

TOWN OF AMHERST
INDUSTRIAL DEVELOPMENT AGENCY
AMHERST, NEW YORK

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

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

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TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

300 ESSJAY ROAD, STE 115
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Town of Amherst Industrial
Development Agency:

We have audited the accompanying statements of net assets of the Town of Amherst Industrial Development Agency as of December 31, 2011 and 2010, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. 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 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 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 Town of Amherst Industrial Development Agency as of December 31, 2011 and 2010, and the changes in its net assets and its 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 2, 2012 on our consideration of the Town of Amherst Industrial Development 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 19 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Amherst Industrial Development Agency's financial statements as a whole. The information has been subjected to the auditing procedures applied in the audit 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. The additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 2, 2012

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Management's Discussion and Analysis

December 31, 2011

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 fiscal year ended December 31, 2011. 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, 2011 by \$2,028,447. Of this amount, \$1,668,569 (unrestricted net assets) may be used to meet ongoing obligations and \$56,265 is invested in capital assets, net of related debt.
- The Agency's total net assets increased by \$360,780.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

- The Statements of Net Assets - 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 Assets - Show the financial activity for 2011 and 2010 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 2011 and 2010 and how it affects cash balances of December 31, 2011 and 2010. This information can be found on page 12.

The notes to the basic financial statements provide information regarding the Agency and explain in more detail some of the information in the basic 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, 2011, assets exceeded liabilities by \$2,028,447.

Summary of Amherst Industrial Development Agency's Net Assets

	<u>2011</u>	<u>2010</u>
Current assets	\$ 1,653,933	1,227,717
Capital assets, net of depreciation	732,236	757,211
Restricted assets	303,613	379,742
Other assets	<u>50,000</u>	<u>50,000</u>
Total assets	<u>2,739,782</u>	<u>2,414,670</u>
Current liabilities	70,437	73,693
Long-term liabilities	<u>640,898</u>	<u>673,310</u>
Total liabilities	<u>711,335</u>	<u>747,003</u>
Invested in capital assets, net of related debt	56,265	50,865
Restricted for future industrial development loans	238,672	314,797
Restricted for mortgage escrow	64,941	64,945
Unrestricted	<u>1,668,569</u>	<u>1,237,060</u>
Total net assets	\$ <u>2,028,447</u>	<u>1,667,667</u>

A large portion of the Agency's net assets (82.3%) is unrestricted and available to meet ongoing and future liabilities. Other portions of the Agency's assets, such as future industrial development loans (11%) and mortgage escrow (3.2%), 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 balance in its net asset category.

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

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

Summary Statement of Revenue, Expenses and Changes in Net Assets

	<u>2011</u>	<u>2010</u>
Operating revenue	\$ 1,205,946	1,034,553
Operating expenses	(848,131)	(733,563)
Non-operating activities	<u>2,965</u>	<u>3,998</u>
Excess of revenue over expenses	360,780	304,988
Net assets at January 1	<u>1,667,667</u>	<u>1,362,679</u>
Net assets at December 31	\$ <u>2,028,447</u>	<u>1,667,667</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>			Amount of Increase (Decrease)	Percent of Increase (Decrease)
	<u>2011</u>	Percent of Total	<u>2010</u>		
Operating revenue:					
Administration fees	\$ 699,040	57.82%	478,185	220,855	46.19%
Lease termination fees	412,500	34.13%	-	412,500	100.00%
Other revenue - refund	45,956	3.77%	72,893	(26,937)	-37.00%
Application fees	7,500	0.62%	6,000	1,500	25.00%
Transfer from Amherst Development Corporation	<u>40,950</u>	<u>3.39%</u>	<u>477,475</u>	<u>(436,525)</u>	<u>-91.42%</u>
Total operating revenue	<u>1,205,946</u>	<u>99.76%</u>	<u>1,034,553</u>	<u>171,393</u>	<u>16.57%</u>
Non-operating revenue:					
Interest income	<u>2,965</u>	<u>0.24%</u>	<u>3,998</u>	<u>(1,033)</u>	<u>-25.84%</u>
Total non-operating revenue	<u>2,965</u>	<u>0.24%</u>	<u>3,998</u>	<u>(1,033)</u>	<u>-25.84%</u>
Total revenue	\$ <u>1,208,911</u>	<u>100.00%</u>	<u>1,038,551</u>	<u>170,360</u>	<u>16.40%</u>

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

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

- **Administrative fees** - The number of projects and the basis of the projects increased during the year, and therefore, there was an increase in fees collected on projects in 2010.
- **Lease termination fees** - The amount is the result of HSBC leasing operations in Amherst and the subsequent renegotiation of the lease obligation.
- **Other revenue** - This was a reimbursement from New York State for the Public Authority Assessment Tax that was accrued in 2010. The tax was rescinded in 2011 and the Agency received a full refund.
- **Interest income** - Interest rates are 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>2011</u>	<u>Percent of Total</u>	<u>2010</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating expenses:					
Salaries and benefits	\$ 487,273	47.45%	468,885	18,388	3.90%
General operating	347,113	40.93%	222,175	124,938	56.23%
Administrative services assessment	-	0.00%	16,134	(16,134)	-100.00%
Marketing/events	<u>13,745</u>	<u>1.62%</u>	<u>26,369</u>	<u>(12,624)</u>	<u>-47.87%</u>
Total operating expenses	\$ <u>848,131</u>	<u>100.00%</u>	<u>733,563</u>	<u>114,568</u>	<u>15.60%</u>

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

- **General operating** - During 2011, the Agency remitted \$76,000 of CDBG funds to the Town of Amherst an increase of \$76,000 from the year ended December 31, 2010. Additionally, the Agency recognized an increase in its participation level with the BNE by \$55,000.
- **Administrative services assessment** - There was a New York State Public Authority Assessment Tax that was levied in 2009 and then rescinded in 2010. The Agency received a full refund in 2010 for \$44,217. During 2010, the State assessed the tax in the amount of \$16,134, which is 4.53% of 2009 operating revenue. This amount was refunded in full during 2011.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Agency's investment in capital assets for its activities as of December 31, 2011, amounted to \$732,236 (net of accumulated depreciation). The investment in capital assets includes leasehold improvements and equipment.

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

Capital assets net of depreciation are presented below:

Summary of Town of Amherst Industrial Development Agency's Capital Assets
(Net of Depreciation)

	<u>2011</u>	<u>2010</u>
Land	\$ 100,000	100,000
Leasehold improvements	18,709	18,709
Equipment	144,376	136,969
Building	<u>719,835</u>	<u>719,835</u>
	982,920	975,513
Less accumulated depreciation	<u>(250,684)</u>	<u>(218,302)</u>
	\$ <u>732,236</u>	<u>757,211</u>

Current Liabilities

As of December 31, 2011, the Agency had current liabilities in the amount of \$70,437 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 \$640,898 at December 31, 2011 for a mortgage note on its building.

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

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: Amherst Industrial Development Agency, 4287 Main Street, Amherst, NY 14226.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
 Statements of Net Assets
 December 31, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and equivalents	\$ 1,607,671	1,189,290
Prepaid insurance	4,988	4,609
Receivables:		
Accounts receivable	7,456	-
Grant receivable	<u>33,818</u>	<u>33,818</u>
Total receivables	<u>41,274</u>	<u>33,818</u>
Total current assets	<u>1,653,933</u>	<u>1,227,717</u>
Property and equipment at cost:		
Land	100,000	100,000
Leasehold improvements	18,709	18,709
Equipment	144,376	136,969
Building	<u>719,835</u>	<u>719,835</u>
	982,920	975,513
Less accumulated depreciation	<u>(250,684)</u>	<u>(218,302)</u>
Net property and equipment	<u>732,236</u>	<u>757,211</u>
Other assets - note receivable, related party	<u>50,000</u>	<u>50,000</u>
Restricted assets:		
Restricted for future industrial development loans	238,672	314,797
Cash restricted for mortgage escrow	<u>64,941</u>	<u>64,945</u>
Total restricted assets	<u>303,613</u>	<u>379,742</u>
Total assets	<u>\$ 2,739,782</u>	<u>2,414,670</u>

(Continued)

See accompanying notes to financial statements.

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

<u>Liabilities and Net Assets</u>	<u>2011</u>	<u>2010</u>
Current liabilities:		
Accounts payable	\$ 35,000	40,169
Due to U.S. Treasury Department	363	488
Current installments of mortgage payable	<u>35,074</u>	<u>33,036</u>
Total current liabilities	70,437	73,693
Mortgage payable, less current portion	<u>640,898</u>	<u>673,310</u>
Total liabilities	<u>711,335</u>	<u>747,003</u>
Net assets:		
Invested in capital assets, net of related debt	56,265	50,865
Restricted:		
Restricted for future industrial development loans	238,672	314,797
Restricted for mortgage escrow	<u>64,941</u>	<u>64,945</u>
Total restricted net assets	<u>303,613</u>	<u>379,742</u>
Unrestricted:		
Reserved for future investments	100,000	100,000
Unreserved	<u>1,568,569</u>	<u>1,137,060</u>
Total unrestricted net assets	<u>1,668,569</u>	<u>1,237,060</u>
Total net assets	<u>2,028,447</u>	<u>1,667,667</u>
Commitment and contingencies (note 8)	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 2,739,782</u>	<u>2,414,670</u>

See accompanying notes to financial statements.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
 Statements of Revenue, Expenses and Changes in Net Assets
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue:		
Administrative fees	\$ 699,040	478,185
Lease termination fees	412,500	-
Application fees	7,500	6,000
Refund of expenditures	29,823	28,676
Refund of administrative services assessment	16,133	44,217
Transfer from Amherst Development Corporation	<u>40,950</u>	<u>477,475</u>
Total operating revenue	<u>1,205,946</u>	<u>1,034,553</u>
Operating expenses:		
Salaries and benefits, net	<u>487,273</u>	<u>468,885</u>
General and administrative:		
Town of Amherst - CDBG Funds	76,000	-
Building mortgage interest	44,319	43,415
Professional fees	25,715	23,395
BNE participation	75,000	20,000
Office supplies and postage	14,830	17,212
Maintenance and landscaping	19,478	16,148
Administrative services assessment	-	16,134
Insurance	10,573	15,467
Special events and projects	13,515	14,244
Marketing	230	12,125
Telephone	9,865	10,003
Utilities	7,944	8,116
Dues and subscriptions	7,999	7,831
Real property taxes	7,807	7,612
Meetings and conferences	4,882	5,393
Legal fees	1,550	4,598
Equipment rental and repair	4,741	4,547
Education	3,207	2,763
Auto and travel	<u>821</u>	<u>1,371</u>
Total general and administrative	<u>328,476</u>	<u>230,374</u>
Depreciation	<u>32,382</u>	<u>34,304</u>
Total operating expenses	<u>848,131</u>	<u>733,563</u>
Increase in net assets from operations	<u>357,815</u>	<u>300,990</u>
Non-operating activities - interest income	<u>2,965</u>	<u>3,998</u>
Increase in net assets	360,780	304,988
Net assets at beginning of year	<u>1,667,667</u>	<u>1,362,679</u>
Net assets at end of year	<u>\$ 2,028,447</u>	<u>1,667,667</u>

See accompanying notes to financial statements.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
 Statements of Cash Flows
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Fees received	\$ 1,129,040	484,185
Refund of administrative services assessment	16,133	44,217
Refund of expenditures	22,367	-
Transfers from Amherst Development Corporation	40,950	477,475
Payments to employees and vendors	<u>(831,422)</u>	<u>(672,057)</u>
Net cash provided by operating activities	<u>377,068</u>	<u>333,820</u>
Cash flows from investing activities:		
Additions to equipment	(7,407)	(3,317)
Interest income	2,965	3,998
Withdrawals from restricted deposits	<u>76,129</u>	<u>3</u>
Net cash provided by investing activities	<u>71,687</u>	<u>684</u>
Cash flows from financing activities - repayments of long-term debt	<u>(30,374)</u>	<u>(31,279)</u>
Net increase in cash and equivalents	418,381	303,225
Cash and equivalents at beginning of year	<u>1,189,290</u>	<u>886,065</u>
Cash and equivalents at end of year	<u>\$ 1,607,671</u>	<u>1,189,290</u>
Cash flows from operating activities:		
Increase in net assets from operations	357,815	300,990
Adjustments to reconcile increase in net assets from operations to net cash provided by operating activities:		
Depreciation	32,382	34,304
Changes in:		
Prepaid insurance	(379)	(4,609)
Receivables	(7,456)	7,169
Accounts payable	(5,169)	(4,048)
Due to U.S. Treasury	<u>(125)</u>	<u>14</u>
Net cash provided by operating activities	<u>\$ 377,068</u>	<u>333,820</u>

See accompanying notes to financial statements.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements

December 31, 2011 and 2010

(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 \$6,467,196 and \$6,516,014 of payments in lieu of taxes for the years ended December 31, 2011 and 2010, 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 assets.

(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, 2011, and through January 19, 2012, 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. The fee was assessed in order to accommodate HSBC's desire to terminate its legal commitment. HSBC subsequently entered into a lease assignment and assumption agreement with M&T Bank.

(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, 2011 and 2010, 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 \$40,950 and \$477,475 for the year ended December 31, 2011 and 2010, respectively. The transfers were due to the Corporation receiving administrative fees related to two tax-exempt bond projects during 2011 and 2010.

(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 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.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(3) Cash and Cash Equivalents, Continued

Cash and investments are comprised of the following:

At December 31, 2011, the Agency's financial institution bank account balances amounted to \$1,877,073. 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>616,756</u>	<u>1,260,317</u>	<u>-</u>

Cash and equivalents at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Checking accounts	\$ 85,827	67,785
Petty cash	200	200
Money market accounts	<u>1,521,644</u>	<u>1,121,305</u>
	\$ <u>1,607,671</u>	<u>1,189,290</u>

Restricted cash and investments at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Community Development Block Grant funds restricted for future industrial development loans - cash on deposit - demand accounts	\$ 238,672	314,797
Funds restricted for mortgage escrow - cash on deposit - escrow accounts	<u>64,941</u>	<u>64,945</u>
	\$ <u>303,613</u>	<u>379,742</u>

(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, 2011 and 2010, the Agency is accountable for the following:

	<u>2011</u>	<u>2010</u>
Cash	\$ 238,672	314,797
Due to U.S. Treasury Department	<u>(363)</u>	<u>(488)</u>
	\$ <u>238,309</u>	<u>314,309</u>

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(5) Mortgage Payable

The Agency's mortgage with First Niagara Bank amounted to \$675,972 and \$706,346 at December 31, 2011 and 2010, 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 \$64,941 and \$64,945 at December 31, 2011 and 2010, respectively.

The mortgage requires the Agency to maintain a certain debt coverage ratio. At December 31, 2011 and 2010, the Agency is in compliance with this requirement.

Future principal payments as of December 31, 2011 are as follows:

2012	\$ 35,074
2013	37,237
2014	39,534
2015	38,570
2016	44,561
Thereafter	<u>480,996</u>
	\$ <u>675,972</u>

(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 \$28,258 and \$27,172 during the years ended December 31, 2011 and 2010, respectively.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(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 Budget has historically determined the amount of administrative fees to be paid by individual development agencies. This administrative fee was rescinded in 2010 which resulted in the Agency receiving reimbursement for the entire amount of \$44,217.

During 2010, the State again 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 is 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 2011 and therefore has not recorded an accrued liability as of December 31, 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, 2011 and 2010, the Agency has funded \$50,000. This has been accomplished by the Agency loaning the funds to the Town of Amherst Development Corporation, which in turn made investments to local businesses.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Financing Activity
1979 to 2011

	Date Issued	Basis for computing <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	<u>28,990,300</u>
Total lease agreements		<u>385,682,505</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	<u>2,872,551</u>
Total second mortgage agreements		<u>25,913,290</u>
Third mortgage agreements	2010	2,800,000
	2011	<u>700,000</u>
		<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	<u>12,967,258</u>
Total assignment of leases		<u>59,407,664</u>

(Continued)

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Financing Activity, Continued

	<u>Date issued</u>	<u>Basis for computing administrative fees</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	<u>28,500,000</u>
Total installment sales		<u>205,928,784</u>
Acquisitions	1994	<u>2,865,700</u>
Expansions	1995	<u>1,300,000</u>
Refinancing transactions	2001	8,600,000
	2002	960,000
	2003	559,750
	2004	5,491,750

(Continued)

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Financing Activity, Continued

	<u>Date issued</u>	<u>Basis for computing administrative fees</u>
Refinancing transactions, continued	2005	\$ 26,384,367
	2006	20,327,894
	2007	24,808,265
	2008	34,860,000
	2009	5,380,779
	2011	<u>482,550</u>
Total refinancing transactions		<u>127,855,355</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>\$ 2,419,924,538</u>

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Detailed Financing Activity

Year ended December 31, 2011

	<u>Date issued</u>	Basis for computing administrative <u>fees</u>
Lease agreements:		
Bryant & Stratton College	3/10	\$ 5,552,948
Northtown Auto. Co. (3845 and 3860 Sheridan Drive)	5/10	7,902,082
Iskalo Dev. (5727 Main)	11/10	1,192,000
SB Holdings, LLC	5/11	1,300,000
Prime Wines Corp.	8/11	8,883,270
Iskalo Dev. Corp. - 5000 Main Street	9/11	<u>3,500,000</u>
		<u>28,330,300</u>
Second Mortgage Transaction:		
500 Corporate Parkway	2/11	2,372,551
2250 Wehrle Drive	5/11	<u>500,000</u>
		<u>2,872,551</u>
Third Mortgage Transaction:		
3500 Sheridan, LLC	6/11	<u>700,000</u>
Installment sales:		
M&T Bank Data Center - FFE	7/11	20,000,000
M&T Bank Data Center - Tech.	7/11	<u>8,500,000</u>
		<u>28,500,000</u>
Refinancing Transaction:		
2011 Iskalo Asset Fund II, LLC (5839 Main)	8/11	373,496
Sachel, LLC	9/11	<u>109,054</u>
		<u>482,550</u>
Projects with predetermined fees - HSBC Technology & Service (USA), Inc. \$866,686,576 - 2007 project to be conducted over a period not to exceed 15 years. Commencing 2008. Annual fee to Agency was \$150,000. The lease was terminated during 2011.		
Total 2011 Projects		<u>\$ 60,885,401</u>

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Revenue

Years ended December 31, 2007 through 2011

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenue:					
Administration fees	\$ 699,040	478,185	353,440	887,191	1,287,530
Lease termination fee	412,500	-	-	-	-
Refund of administrative services assessment	16,133	44,217	-	-	-
Application fees	7,500	6,000	2,500	3,000	10,500
Transfer from Amherst Development Corporation	40,950	477,475	-	-	-
Legal fees - financing activities	-	-	-	-	-
Refund of expenditures	29,823	28,676	-	-	-
Grant income	-	-	-	18,764	56,736
Rental income	-	-	-	-	1,100
Total operating revenue	<u>1,205,946</u>	<u>1,034,553</u>	<u>355,940</u>	<u>908,955</u>	<u>1,355,866</u>
Non-operating revenue - interest income	<u>2,965</u>	<u>3,998</u>	<u>12,515</u>	<u>26,470</u>	<u>36,248</u>
Total revenue	<u>\$1,208,911</u>	<u>1,038,551</u>	<u>368,455</u>	<u>935,425</u>	<u>1,392,114</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 Amherst Development Corporation	150,000	40,950	(109,050)
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	30,000	32,382	(2,382)
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	5,000	2,965	(2,035)
Excess of revenue over expenses	<u>\$ 30,800</u>	<u>360,780</u>	<u>329,980</u>

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY

Schedule of Revenue and Expenses - Budget and Actual

Year ended December 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating revenue:			
Administrative fees	\$ 400,000	478,185	78,185
Refund of administrative services assessment	44,217	72,893	28,676
Application fees	6,500	6,000	(500)
Transfer from Amherst Development Corporation	<u>475,000</u>	<u>477,475</u>	<u>2,475</u>
Total operating revenue	<u>925,717</u>	<u>1,034,553</u>	<u>108,836</u>
Operating expenses:			
Salaries and benefits	433,500	468,885	(35,385)
Building mortgage interest	45,000	43,415	1,585
Professional fees	25,000	23,395	1,605
BNE participation	20,000	20,000	-
Office supplies and postage	19,500	17,212	2,288
Maintenance and landscaping	25,000	16,148	8,852
Administrative services assessment	-	16,134	(16,134)
Insurance	18,000	15,467	2,533
Special events and projects	25,000	14,244	10,756
Marketing	15,000	12,125	2,875
Telephone	10,000	10,003	(3)
Utilities	10,000	8,116	1,884
Dues and subscriptions	8,500	7,831	669
Real property taxes	7,700	7,612	88
Meetings and conferences	6,000	5,393	607
Legal fees	6,000	4,598	1,402
Equipment rental and repair	3,500	4,547	(1,047)
Education	3,000	2,763	237
Auto and travel	6,500	1,371	5,129
Depreciation	<u>36,000</u>	<u>34,304</u>	<u>1,696</u>
Total operating expenses	<u>723,200</u>	<u>733,563</u>	<u>(10,363)</u>
Excess of operating revenue over operating expenses	202,517	300,990	98,473
Non-operating activities - interest income	<u>4,000</u>	<u>3,998</u>	<u>(2)</u>
Excess of revenue over expenses	<u>\$ 206,517</u>	<u>304,988</u>	<u>98,471</u>

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

300 ESSJAY ROAD, STE 115
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

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 the basic financial statements of the Town of Amherst Industrial Development Agency (the Agency) as of and for the year ended December 31, 2011 and have issued our report thereon dated March 2, 2012. 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 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting 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 grants, including Investment Guidelines for Public Authorities and the Agency's Investment Guidelines, noncompliance with which would 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.

We noted certain matters that we reported to management in a letter dated March 2, 2012.

This report is intended solely for the information and use of the Board of Directors and management of the Agency and is not intended to be and should not be used by anyone other than these specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 2, 2012