
BNE participation	35,000	75,000
Office supplies and postage	14,099	14,830
Maintenance and landscaping	15,986	19,478
Insurance	16,366	10,573
Special events and projects	18,045	13,515
Marketing	1,000	230
Telephone	9,382	9,865
Utilities	6,306	7,944
Dues and subscriptions	8,035	7,999
Real property taxes	7,582	7,807
Meetings and conferences	5,322	4,882
Legal fees	972	1,550
Equipment rental and repair	4,670	4,741
Education	3,106	3,207
Auto and travel	<u>1,009</u>	<u>821</u>
Total general and administrative	<u>283,839</u>	<u>328,476</u>
Depreciation	<u>31,662</u>	<u>32,382</u>
Total operating expenses	<u>807,278</u>	<u>848,131</u>
Net increase from operations	242,366	357,815
Non-operating activities - interest income	<u>2,825</u>	<u>2,965</u>
Increase in net position	245,191	360,780
Net position at beginning of year	<u>2,028,447</u>	<u>1,667,667</u>
Net position at end of year	<u>\$ 2,273,638</u>	<u>2,028,447</u>

See accompanying notes to financial statements.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY  
 Statements of Cash Flows  
 Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Fees received	\$ 606,496	1,129,040
Refund of administrative services assessment	-	16,133
Refund of expenditures	22,367	22,367
Transfers from Town of Amherst Development Corporation	253,325	40,950
Payments to employees and vendors	<u>(800,843)</u>	<u>(831,422)</u>
Net cash provided by operating activities	<u>81,345</u>	<u>377,068</u>
Cash flows from capital and related financing activities:		
Additions to property and equipment	(7,660)	(7,407)
Principal repayments of long-term debt	<u>(38,112)</u>	<u>(30,374)</u>
Net cash used in capital and related investing activities	<u>(45,772)</u>	<u>(37,781)</u>
Cash flows from investing activities:		
Interest income	2,825	2,965
Withdrawals from restricted deposits	<u>76,266</u>	<u>76,129</u>
Net cash provided by investing activities	<u>79,091</u>	<u>79,094</u>
Net increase in cash and equivalents	114,664	418,381
Cash and equivalents at beginning of year	<u>1,607,671</u>	<u>1,189,290</u>
Cash and equivalents at end of year	<u>\$ 1,722,335</u>	<u>1,607,671</u>
Cash flows from operating activities:		
Net increase from operations	242,366	357,815
Adjustments to reconcile net increase from operations to net cash provided by operating activities:		
Depreciation	31,662	32,382
Changes in:		
Prepaid insurance	37	(379)
Receivables	(167,456)	(7,456)
Accounts payable	(25,000)	(5,169)
Due to U.S. Treasury	<u>(264)</u>	<u>(125)</u>
Net cash provided by operating activities	<u>\$ 81,345</u>	<u>377,068</u>

See accompanying notes to financial statements.

# TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

## Notes to Financial Statements

December 31, 2012 and 2011

### (1) Summary of Significant Accounting Policies

#### (a) Nature of Activities

The Town of Amherst Industrial Development Agency (the Agency) is a public benefit corporation created in 1973 in accordance with Article 18-A of New York State (the State) General Municipal Law for the purpose of encouraging financially sound companies to locate and expand in the Town of Amherst, New York (the Town). The Agency is exempt from federal, State and local income taxes. The Agency is a separate entity and operates independently of the Town.

#### (b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. The Agency applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

#### (c) 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### (d) Cash and Equivalents

For purposes of the statements of cash flows, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

#### (e) Industrial Development Revenue Bond Transactions

Industrial development revenue bonds issued by the Agency are secured by the properties which are leased to companies and are retired by lease payments. The conduit debt arising from bonds and notes are not obligations of the Agency. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to facilitate the financing between the borrowing companies and the bond holders. The Agency receives bond administrative fees from the borrowing companies for providing this service. Such fees are recognized immediately upon issuance of funds.

## TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

### Notes to Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (f) Lease, Second and Collateral Mortgage Agreements and Other Financing Programs

Lease agreements are used for projects when no financing is needed. Typically the project is financed internally by the company or developer. Second and collateral mortgage agreements are a financing tool used only when there is a mortgage already on the property. There are typically two types of second mortgages available: (1) a fixed asset second mortgage which is used for tenant improvements and/or equipment when the builder/owner needs to borrow additional money; and (2) an equity asset mortgage which is used for permanent working capital when the borrower/owner borrows the appreciated value or equity in an existing building. There is a variety of other financing programs, such as equipment purchase mortgages, leasehold mortgages, installment sales, acquisitions and expansions that the Agency offers to participating companies.

The Agency does not record the assets or liabilities resulting from these activities in its accounts since its primary function is to arrange the financing. Funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives administrative fees from the borrowing companies. Such fees are recognized when earned.

##### (g) Payments in Lieu of Taxes

The Agency has entered into contractual arrangements with each of the client companies that have outstanding industrial development revenue bonds, whereby the client companies make payments in lieu of taxes to the Agency. Upon receipt of such payments, the Agency remits them to various taxing jurisdictions (Town of Amherst, County of Erie and various school districts) within the Town. The Agency does not reflect transactions regarding payments in lieu of taxes in its financial statements since its function in this area is to collect and remit the payments. The Agency does not charge a fee for this service.

The Agency collected and remitted \$6,770,959 and \$6,467,196 of payments in lieu of taxes for the years ended December 31, 2012 and 2011, respectively.

##### (h) Capitalization and Depreciation

Property and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenses for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of revenue, expenses and changes in net position.

##### (i) Budgetary Data

The budgetary data presented in the additional information to the financial statements reflects adopted annual budgets as modified.



## TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

### Notes to Financial Statements, Continued

#### (1) Summary of Significant Accounting Policies, Continued

##### (j) Subsequent Events

The Agency has evaluated events after December 31, 2012, and through March 26, 2013, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

##### (k) Income Taxes

The Agency is a quasi-governmental organization. The Agency is not subject to federal or State income taxes, nor is it required to file federal or State income tax returns; therefore, no provision for income taxes is reflected in the financial statements.

##### (l) Lease Termination Fee

During 2011, the Agency assessed a non-recurring lease termination fee of \$412,500 to accommodate HSBC's desire to terminate its legal commitment. HSBC subsequently entered into a lease assignment and assumption agreement with M&T Bank.

##### (m) New Accounting Pronouncements

Beginning in the year ended December 31, 2012, the Agency implemented GASB Statement No. 63 - "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." 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.

#### (2) Related Party Transactions

The Agency is related to the Town of Amherst Development Corporation (the Corporation), a not-for-profit corporation, through members of its Board of Directors. At December 31, 2012 and 2011, the Agency had a \$50,000 non-interest bearing note receivable from the Corporation.

The Agency provides office space and personnel at no cost to the Corporation. It is anticipated that the Agency will begin charging the Corporation for facilities and personnel if and when the amounts provided become financially material.

The Agency received a transfer from the Corporation of \$253,325 and \$40,950 for the year ended December 31, 2012 and 2011, respectively. The transfers were due to the Corporation receiving administrative fees related to two tax-exempt bond projects during 2012 and 2011.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(3) Cash and Cash Equivalents

The Agency's investment policies are governed by State statutes. In addition, the Agency has its own written investment policy. Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC)-insured commercial banks or trust companies located within the State and which have a branch office located within the Town. The Agency is authorized to use only demand accounts and certificates of deposit. Collateral is required for demand 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.

Cash and equivalents including restricted assets investments are comprised of the following:

At December 31, 2012, the Agency's financial institution bank account balances amounted to \$1,958,108. These balances included checking and money market funds. Deposits are recorded at cost plus accrued interest and categorized as either:

- (A) FDIC insured, or
- (B) Collateralized with securities held by the pledging financial institution in the Agency's name, or
- (C) Uncollateralized

Total deposits are categorized as follows:

<u>A</u>	<u>B</u>	<u>C</u>
\$ <u>479,748</u>	<u>1,480,691</u>	<u>-</u>

Cash and equivalents at December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Checking accounts	\$ 28,519	85,827
Petty cash	584	200
Money market accounts	<u>1,693,232</u>	<u>1,521,644</u>
	<u>\$ 1,722,335</u>	<u>1,607,671</u>

Restricted cash and equivalents at December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Community Development Block Grant funds restricted for future industrial development loans - cash on deposit - demand accounts	\$ 162,408	238,672
Funds restricted for mortgage escrow - cash on deposit - escrow accounts	<u>64,939</u>	<u>64,941</u>
	<u>\$ 227,347</u>	<u>303,613</u>

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(4) Pass-Through Grants

The Agency was awarded funds from a Community Development Block Grant in 1985 in the amount of \$200,000 from the Town of Amherst Special Grant Fund. The grant proceeds, and all interest earned thereon, are restricted to use for future loans to be made by the Agency to promote industrial development. At December 31, 2012 and 2011, the Agency is accountable for the following:

	<u>2012</u>	<u>2011</u>
Cash	\$ 162,408	238,672
Due to U.S. Treasury Department	<u>(99)</u>	<u>(363)</u>
	<u>\$ 162,309</u>	<u>238,309</u>

(5) Mortgage Payable

The Agency's mortgage with First Niagara Bank amounted to \$637,860 and \$675,972 at December 31, 2012 and 2011, respectively. The mortgage was refinanced on December 30, 2009, currently bears interest at 6% and is payable in 60 monthly installments of \$6,225 of principal and interest. At January 1, 2015, the rate will adjust daily to 2% above the Regular Fixed Advance Rate offered by the Federal Home Loan Bank of New York for instruments having a term of five years. However, in no event will the rate fall below 6%. Payments will be made in 60 monthly installments based on a 10-year amortization of the outstanding balance at January 1, 2015. A balloon payment for the remaining balance is due in January 1 2020. The terms of the mortgage require the Agency to maintain a restricted deposit with the bank which amounted to \$64,939 and \$64,941 at December 31, 2012 and 2011, respectively.

The mortgage requires the Agency to maintain a minimum debt coverage ratio of 1.2 to 1. The Agency's debt coverage ratios were 4.37 to 1 and 5.66 to 1 at December 31, 2012 and 2011, respectively.

The aggregate maturity of the mortgage payable for the five years following December 31, 2012 and thereafter is as follows:

2013	\$ 34,235
2014	39,552
2015	41,992
2016	44,582
2017	47,332
Thereafter	<u>430,167</u>
	<u>\$ 637,860</u>

## TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

### Notes to Financial Statements, Continued

#### (6) Pension Plan

The Agency adopted a defined contribution pension plan on October 1, 1987. The plan covers all employees who are 21 years of age and have completed one year's service. Contributions to the plan are made by the Agency at the rate of 7.7% of the employee's compensation. Employees are required to contribute at least 3% but not over 10% of their compensation. The Agency's policy is to fund pension costs as they accrue. The total pension cost for the Agency amounted to \$29,026 and \$28,258 during the years ended December 31, 2012 and 2011, respectively.

#### (7) Administrative Services Assessment

Through the Public Authorities Law Section 2975, the State of New York may assess an administrative fee for industrial development agencies. The State Division of the Budget has historically determined the amount of administrative fees to be paid by individual development agencies.

During 2010, the State assessed industrial development agencies an administrative fee. For the year ended December 31, 2010, the fee is equal to 4.53% of the 2009 operating revenue of the Agency. The amount of \$16,134 was included in accounts payable at December 31, 2010. This administration fee was rescinding in 2011 which resulted in the Agency receiving reimbursement for the entire amount of \$16,134.

Management has indicated that the State will not be requesting these funds for 2012 and 2011 and, therefore, has not recorded an accrued liability as of December 31, 2012 and 2011.

#### (8) Commitment and Contingencies

In January 1999, the Agency entered into an agreement with several other entities to stimulate economic development through debt or equity investment in technology start-ups in Western New York. This is being done through the Western New York Business Development Fund. Among other things, the agreement calls for the Agency to make a maximum commitment to fund investments in the amount of \$150,000. At December 31, 2012 and 2011, the Agency has funded \$50,000. This has been accomplished by the Agency loaning the funds to the Corporation, which in turn made investments to local businesses.

The Agency leases certain equipment under a non-cancellable operating lease through March 2015. Equipment rental and repair expense included equipment rental charges under this lease totaling \$3,110 and \$3,261 for the years ended December 31, 2012 and 2011, respectively. Future minimum payments under the operating lease are as follows:

2013	\$ 3,348
2014	3,348
2015	<u>837</u>
	\$ <u>7,533</u>

## TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

### Notes to Financial Statements, Continued

#### (9) Accounting Standards Issued But Not Yet Implemented

- GASB Statement No. 61 - "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements NO. 14 and No. 34." Changes the considerations and requirements related to component units included in financial statements of a primary government. The requirements of this statement are effective for periods beginning after June 15, 2012. This statement is not expected to have a material effect on the financial statements of the Agency.
- GASB Statement 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. The requirements of this statement are effective for periods beginning after December 15, 2012. This statement is not expected to have a material effect on the financial statements of the Agency.
- 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. This statement is not expected to have a material effect on the financial statements of the Agency.
- 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 requirements of this statement are effective for periods beginning after June 15, 2013. This statement is not expected to have a material effect on the financial statements of the Agency.
- 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 requirements of this statement are effective for periods beginning after June 15, 2014. This statement is not expected to have a material effect on the financial statements of the Agency.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY  
Notes to Financial Statements, Continued

(9) Accounting Standards Issued But Not Yet Implemented, Continued

- GASB Statement No. 69 - “Government Combinations and Disposals of Government Operations” establishes accounting and financial reporting standards for government mergers, acquisitions and disposals. The statement requires disclosures to be made about government combination and disposals of government operations to enable financial statement users to evaluate the nature and financial effect of those transactions. The requirements of this statement are effective for periods beginning after December 15, 2013. This statement is not expected to have a material effect on the financial statements of the Agency.

## TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Financing Activity  
1979 to 2012

	<u>Date</u> <u>Issued</u>	<u>Basis for computing</u> <u>administrative fees</u>
Industrial development revenue bonds	1979	\$ 2,090,000
	1980	10,599,000
	1981	4,030,000
	1982	5,375,000
	1983	4,305,000
	1984	24,809,665
	1985	28,593,000
	1986	20,565,250
	1987	26,520,200
	1988	50,173,000
	1989	31,270,000
	1990	17,217,000
	1991	28,473,300
	1992	13,541,452
	1993	20,697,393
	1994	19,381,125
	1995	16,700,291
	1996	45,622,164
	1997	67,256,562
	1998	34,667,822
	1999	58,229,176
	2000	81,840,506
	2001	31,662,263
	2002	20,975,000
	2003	<u>7,985,516</u>
Total industrial development revenue bonds		<u>672,579,685</u>
Lease agreements	1988	15,200,000
	1989	9,150,421
	1990	7,001,692
	1991	15,935,832
	1993	1,306,428
	1994	25,928,673
	1995	750,000
	1997	500,000
	1999	1,503,455
	2000	19,660,620
	2001	2,577,833
	2002	41,792,658
	2003	6,503,499
	2004	32,290,592

(Continued)

## TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

## Schedule of Financing Activity, Continued

	<u>Date issued</u>	<u>Basis for computing administrative fees</u>
Lease agreements, continued	2005	\$ 52,124,726
	2006	41,785,178
	2007	35,484,598
	2008	32,236,000
	2010	14,960,000
	2011	28,990,300
	2012	<u>43,605,993</u>
Total lease agreements		<u>429,288,498</u>
Second mortgage agreements	1988	1,110,000
	1989	250,000
	1990	1,585,000
	1992	125,000
	1995	95,000
	1996	1,985,000
	1997	1,000,000
	2001	287,000
	2002	800,000
	2003	4,655,957
	2004	2,600,000
	2005	235,000
	2006	874,000
	2007	2,662,798
	2008	3,625,984
	2010	1,150,000
	2011	2,872,551
	2012	<u>124,309</u>
Total second mortgage agreements		<u>26,037,599</u>
Third mortgage agreements	2010	2,800,000
	2011	<u>700,000</u>
Total third mortgage agreements		<u>3,500,000</u>
Mortgage modification transactions	2009	<u>250,000</u>
Assignment of leases	2002	5,048,750
	2004	17,029,930
	2005	13,861,726
	2006	10,500,000
	2007	12,967,258

(Continued)



## TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

## Schedule of Financing Activity, Continued

	<u>Date issued</u>	<u>Basis for computing administrative fees</u>
Assignment of leases, continued	2012	\$ 3,800,000
Total assignment of leases		<u>63,207,664</u>
Collateral mortgages	1991	200,000
	1992	530,000
	1994	673,000
	1996	300,000
	2003	<u>1,576,915</u>
Total collateral mortgages		<u>3,279,915</u>
Equipment purchase mortgages	1994	1,850,000
	1995	<u>824,064</u>
Total equipment purchase mortgages		<u>2,674,064</u>
Leasehold mortgages	1994	<u>1,020,000</u>
Installment sales	1991	466,494
	1993	312,000
	1994	303,113
	1996	3,854,000
	1997	918,631
	1998	2,361,315
	2000	61,069,108
	2001	2,338,546
	2003	1,757,976
	2004	12,763,495
	2005	8,474,818
	2006	9,830,000
	2007	32,085,780
	2008	18,870,000
	2009	15,443,508
	2010	6,580,000
	2011	28,500,000
	2012	<u>25,197,500</u>
Total installment sales		<u>231,126,284</u>
Acquisitions	1994	<u>2,865,700</u>
Expansions	1995	<u>1,300,000</u>

## TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

## Schedule of Financing Activity, Continued

	<u>Date issued</u>	<u>Basis for computing administrative fees</u>
Refinancing transactions	2001	8,600,000
	2002	960,000
	2003	559,750
	2004	5,491,750
	2005	26,384,367
	2006	20,327,894
	2007	24,808,265
	2008	34,860,000
	2009	5,380,779
	2011	482,550
	2012	<u>7,380,737</u>
Total refinancing transactions		<u>135,236,092</u>
Tax exempt bonds	2007	<u>14,860,000</u>
Projects with predetermined fees	2001	<u>46,121,000</u>
Projects with predetermined fees	2007	<u>866,686,576</u>
Total basis for computing administrative fee		<u>\$ 2,500,033,077</u>

## TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Detailed Financing Activity  
Year ended December 31, 2012

	<u>Date issued</u>	Basis for computing administrative fees
Lease agreements:		
Prometheus Books	11/10	\$ 246,750
60 Lawrence Bell/TP Woodside/Quality Plus, Inc.	11/10	1,486,762
Iskalo Dev. - 5178 Main St.	04/11	1,254,535
Affordable Housing Opp. Of NY	09/11	8,367,946
5000 Group, LLC	01/12	27,600,000
1085 Eggert Road LLC	12/12	2,125,000
2012 MCDMapleAyer, LLC - Constr. Fin.	2/12	2,000,000
2012 MCDMapleAyer, LLC -Perm. Fin.	12/12	<u>525,000</u>
		<u>43,605,993</u>
Second mortgage agreements - 2012 15 Limestone Dr., Assoc., LLC	08/12	<u>124,309</u>
Assignment of leases - 2012 B & S Northtowns Campus Group	01/12	<u>3,800,000</u>
Installment sales:		
3d Development Group, LLC	02/12	697,500
PHH Mortgage Corp.	12/12	16,000,000
M&T Bank Data Center - Tech (2 of 10)	7/11	<u>8,500,000</u>
		<u>25,197,500</u>
Refinancing Transaction:		
2012 Prime Wines Corp.	04/12	6,975,000
2012 Village Park Assoc., LLC	05/12	<u>405,737</u>
		<u>7,380,737</u>
Total 2012 Projects		<u>\$ 80,108,539</u>

## TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Revenue  
 Years ended December 31, 2008 through 2012

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenue:					
Administration fees	\$ 761,746	699,040	478,185	353,440	887,191
Lease termination fee	-	412,500	-	-	-
Refund of administrative services assessment	-	16,133	44,217	-	-
Application fees	2,500	7,500	6,000	2,500	3,000
Transfer from Amherst Development Corporation	253,325	40,950	477,475	-	-
Refund of expenditures	29,823	29,823	-	-	-
Grant income	-	-	-	-	18,764
Other revenue	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenue	1,049,644	1,205,946	1,005,877	355,940	908,955
Non-operating revenue - interest income	<u>2,825</u>	<u>2,965</u>	<u>3,998</u>	<u>12,515</u>	<u>26,470</u>
Total revenue	<u>\$ 1,052,469</u>	<u>1,208,911</u>	<u>1,009,875</u>	<u>368,455</u>	<u>935,425</u>

## TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Revenue and Expenses - Budget and Actual  
Year ended December 31, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenue:			
Administrative fees	\$ 525,000	761,746	236,746
Refunds of expenditures	32,800	32,073	(727)
Application fees	4,000	2,500	(1,500)
Transfer from Town of Amherst Development Corporation	<u>253,325</u>	<u>253,325</u>	<u>-</u>
Total operating revenue	<u>815,125</u>	<u>1,049,644</u>	<u>234,519</u>
Operating expenses:			
Salaries and benefits	488,750	491,777	(3,027)
Town of Amherst - CDBG Fees	-	76,000	(76,000)
Building mortgage interest	42,500	36,584	5,916
Professional fees	28,000	24,375	3,625
BNE participation	50,000	35,000	15,000
Office supplies and postage	16,750	14,099	2,651
Maintenance and landscaping	19,000	15,986	3,014
Insurance	22,500	16,366	6,134
Special events and projects	12,500	18,045	(5,545)
Marketing	3,500	1,000	2,500
Telephone	9,500	9,382	118
Utilities	9,000	6,306	2,694
Dues and subscriptions	9,500	8,035	1,465
Real property taxes	7,600	7,582	18
Meetings and conferences	6,500	5,322	1,178
Legal fees	1,500	972	528
Equipment rental and repair	14,200	4,670	9,530
Education	4,000	3,106	894
Auto and travel	6,300	1,009	5,291
Depreciation	<u>31,750</u>	<u>31,662</u>	<u>88</u>
Total operating expenses	<u>783,350</u>	<u>807,278</u>	<u>(23,928)</u>
Excess of operating revenue over operating expenses	31,775	242,366	210,591
Non-operating activities - interest income	<u>3,000</u>	<u>2,825</u>	<u>(175)</u>
Excess of revenue over expenses	<u>\$ 34,775</u>	<u>245,191</u>	<u>210,416</u>

## TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Revenue and Expenses - Budget and Actual  
Year ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenue:			
Administrative fees	\$ 700,000	1,111,540	411,540
Refunds of expenditures	31,500	45,956	14,456
Application fees	6,500	7,500	1,000
Transfer from Town of Amherst Development Corporation	<u>150,000</u>	<u>40,950</u>	<u>(109,050)</u>
Total operating revenue	<u>888,000</u>	<u>1,205,946</u>	<u>317,946</u>
Operating expenses:			
Salaries and benefits	504,200	487,273	16,927
Town of Amherst - CDBG Fees	-	76,000	(76,000)
Building mortgage interest	45,000	44,319	681
Professional fees	30,000	25,715	4,285
BNE participation	50,000	75,000	(25,000)
Office supplies and postage	19,500	14,830	4,670
Maintenance and landscaping	21,000	19,478	1,522
Insurance	20,000	10,573	9,427
Special events and projects	42,000	13,515	28,485
Marketing	10,000	230	9,770
Telephone	11,000	9,865	1,135
Utilities	11,000	7,944	3,056
Dues and subscriptions	8,500	7,999	501
Real property taxes	12,000	7,807	4,193
Meetings and conferences	7,000	4,882	2,118
Legal fees	10,000	1,550	8,450
Equipment rental and repair	19,000	4,741	14,259
Education	5,000	3,207	1,793
Auto and travel	7,000	821	6,179
Depreciation	<u>30,000</u>	<u>32,382</u>	<u>(2,382)</u>
Total operating expenses	<u>862,200</u>	<u>848,131</u>	<u>14,069</u>
Excess of operating revenue over operating expenses	25,800	357,815	332,015
Non-operating activities - interest income	<u>5,000</u>	<u>2,965</u>	<u>(2,035)</u>
Excess of revenue over expenses	<u>\$ 30,800</u>	<u>360,780</u>	<u>329,980</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS,  
INCLUDING COMPLIANCE WITH INVESTMENT GUIDELINES, BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Town of Amherst Industrial  
Development Agency:

We have audited, 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, the financial statements of Town of Amherst Industrial Development Agency (the Agency), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Agency's basic statements, and have issued our report thereon dated March 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, 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, including Investment Guidelines for Public Authorities and the Agency's Investment Guidelines, 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.

We noted certain matters that were reported to management of the Agency in a separate letter dated March 26, 2013.

### 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.

Toski & Co., CPAs, P.C.

Williamsville, New York  
March 26, 2013