

# TOWN OF LOCKPORT INDUSTRIAL DEVELOPMENT AGENCY

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## Notes to Annual Financial Report Update Document

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### 1. Summary of Significant Accounting Policies:

#### Nature of Organization:

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

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

#### Measurement Focus:

The financial statements of the Agency are prepared on the accrual basis of accounting and are based on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Agency are included on the statement of net assets. Operating statements present increases (revenues) and decreases (expenses) in total net assets.

#### Cash and Cash Equivalents:

Included in cash and cash equivalents are money market accounts and certificates of deposit with original maturities of ninety days or less.

#### Property and Equipment:

The Agency records property and equipment at cost net of accumulated depreciation. Depreciation is provided over estimated useful lives using the straight-line method. Estimated useful lives range from five to seven years.

#### Use of Estimates:

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

#### Lease Transactions:

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

## 2. Cash and Investments

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

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

Custodial credit risk is the risk that in the event of a bank failure the Agency's deposits may not be returned to it. At December 31, 2010, the Agency's deposits were further collateralized by federal depository insurance and securities held by the pledging institution's trust department or agent in the Agency's name.

## 3. Property and Equipment:

	2010	2009
Land available for sale	\$ 444,416	\$ 451,614
Office equipment	16,085	16,085
	<u>460,501</u>	<u>467,699</u>
Less accumulated depreciation	16,085	16,085
	<u>\$ 444,416</u>	<u>\$ 451,614</u>

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

## 4. Due to Other Governments:

Included in amounts due to other governments is \$27,853 of administrative fees assessed by the State in accordance with Public Authorities Law section 2975. This law requires all industrial development agencies to contribute an administrative fee equal to 4.533% of an agency's prior year revenue as defined and determined by the State for the State's fiscal year ending March 31, 2011. Management together with legal counsel and other State development agencies are vigorously contesting this assessment, seeking to force legislative repeal.