

**AUDITED
BASIC COMBINED FINANCIAL STATEMENTS**

**CITY OF GENEVA
INDUSTRIAL DEVELOPMENT AGENCY AND
AFFILIATES**

SEPTEMBER 30, 2012 and 2011

CITY OF GENEVA INDUSTRIAL DEVELOPMENT AGENCY

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SECTION A
FINANCIAL SECTION

Independent Auditor's Report

To the Board of Directors of the
City of Geneva Industrial Development Agency

We have audited the accompanying basic combined financial statements of the City of Geneva Industrial Development Agency and Affiliates (the Agency and Affiliates) as of and for the year ended September 30, 2012 and 2011, as listed in the table of contents. These combined financial statements are the responsibility of the Agency and Affiliates' management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Agency and Affiliates' 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Agency and Affiliates as of September 30, 2012 and 2011, and the results of its operations and 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 December 18, 2012, on our consideration of the Agency and Affiliates' internal control over financial reporting and 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.

Our audit was conducted for the purpose of forming opinions on the basic combined financial statements that collectively comprise the Agency and Affiliates' basic combined financial statements. The Combining Statement of Net Assets and the Combining Statement of Revenues, Expenses, and Changes in Net Assets, is presented for purposes of additional analysis and is not a required part of the basic combined 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 basic combined financial statements. The Combining Statement of Net Assets and the Combining Statement of Revenues, Expenses and Changes in Net Assets have been subjected to the auditing procedures applied in the audit of the basic combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic combined financial statements or to the basic combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Assets and the Combining Statement of Revenues, Expenses, and Changes in Net Assets, is fairly stated in all material respects in relation to the basic combined financial statements as a whole. The Schedule of Industrial Revenue Bonds Issued by the Agency and the Schedule of Lease Agreements with the Agency and Affiliates have not been subjected to the auditing procedures applied in the audit of the basic combined financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

Freed Maxick CPAs, P.C.

(Formerly known as Freed Maxick & Battaglia, CPAs, PC)
Batavia, New York
December 18, 2012

CITY OF GENEVA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The City of Geneva Industrial Development Agency (the Agency) is a public benefit corporation which was established under the mandate of Article 18-A, "New York State Industrial Development Agency Act" of New York State General Municipal Law.

Financial Reporting Entity

The Agency reports related organizations under the guidance of the Governmental Accounting Standards Board. The Standards define the primary government, and redefine and establish the criteria for which potential component units are included in the reporting entity. The Standards also define financial accountability of the primary government as being determined on the basis of fiscal dependency, appointment of a voting majority of a governing board, ability to impose its will or potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. The Agency is subject to the provisions of the New York State Public Authorities Law. As a local authority under this law, the Agency is required to make certain information available to the public.

The Agency is financially accountable for the Geneva Enterprise Development Center. Based on the above aforementioned criteria, the Geneva Enterprise Development Center is required to be included as a blended component unit in the accompanying financial statements.

The Agency maintains joint ownership in the City of Geneva Industrial Park, along with the Ontario County Industrial Development Agency and the City of Geneva. Based on the above aforementioned criteria, the City of Geneva Industrial Park is required to be included as a blended component unit in the accompanying financial statements.

Basis of Presentation

The Agency's basic financial statements consist of three statements that provide information about the Agency's business-type activities. The first statement is the statement of net assets which lists all of the Agency's assets and liabilities, with the difference reported as net assets. The net assets are classified as invested in capital assets and unrestricted net assets. The second statement is the statement of revenues, expenses and changes in net assets which details how the Agency's net assets changed during the current year based on the reporting of the revenues and expenses recognized by the Agency. The third statement is the statement of cash flows which reports the activities that provide or use the cash and cash equivalents of the Agency.

Net Assets

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "invested in capital assets".

CITY OF GENEVA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

The financial statements of the Agency are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Agency gives or receives value without directly receiving or giving equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. In accordance with Governmental Accounting Standards Board (GASB) Codification Section P80, the Agency has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, including those issued on or before November 30, 1989, as well as those issued after November 30, 1989 that are developed for business enterprises, except for those pronouncements which conflict with or contradict GASB pronouncements.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect. Amounts that management believes to be uncollectible, after collection efforts have been completed, are written off. In addition, management evaluates the need for and, if appropriate, provides an allowance to reduce account receivables to amounts management expects will be collected. Management determined that no allowances were necessary at September 30, 2012 and 2011.

Property and Equipment

Property and equipment is recorded at acquisition cost and depreciated over the estimated useful lives of the respective assets using straight-line and accelerated methods. The cost of repairs, maintenance and minor replacements is expensed as incurred, whereas expenditures that materially extend property lives are capitalized. When depreciable property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income. As of September 30, 2012 and 2011 depreciation expense amounted to \$114,803 and \$113,383, respectively.

Use of Estimates in Preparation of Financial Statements

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. This affects the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Cash And Cash Equivalents

The Agency's cash and cash equivalents consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Revenue Recognition

The Agency recognizes rental income as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Agency and the tenants are operating leases.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Agency considers cash to be all cash and cash equivalents.

CITY OF GENEVA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification

Certain reclassifications have been made to the 2011 financial statements to conform with the current year presentation.

Subsequent Events

These financial statements have not been updated for subsequent events occurring after December 18, 2012 which is the date these financial statements were available to be issued.

New Accounting Pronouncements

During the year ended September 30, 2012, the Agency did not adopt any new accounting pronouncements.

The GASB has issued the following new statements:

- Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-employers Plans*, which will be effective for the year ending September 30, 2013;
- Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, which will be effective for the year ending September 30, 2013;
- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which will be effective for the year ending September 30, 2013;
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* which will be effective for the year ending September 30, 2013;
- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which will be effective for the year ending September 30, 2014;
- Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and 62*, which will be effective for the year ending September 30, 2014;
- Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, which will be effective for the year ending September 30, 2013; and
- Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which will be effective for the year ending September 30, 2014.

The Agency is currently reviewing these statements and plans on adoption, as required.

NOTE 2 - CASH AND INVESTMENTS

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 FDIC-insured commercial banks or trust companies located within the State. The Agency Treasurer is authorized to use interest bearing demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of the State of New York and its localities.

Collateral is required for demand deposits and certificates of 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.

CITY OF GENEVA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investment and Deposit Policy

The Agency implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

The Agency follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Agency Director.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Agency's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Agency's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Agency's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Agency's investment and deposit policy, all deposits of the Agency including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The Agency restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

NOTE 3 - LAND HELD FOR DEVELOPMENT AND SALE

The Agency maintains three separate investments in land held for resale through joint venture agreements with other local organizations. The Agency's ownership share of the joint venture is 14.71%. All acquisition and holding costs relating to these investments have been capitalized.

NOTE 4 - LOAN RECEIVABLE

The Agency provides low interest loans to businesses located in the City of Geneva in order to encourage economic development. Loan receivable consisted of the following at September 30:

CITY OF GENEVA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LOAN RECEIVABLE (Continued)

Phytobials, LLC, monthly installments of principal and interest over five years commencing May 1, 2005. Annual interest rate of 5%. The following schedule shows the current and long term portions of the loan receivable. Management believes the entire amount will be received during the year ended September 30, 2013 and therefore classified as current.

	<u>2012</u>	<u>2011</u>
Current portion	\$ 3,705	\$ 3,705
Long-term	<u> -</u>	<u> -</u>
Total	<u>\$ 3,705</u>	<u>\$ 3,705</u>

NOTE 5 - FIXED ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance <u>9/30/11</u>	Additions	Disposals	Balance <u>9/30/12</u>
<u>Governmental activities:</u>				
Land	\$ <u>425,000</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u>425,000</u>
Total capital assets, not being depreciated	<u>\$ 425,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,000</u>
Capital assets, being depreciated:				
Building	\$ 3,825,000	\$ -	\$ -	\$ 3,825,000
Improvements	<u>664,214</u>	<u>42,580</u>	<u> -</u>	<u>706,794</u>
Total capital assets, being depreciated	<u>4,489,214</u>	<u>42,580</u>	<u> -</u>	<u>4,531,794</u>
Less accumulated depreciation				
Buildings	1,091,319	95,625	-	1,186,944
Improvements	<u>135,071</u>	<u>19,178</u>	<u> -</u>	<u>154,249</u>
Total accumulated depreciation	<u>1,226,390</u>	<u>114,803</u>	<u> -</u>	<u>1,341,193</u>
Total capital assets, being depreciated - net	<u>3,262,824</u>	<u>(72,223)</u>	<u> -</u>	<u>3,190,601</u>
Governmental activates capital assets, net	<u>\$ 3,687,824</u>	<u>\$ (72,223)</u>	<u> -</u>	<u>\$ 3,615,601</u>

CITY OF GENEVA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - FIXED ASSETS (Continued)

Capital asset activity for the year ended September 30, 2011, was as follows:

	Balance <u>9/30/10</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>9/30/11</u>
<u>Governmental activities:</u>				
Land	\$ 425,000	\$ -	\$ -	\$ 425,000
Total capital assets, not being depreciated	<u>\$ 425,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 425,000</u>
Capital assets, being depreciated:				
Building	\$ 3,825,000	\$ -	\$ -	\$ 3,825,000
Improvements	<u>664,214</u>	<u>-</u>	<u>-</u>	<u>664,214</u>
Total capital assets, being depreciated	<u>4,489,214</u>	<u>-</u>	<u>-</u>	<u>4,489,214</u>
Less accumulated depreciation				
Buildings	995,694	95,625	-	1,091,319
Improvements	<u>117,313</u>	<u>17,758</u>	<u>-</u>	<u>135,071</u>
Total accumulated depreciation	<u>1,113,007</u>	<u>113,383</u>	<u>-</u>	<u>1,226,390</u>
Total capital assets, being depreciated - net	<u>3,376,207</u>	<u>(113,383)</u>	<u>-</u>	<u>3,262,824</u>
Governmental activates capital assets, net	<u>\$ 3,801,207</u>	<u>\$ (113,383)</u>	<u>-</u>	<u>\$ 3,687,824</u>

NOTE 6 - DUE TO OTHER GOVERNMENTS

Due to other governments represents amounts owed to Ontario County for advances made to the Agency for the operation of the Geneva Enterprise Development Center. There are no specific repayment terms. During the year ended September 30, 2012 Ontario County forgave the Agency's obligation of \$466,731.

The Agency is a participant with Ontario County Industrial Development Agency, City of Geneva and Geneva Growth in a joint venture agreement to operate the Geneva Industrial Park (the Park). On dissolution of the joint venture the net assets of the Park will be shared according to the terms of the Joint Venture Agreement dated June 1st 1989. Initial capital contribution, future contributions, title to the property and voting shares are also included in the Joint Venture Agreement. During the year ended September 30, 2012 the Agency purchased Geneva Growth's \$14,240 interest in the Park for \$47,000. The excess purchase price paid for Geneva Growth's interest and has been included as a consideration in excess of costs on investment on the Combined Statements of Revenues, Expenses, and Changes in Net Assets. The following amounts represent the allocations of due to other governments:

CITY OF GENEVA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - DUE TO OTHER GOVERNMENTS (Continued)

	<u>2012</u>	<u>2011</u>
County:		
Ontario County	\$ -	\$ 466,731
Joint Venture:		
City of Geneva	104,347	91,786
Ontario County IDA	36,405	32,023
Geneva Growth	-	14,240
Total due to joint venture	<u>140,752</u>	<u>138,049</u>
Total due to other governments	<u>\$ 140,752</u>	<u>\$ 604,780</u>

NOTE 7 - RELATED PARTIES

The City of Geneva Industrial Development Agency and the Geneva Enterprise Development Center have an outstanding receivable/payable between the entities. The Agency's board has approved the suspended payment on the receivable and interest has been accrued on the outstanding amount of \$255,497 as of September 30, 2011. The total interest accrued as of September 30, 2011 totaled \$161,204. During the year ended September 30, 2012, the City of Geneva Industrial Development Agency forgave the outstanding payable and accrued interest owed by the Geneva Enterprise Development Center.

NOTE 8 - OUTSTANDING BOND ISSUES

Bonds issued by the Agency are collateralized by the property which is leased to the borrowing company and the bonds are retired by lease payments. The bonds are not an obligation of the Agency, the City of Geneva or the State of New York. The Agency does not record the assets or liabilities resulting from a completed bond issue in their accounts, since its primary function is to arrange the financing between the borrowing company and the lending bondholders, and the funds arising there from are controlled by a trustee bank.

NOTE 9 - LEASES

At September 30, 2012 and 2011, the Agency had entered into various lease agreements. These leases are merely financing arrangements in which the Agency has provided tax incentives or acts only as a financing conduit. Therefore, the Agency does not record these transactions in their financial records.

NOTE 10 - FUTURE MINIMUM RENTAL PAYMENTS

At September 30, 2012, future minimum rental payments under rental leases are approximately as followed:

2013	\$ 140,000
2014	67,000
2015	26,000
2016	15,000

SUPPLEMENTARY INFORMATION

SECTION B

INTERNAL CONTROL AND COMPLIANCE

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With Government Auditing Standards**

To the Board of Directors of the
City of Geneva Industrial Development Agency and Affiliates

We have audited the combined financial statements of the City of Geneva Industrial Development Agency and Affiliates (the Agency and Affiliates) as of and for the year ended September 30, 2012, and have issued our report thereon dated December 18, 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

Management of the Agency and Affiliates is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency and Affiliates' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency and Affiliates' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency and Affiliates' 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 preceding paragraph and would not necessarily 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 and Affiliates' combined 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 or other matters that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the board of directors of the City of Geneva Industrial Development Agency, the New York State Authorities Budget Office, and is not intended to be and should not be used by anyone other than these specified parties.

Freed Maxick CPAs, P.C.

Batavia, New York
December 18, 2012