

TOWN OF CLARENCE
INDUSTRIAL DEVELOPMENT AGENCY

*Basic Financial Statements, Required Supplementary
Information and Supplemental Information for the
Years Ended December 31, 2007 and 2006 and
Independent Auditors' Reports*

TOWN OF CLARENCE INDUSTRIAL DEVELOPMENT AGENCY
Basic Financial Statements, Required Supplementary Information
And Supplemental Information
For the Years Ended December 31, 2007 and 2006

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of Town of Clarence
Industrial Development Agency:

We have audited the accompanying financial statements of Town of Clarence Industrial Development Agency (the "Agency") as of and for the years ended December 31, 2007 and 2006, as listed in the foregoing table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2007 and 2006, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2008, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the foregoing table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the Agency's management. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplemental information listed in the foregoing table of contents is presented for the purpose of additional analysis and are not a required part of the basic financial statements. This supplemental information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Drescher & Malecki LLP

March 14, 2008

TOWN OF CLARENCE INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis For the Years Ended December 31, 2007 and 2006

As management of the Town of Clarence Industrial Development Agency (the "Agency") we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the years ended December 31, 2007 and 2006. This narrative should be read in conjunction with the Agency's financial statements which follow this section.

Financial Highlights:

- The assets of the Agency exceed its liabilities at December 31, 2007 and 2006 by \$678,286 and \$538,771, respectively (these amounts are termed *unrestricted net assets*). These funds may be used to fund the Agency's ongoing operations.
- The Agency's total net assets increased by \$139,515 and \$83,228 during the fiscal years ended December 31, 2007 and 2006, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. This report includes the independent auditors' report, management's discussion and analysis, financial statements and notes to financial statements.

Required Financial Statements – The financial statements are prepared using the accrual basis of accounting. The financial statements include:

- *Statements of Net Assets* – shows all assets, liabilities and net assets of the Agency at December 31, 2007 and 2006.
- *Statements of Activities* – shows the financial activity for the years ended December 31, 2007 and 2006 and displays how this financial activity changes the Agency's net assets.
- *Statements of Cash Flows* – shows the cash provided and used during 2007 and 2006 and how it effects the cash balance at December 31, 2007 and 2006.
- *Notes to the Financial Statements* – provide information regarding the Agency and explain in more detail information included in the financial statements.

Financial Analysis - The Agency provides administrative assistance to companies within the Town of Clarence and has limited operations. The Agency does not have any long-term debt or full time employees. When analyzing financial condition and the impact of current year operating activities, Agency management believes the most important issue is whether the Agency is better off than it was in the prior year. The *statement of net assets* and the *statement of activities* can assist in determining whether the Agency is better off. The *statement of cash flows* provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing and capital financing activities of the Agency during the year. This statement helps users assess the Agency's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing. Condensed financial highlights of these statements are included on the following page.

Condensed Statement of Net Assets:

	2007	2006	2005
Assets:			
Current assets	\$ <u>678,286</u>	\$ <u>538,771</u>	\$ <u>458,643</u>
Liabilities:			
Current liabilities	\$ -	\$ -	\$ 3,100
Net Assets:			
Unrestricted	\$ <u>678,286</u>	\$ <u>538,771</u>	\$ <u>455,543</u>
	\$ <u>678,286</u>	\$ <u>538,771</u>	\$ <u>458,643</u>

The Agency's current assets are comprised entirely of cash and cash equivalents. These assets have increased significantly over the past two years as a result of operating performance.

The Agency's balances of net assets at December 31, 2007 and 2006 are considered "unrestricted", since they can be used for activities in accordance with the goals of the Agency.

Agency activities – Agency activities increased net assets by \$139,515 and \$83,228 during the years ended December 31, 2007 and 2006. Key elements of this increase are as follows:

	2007	2006	2005
Revenues, Expenses and Changes in Net Assets:			
Operating revenues	\$ 180,740	\$ 87,631	\$ 203,102
Operating expenses	<u>68,480</u>	<u>19,232</u>	<u>13,073</u>
Net operating income	112,260	68,399	190,029
Nonoperating revenues	<u>27,255</u>	<u>14,829</u>	<u>5,232</u>
Increase in net assets	139,515	83,228	195,261
Net assets - beginning	<u>538,771</u>	<u>455,543</u>	<u>260,282</u>
Net assets - ending	\$ <u>678,286</u>	\$ <u>538,771</u>	\$ <u>455,543</u>

Operating revenues represent the closing of transactions (and associated fees and charges) that assist businesses within the Town of Clarence. This assistance can take the form of lease transactions, assistance with bond issuances or sales tax exemptions, which generally allow such businesses to expand. During 2007, the Agency assisted several such transactions in which they received larger fees, operating revenues increased by \$93,109 from 2006 (a 52% increase over 2006).

The Agency's expenses consist of advertising, consulting and other administrative costs related to general operations. The increase in operating costs from 2005 to 2006, reflects additional advertising and consulting costs incurred. The increase in operating costs from 2006 to 2007, reflects additional advertising and an increase in consulting costs.

Cash flows – Agency cash and cash equivalents increased by \$139,515, \$80,128 and \$172,642 for the years ended December 31, 2007, 2006 and 2005, respectively. Key elements of these increases are as follows:

	2007	2006	2005
Cash flows form:			
Operating activities	\$ 112,260	\$ 65,299	\$ 167,410
Investing activities	<u>27,255</u>	<u>14,829</u>	<u>5,232</u>
Net increase	139,515	80,128	172,642
Cash and cash equivalents - beginning	<u>538,771</u>	<u>458,643</u>	<u>286,001</u>
Cash and cash equivalents - ending	<u>\$ 678,286</u>	<u>\$ 538,771</u>	<u>\$ 458,643</u>

The increases in cash and cash equivalents reflect the operating activities.

Capital Assets and Debt – The Agency does not own any capital assets, nor has it issued any debt instruments.

Economic Factors – The Agency’s financial status and level of activity have improved over the past year. Additionally, there are several projects in the planning and development stages.

Contacting the Agency – Questions regarding this report or requests for additional information should be directed to the Town of Clarence Industrial Development Agency, One Town Place, Clarence, New York 14031.

TOWN OF CLARENCE INDUSTRIAL DEVELOPMENT AGENCY
Statements of Net Assets
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 678,286	\$ 538,771
Total current assets	<u>678,286</u>	<u>538,771</u>
Total assets	<u>678,286</u>	<u>538,771</u>
LIABILITIES		
Total liabilities	<u>-</u>	<u>-</u>
NET ASSETS		
Unrestricted	<u>\$ 678,286</u>	<u>\$ 538,771</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CLARENCE INDUSTRIAL DEVELOPMENT AGENCY
Statements of Activities
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Administrative fees	\$ 180,740	\$ 87,631
Operating expenses:		
Accounting services	4,000	2,650
Administrative costs	8,604	2,222
Advertising	42,083	2,932
Consultants	9,250	7,500
Insurance	4,171	3,150
Office supplies	<u>372</u>	<u>778</u>
Total operating expenses	<u>68,480</u>	<u>19,232</u>
Operating income	112,260	68,399
Nonoperating revenue:		
Interest earnings	<u>27,255</u>	<u>14,829</u>
Change in net assets	139,515	83,228
Net assets - beginning	<u>538,771</u>	<u>455,543</u>
Net assets - ending	<u>\$ 678,286</u>	<u>\$ 538,771</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CLARENCE INDUSTRIAL DEVELOPMENT AGENCY
Statements of Cash Flows
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received for services provided	\$ 180,740	\$ 87,631
Payments made for operating costs	<u>(68,480)</u>	<u>(22,332)</u>
Net cash provided by operating activities	<u>112,260</u>	<u>65,299</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest earned	<u>27,255</u>	<u>14,829</u>
Net cash provided by investing activities	<u>27,255</u>	<u>14,829</u>
Net increase in cash and cash equivalents	139,515	80,128
Cash and cash equivalents - beginning	<u>538,771</u>	<u>458,643</u>
Cash and cash equivalents - ending	<u>\$ 678,286</u>	<u>\$ 538,771</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>112,260</u>	<u>68,399</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Decrease) in accounts payable	<u>-</u>	<u>(3,100)</u>
Total adjustments	<u>-</u>	<u>(3,100)</u>
Net cash provided by operating activities	<u>\$ 112,260</u>	<u>\$ 65,299</u>

The notes to the financial statements are an integral part of this statement.

Town of Clarence Industrial Development Agency
Notes to Financial Statements
Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations—The Town of Clarence Industrial Development Agency (the “Agency”) is a public benefit corporation and was created in 1973 under Title I Article 18-A of New York State General Municipal Law for the purpose of encouraging financially sound companies to locate and expand in the Town of Clarence, New York (the “Town”). The Agency is exempt from Federal income taxes and New York State franchise taxes.

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America. Significant accounting policies are listed below.

Basis of Accounting—The accounts of the Agency are maintained on the accrual basis of accounting.

Tax Status— The Agency is exempt from Federal income taxes and New York State franchise taxes.

Industrial Development Revenue Bond and Note Transactions—Industrial development revenue bonds and notes issued by the Agency are secured by the properties which are leased to companies and are retired by lease payments. The bonds and notes are not obligations of the Agency, the Town or the State of New York. 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 arrange the financing between the borrowing companies and the bond and note holders. The funds arising there from are controlled by trustees or banks acting as fiscal agents. The Agency receives bond administrative fees from the borrowing companies for providing the service. Such administrative fee income is recognized immediately upon issuance of the bonds and notes.

Lease Transactions—The Agency has established a lease program to provide state and local tax benefits to companies developing industrial properties. Under this program, the Agency receives title to properties under development and leases the property to the previous titleholder (lessee). The Agency generally contracts for payment-in-lieu-of-tax agreements between lessees and participating municipalities. All risks associated with property ownership and business activities on such property remain with the lessee. Title to those properties is transferred back to the lessee at the end of the maximum tax benefit period or at any time during the lease period at the option of the lessee. The Agency does not record assets acquired under the lease program since the Agency’s primary function is to provide state and local tax benefits to the lessee. The Agency receives lease administrative fees from the lessee for providing this service. Such administrative fee income is recognized at lease inception or ratably over the term of the lease depending on the agreement terms between the lessee and the Agency.

Statements of Cash Flows—For purposes of the statement of cash flows, the Agency considers cash and cash equivalents to be all cash accounts and short-term investments purchased with a maturity of three months or less.

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 reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Future Impacts of Accounting Pronouncements— The Agency has not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and GASB Statement No. 50 *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27* which are effective for the year ending December 31, 2008; GASB Statement No.45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No.52, *Land and Other Real Estate Held as Investments by Endowments* which are effective for the year ending December 31, 2009; and GASB Statement No. 51, *Accounting and Reporting for Intangible Assets* which is effective for the year ending December 31, 2010. The Agency is, therefore, unable to disclose the impact that adopting GASB Statements Nos. 43, 45, 49, 50, 51 and 52 will have on its financial position and results of operations.

2. CASH AND CASH EQUIVALENTS

The Agency’s investment policies are governed by New York State statutes. There were no investments at December 31, 2007 or 2006. All deposits are carried at fair value.

Collateral is required for demand deposits and certificates of deposits for all deposits 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 cash equivalents:

	December 31, 2007		December 31, 2006	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured (FDIC)	\$ 111,986	\$ 110,616	\$ 114,959	\$ 112,502
Uninsured:				
Collateralized	567,670	567,670	426,269	426,269
Total deposits	\$ 679,656	\$ 678,286	\$ 541,228	\$ 538,771

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Agency’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2007 and 2006, all Agency deposits were either FDIC insured or collateralized.

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Supplemental Information

Presented as supplemental information is certain information as required to be reported under New York State Public Authority Law.

Town of Clarence Industrial Development Agency
Schedule of Investments
Year Ended December 31, 2007

Annual Investment Report - §2925(6) of Public Authorities Law of the State of New York requires that each public authority must annually prepare an investment report which shall include (a) investment guidelines, (b) amendments to such guidelines since the last investment report, (c) an explanation of the investment guidelines and amendments, (d) results of the annual independent audit, (e) the investment income record of the Agency, and (f) a list of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Agency since the last investment report.

- a. Investment guidelines – the Agency’s investment policy was adopted by the Board of Directors.
- b. Amendments to guidelines – none
- c. Explanation of guidelines and investments – the Agency has not made any amendments to its investment policy, which restrict investments to money market accounts and certificates of deposit.
- d. Results of the annual independent audit – the independent auditors have issued an unqualified opinion on the Agency’s financial statements for the year ended December 31, 2007.
- e. Investment income record – investment income for the year ended December 31, 2007 consisted of:

	Interest Earned
Bank of Akron - checking account	\$ 63
HSBC Bank - money market account	19,731
HSBC Bank - certificate of deposit	<u>7,461</u>
	<u>\$ 27,255</u>

- f. List of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Agency since the last investment report – no such fees or commissions were paid during the year ended December 31, 2007.

Town of Clarence Industrial Development Agency
Real Property Listing
Year Ended December 31, 2007

1. **Real Property List** - §2896(3) of Public Authorities Law of the State of New York requires that each public authority must publish, at least annually, a report listing all real property of the authority. At December 31, 2007, the Agency owned the following real property:

Date Acquired	Section/Block/Lot Identification	Property Location and Description	Recorded Value
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The Agency owned no real property at December 31, 2007

2. **Real Property Acquisitions/Dispositions** – during the year ended December 31, 2007, the Agency neither acquired nor disposed of any real property.

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Members of the Town of Clarence
Industrial Development Agency:

We have audited the financial statements of Town of Clarence Industrial Development Agency (the "Agency") as of and for the year ended December 31, 2007, and have issued our report thereon dated March 14, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting and that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of members of the Agency, its management, the New York State Office of the State Comptroller and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than these specified parties.

Dresser & Malecki LLP

March 14, 2008