# Cayuga County Development Corporation

## FY 2012 Audited Financial Statements as a Component Unit of the Cayuga County IDA

### Introduction

The Cayuga County Development Corporation (CCDC) annually conducts a financial audit as a Component Unit of the Cayuga County Industrial Development Agency (or the "CCIDA"). This CCIDA Annual Independent Financial Audit looks closely at the finances, internal controls and investments of the CCDC, as a Component Unit of the CCIDA, and reports its findings within the CCIDA financial audit report.

The FY2012 CCIDA Financial Report, with the CCDC audited as a Component Unit is presented here and includes:

- FY2012 Audited Financial Statements
- FY2012 Management Discussion & Analysis (also posted separately on website)
- FY2012 Assessment and Report on Internal Controls (also posted separately on website)

# Cayuga County Industrial Development Agency

Audited Financial Statements
For The Year Ending December 31, 2012

**CAYUGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**
**Including Component Unit Cayuga County Development Corporation, Inc.**
Audited Financial Statements


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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cayuga County Industrial Development Agency
Auburn, New York

**Report on the Financial Statements**

We have audited the accompanying statement of financial position of the Cayuga County Industrial Development Agency, and its component unit, the Cayuga County Development Corporation, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cayuga County Industrial Development Agency and its component unit, the Cayuga Development Corporation, as of December 31, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 5 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.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cayuga County Industrial Development Agency's basic financial statements. The Schedule of Supplemental Information (Bonds/Notes or Straight Lease) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Supplemental Information (Bonds/Notes or Straight Lease) 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 it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2013 on our consideration of the Cayuga County Industrial Development Agency's 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* in considering Cayuga County Industrial Development Agency's internal control over financial reporting and compliance.

Respectfully submitted,

Cuddy + Ward, LLP

CUDDY & WARD, LLP
Certified Public Accountants

Auburn, New York
January 18, 2013

The Cayuga County Industrial Development Agency was created in 1970 to encourage economic welfare, recreation opportunities and prosperity for the inhabitants of Cayuga County. The Cayuga County Industrial Development Agency is a component unit of the County of Cayuga.

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Agency's financial position as of December 31, 2012, and the results of its operations for the year then ended. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the Agency, which directly follow the MD&A.

## FINANCIAL HIGHLIGHTS

- Total expenses exceed revenue by $315,377 in 2012 compared to 2011 when expenses exceeded revenues by $53,138.
- Net assets for the year ended December 31, 2012 amounted to $984,151, compared to $1,299,528 at December 31, 2011.
- Total revenues of $13,663 in 2012 decreased from total revenues of $450,626 in 2011.
- Total expenses of $329,010 decreased from total expenses of $503,764 in 2011, primarily due to a pass through grant related to Saratoga Cheese Factory. In 2012, the agency gifted a roadway to the County of Cayuga.

### Overview of the Basic Financial Statements

The financial statements of the Cayuga County Industrial Development Agency have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, a Statement of Cash Flows and accompanying notes. These statements provide information on the financial position of the Agency and the financial activity and results of its operations during the year. A description of these statements follows:

The **Statement of Net Assets** presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the financial position of the Agency is improving or deteriorating.

The **Statement of Revenues, Expenses and Changes in Net Assets** presents information showing the change in the Agency's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement include items that will result in cash received or disbursed in future fiscal periods.

The **Statement of Cash Flows** provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used from operating, non-capital financing, capital financing and investing activities.

The Agency includes the Cayuga County Development Corporation, a separate legal entity, as a discretely presented component unit because the Agency is financially accountable for it.

## FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

The Agency's total net assets for the fiscal year ended December 31, 2012 decreased by $315,377. Our analysis below focuses on the net assets (Figure 1) and changes in net assets (Figure 2) of the Agency's activities.

Figure 1

| Condensed Statement of Net Assets | Total Agency | | Total Dollar Change |
|---|---|---|---|
| | 2011 | 2012 | 2011-2012 |
| Current assets: | | | |
| Cash | $ 391,566 | $ 166,707 | $ (224,859) |
| PILOT payments receivable | 127,644 | 24,020 | (103,624) |
| Other receivables | - | 7,418 | 7,418 |
| Restricted cash | - | - | - |
| Notes receivable - due in one year | - | - | - |
| Due from other governments | - | - | - |
| **Total current assets** | **519,210** | **198,145** | **(321,065)** |
| Noncurrent assets: | | | |
| Investment in certicates of deposit | 340,654 | 90,776 | (249,878) |
| Notes receivable - due after one year | - | - | - |
| Deposits | - | - | - |
| Land and building inventory | 672,114 | 753,051 | 80,937 |
| **Total noncurrent assets** | **1,012,768** | **843,827** | **(168,941)** |
| **Total assets** | **1,531,978** | **1,041,972** | **(490,006)** |
| Current liabilities: | | | |
| Accounts payable | 103,701 | 4,801 | (98,900) |
| Grants payable | 1,105 | - | (1,105) |
| PILOT payments payable | 127,644 | 24,020 | (103,624) |
| Deferred revenue | - | 29,000 | 29,000 |
| **Total liabilities** | **232,450** | **57,821** | **(174,629)** |
| Unrestricted net assets | 1,299,528 | 984,151 | (315,377) |
| **Total net assets** | **$ 1,299,528** | **$ 984,151** | **$ (315,377)** |

The decrease in cash is due to the net loss for the year and transferring cash to investments. Expenses exceed revenue by $315,377 during the year and investments decreased by $249,878. The remaining difference is due to the decrease in accounts payable of $98,900.

Our analysis in *Figure 2* considers the operations of the Agency's activities.

Figure 2

| Changes in Net Assets | Total Agency | | Total Dollar Change |
|---|---|---|---|
| | 2011 | 2012 | 2011-2012 |
| Operating revenues: | | | |
| Fees for services | $ 41,947 | $ 5,321 | $ (36,626) |
| Rental Fees | 2,750 | 4,400 | 1,650 |
| Interest on notes receivable | 461 | - | (461) |
| Grant revenue | 400,000 | - | (400,000) |
| Other | 50 | 1,142 | 1,092 |
| Loss on sale of land and building inventory | - | - | - |
| **Total operating revenues** | **445,208** | **10,863** | **(434,345)** |
| Operating expenses: | | | |
| General operating | 41,365 | 32,192 | (9,173) |
| Local economic development | 55,838 | 289,386 | 233,548 |
| Grant expenses | 400,000 | - | (400,000) |
| Property taxes on investment in land and building | 6,561 | 7,432 | 871 |
| **Total operating expenses** | **503,764** | **329,010** | **(174,754)** |
| **Total operating (loss) income** | **(58,556)** | **(318,147)** | **(259,591)** |
| Non-operating revenues/expenses | | | |
| Interest and earnings | 3,522 | 1,768 | (1,754) |
| Gas well leases | 1,896 | 1,002 | (894) |
| **Total non-operating income** | **5,418** | **2,770** | **(2,648)** |
| | | | |
| **INCREASE (DECREASE) IN NET ASSETS** | $ (53,138) | $ (315,377) | $ (262,239) |

Total revenues for the Agency's activities decreased by $434,345. In 2011, the Organization received a pass through grant, which is the primary reason for the decrease in revenue. Total expenses for the Agency decreased by $174,754, primarily due to the pass through grant, in addition to gifting a roadway to the County of Cayuga, in the Industrial Park development.

## FACTORS BEARING ON THE AGENCY'S FUTURE

- The Agency does not anticipate any significant changes in revenues or expenses for year ended December 31, 2013.
- There are no known factors that would have an impact on the economic climate of the community in the foreseeable future.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's clients, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cayuga County Industrial Development Agency, at 160 Genesee Street, 5th Floor, Auburn, New York 13021.

**CAYUGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**
**Including Cayuga County Development Corporation, Inc.**
Statement of Net Assets
December 31, 2012

ASSETS

| Current Assets: | Primary Government | Cayuga County Development Corporation |
|---|---|---|
| Cash and cash equivalents - unrestricted | $ 166,707 | $ 8,116 |
| PILOT payments receivable | 24,020 | - |
| Restricted cash and cash equivalents | - | - |
| Other receivable | 7,418 | - |
| Notes, mortgages and capitalized leases receivable in one year | - | - |
| Total Current Assets | 198,145 | 8,116 |
| Noncurrent Assets: | | |
| Investments - certificate of deposit | 90,776 | - |
| Restricted investments - certificate of deposit | - | 150,618 |
| Notes, mortgages and capitalized leases receivable in more than one year | - | - |
| Deposits | - | - |
| Land and building inventory | 753,051 | - |
| Total Noncurrent Assets | 843,827 | 150,618 |
| Total Assets | $ 1,041,972 | $ 158,734 |

LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable | $ 4,801 | $ - |
| PILOT payments payable | 24,020 | - |
| Grants payable | - | - |
| Deferred revenue | 29,000 | - |
| Total Liabilities | 57,821 | - |
| NET ASSETS | | |
| Restricted net assets | - | 150,618 |
| Unrestricted net assets | 984,151 | 8,116 |
| Total Net Assets | 984,151 | 158,734 |
| Total Liabilities and Net Assets | $ 1,041,972 | $ 158,734 |

See accompanying notes to financial statements and accountants' report

**CAYUGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**
**Including Cayuga County Development Corporation, Inc.**
Statement of Net Assets
December 31, 2011
ASSETS

| | Primary Government | Cayuga County Development Corporation |
|---|---|---|
| Current Assets: | | |
| Cash and cash equivalents - unrestricted | $ 391,566 | $ 12,202 |
| PILOT payments receivable | 127,644 | - |
| Restricted cash and cash equivalents | - | - |
| Other receivables | - | - |
| Notes, mortgages and capitalized leases receivable in one year | - | - |
| Total Current Assets | 519,210 | 12,202 |
| Noncurrent Assets: | | |
| Investments - certificate of deposit | 340,654 | - |
| Restricted investments - certificate of deposit | - | 150,664 |
| Notes, mortgages and capitalized leases receivable in more than one year | - | - |
| Deposits | - | - |
| Land and building inventory | 672,114 | - |
| Total Noncurrent Assets | 1,012,768 | 150,664 |
| Total Assets | $ 1,531,978 | $ 162,866 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | $ 103,701 | $ - |
| PILOT payments payable | 127,644 | - |
| Grants payable | 1,105 | - |
| Deferred revenue | - | - |
| Total Liabilities | 232,450 | - |
| NET ASSETS | | |
| Restricted net assets | - | 150,664 |
| Unrestricted net assets | 1,299,528 | 12,202 |
| Total Net Assets | 1,299,528 | 162,866 |
| Total Liabilities and Net Assets | $ 1,531,978 | $ 162,866 |

See accompanying notes to financial statements and accountants' report

**CAYUGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**
**Including Component Unit Cayuga County Development Corporation, Inc.**
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2012

| | Primary Government | Cayuga County Development Corporation |
|---|---|---|
| Operating Revenues: | | |
| Fees for services | $ 5,321 | $ - |
| Rental fees | 4,400 | - |
| Interest on loans and leases | - | - |
| Grant income | - | - |
| Other income | 1,142 | - |
| Total Operating Revenues | 10,863 | - |
| Operating Expenses: | | |
| Administration | 20,200 | 181 |
| Legal | 11,992 | 4,113 |
| Local economic development | 289,386 | - |
| Property taxes | 7,432 | - |
| Grant expenses | - | - |
| Total Operating Expenses | 329,010 | 4,294 |
| Operating Income (Loss) | (318,147) | (4,294) |
| Nonoperating Revenues (Expenses) | | |
| Interest and earnings | 1,768 | 162 |
| Gas well lease | 1,002 | - |
| Total Nonoperating Revenues | 2,770 | 162 |
| Net Increase (Decrease) in Net Assets | (315,377) | (4,132) |
| Net Assets, January 1, 2012 | 1,299,528 | 162,866 |
| Prior period adjustment | - | - |
| Net Assets, December 31, 2012 | $ 984,151 | $ 158,734 |

See accompanying notes to financial statements and accountants' report

**CAYUGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**
**Including Component Unit Cayuga County Development Corporation, Inc.**
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2011

| | Primary Government | Cayuga County Development Corporation |
|---|---|---|
| Operating Revenues: | | |
| Fees for services | $ 41,947 | $ - |
| Rental fees | 2,750 | - |
| Interest on loans and leases | 461 | - |
| Grant income | 400,000 | - |
| Other income | 50 | - |
| Total Operating Revenues | 445,208 | - |
| Operating Expenses: | | |
| Administration | 24,488 | 67,000 |
| Legal | 16,877 | 3,872 |
| Local economic development | 55,838 | - |
| Property taxes | 6,561 | - |
| Grant expenses | 400,000 | - |
| Total Operating Expenses | 503,764 | 70,872 |
| Operating Income (Loss) | (58,556) | (70,872) |
| Nonoperating Revenues (Expenses) | | |
| Interest and earnings | 3,522 | 557 |
| Gas well lease | 1,896 | - |
| Total Nonoperating Revenues | 5,418 | 557 |
| Net Increase (Decrease) in Net Assets | (53,138) | (70,315) |
| Net Assets, January 1, 2011 | 1,329,691 | 233,181 |
| Prior period adjustment | 22,975 | - |
| Net Assets, December 31, 2011 | $ 1,299,528 | $ 162,866 |

See accompanying notes to financial statements and accountants' report

**CAYUGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**
**Including Component Unit Cayuga County Development Corporation, Inc.**
Statement of Cash Flows
For the Year Ended December 31, 2012

| | Primary Government | Cayuga County Development Corporation |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Cash received from providing services | $ 2,379 | $ - |
| Cash received from rental of property | 4,400 | - |
| Cash received from interest on loans and leases | - | - |
| Cash received from payments of notes, mortgages and capitalized leases | - | - |
| Cash received from grants | - | - |
| Cash received from other income | 30,142 | - |
| Cash payments - contractual expenses | (514,550) | (4,294) |
| Net Cash Provided (Used) by Operating Activities | (477,629) | (4,294) |
| Cash Flows from Noncapital Financing Activties: | | |
| PILOT payments received | 444,394 | - |
| PILOT payments paid | (444,394) | - |
| Net Cash Provided by Noncapital Financing Activities | - | - |
| Cash Flows from Capital and Related Financing Activities | - | - |
| Cash Flows from Investing Activities: | | |
| Interest income received | 1,768 | 162 |
| Cash received on gas well leases | 1,002 | - |
| Cash transferred from (invested) in certificates of deposit | 250,000 | 46 |
| Net Cash Provided (Used) by Investing Activities | 252,770 | 208 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (224,859) | (4,086) |
| CASH AND CASH EQUIVALENTS, JANUARY 1, 2012 | 391,566 | 12,202 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31, 2012 | $ 166,707 | $ 8,116 |
| Reconciliation of net (loss) to net cash provided by operating activites: | | |
| Operating gain (loss) | $ (318,147) | $ (4,294) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Increase in other receivables | (7,418) | - |
| Increase in land and building inventory | (81,059) | - |
| Decrease in accounts payable | (98,900) | - |
| Decrease in grants payable | (1,105) | - |
| Increase in deferred revenue | 29,000 | - |
| Net cash Provided (Used) by Operating Activities | $ (477,629) | $ (4,294) |

See accompanying notes to financial statements and accountants' report

**CAYUGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**
**Including Component Unit Cayuga County Development Corporation, Inc.**
Statement of Cash Flows
For the Year Ended December 31, 2011

| | Primary Government | Cayuga County Development Corporation |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Cash received from providing services | $ 41,947 | $ - |
| Cash received from rental of property | 2,750 | - |
| Cash received from interest on loans and leases | 461 | - |
| Cash received from payments of notes, mortgages and capitalized leases | 68,622 | - |
| Cash received from grants | 400,000 | - |
| Cash received from other income | 50 | - |
| Cash payments - contractual expenses | (573,233) | (3,872) |
| Net Cash Provided (Used) by Operating Activities | (59,403) | (3,872) |
| Cash Flows from Noncapital Financing Activities: | | |
| PILOT payments received | 134,058 | - |
| PILOT payments paid | (134,058) | - |
| Net Cash Provided by Noncapital Financing Activities | - | - |
| Cash Flows from Capital and Related Financing Activities | - | - |
| Cash Flows from Investing Activities: | | |
| Interest income received | 3,522 | 557 |
| Cash received on gas well leases | 1,896 | - |
| Cash transferred from (invested) in certificates of deposit | 99,178 | (543) |
| Net Cash Provided (Used) by Investing Activities | 104,596 | 14 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 45,193 | (3,858) |
| CASH AND CASH EQUIVALENTS, JANUARY 1, 2011 | 346,373 | 16,060 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31, 2011 | $ 391,566 | $ 12,202 |
| Reconciliation of net (loss) to net cash provided by operating activites: | | |
| Operating gain (loss) | $ (58,556) | $ (70,872) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Increase in land and building inventory | (123,170) | - |
| Decrease in notes, mortgages and capitalized leases | 68,622 | 73,525 |
| Increase in accounts payable | 53,701 | - |
| Decrease in deferred revenue | - | (6,525) |
| Net cash Provided (Used) by Operating Activities | $ (59,403) | $ (3,872) |

See accompanying notes to financial statements and accountants' report

NOTE 1 Summary of Significant Accounting Policies

The financial statements of the Cayuga County Industrial Development Agency have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Agency has the option to apply FASB pronouncements issued after that date to its Business-type Activities and has elected to do so. The more significant of the Agency's accounting policies are described below.

A. Financial Reporting Entity

The Cayuga County Industrial Development Agency is a public benefit corporation organized in May 1970 under the provisions of New York State general municipal law Article 18-A. The Agency was created to promote economic welfare, recreation opportunities and prosperity for the inhabitants of Cayuga County. Cayuga County provides economic support and appoints the members of the Agency, consequently, the Agency is part of the Cayuga County reporting entity.

The financial reporting entity consists of (a) the primary government which is the Cayuga County Industrial Development Agency, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the Agency's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is included as a discretely presented component unit.

1. Cayuga County Development Corporation

   During 2004, the Agency organized a local development corporation to accept funds from the liquidation of the Industrial Development Foundation of Auburn and Cayuga County, New York. The purpose of the corporation is to provide low interest loans to local businesses. The corporation is a separate legal entity, whose sole member is the Agency, which appoints the Corporation's Board.

B. Basis of Accounting

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

C. Cash and Cash Equivalents

The Agency considers all highly liquid investments having an original maturity of three months or less to be cash equivalents.

D. Investments

Investments are stated at cost, which approximates market value.

E. Notes, Mortgages, Capitalized Leases and Allowances for Uncollectible Accounts

These receivables include notes, mortgages and capitalized leases issued to businesses which are approved by resolution of the Agency. Receivables are deemed uncollectible when the Agency institutes foreclosure procedures. Capitalized leases are shown at present value and interest is recorded as revenue.

F. Operating Revenue

Operating revenues of the Agency consist of administrative fees, interest on notes, mortgages and capitalized leases and rental on real property owned by the Agency for purposes of economic development. Investment earnings are reported as non-operating income.

G. Land and Building Inventory

The Agency has acquired real property for the purpose of selling or leasing the assets to further economic development in Cayuga County. Improvements made by the Agency have been added to the cost basis of the inventory. Because these assets are held as inventory, no provision for depreciation has been made.

H. Deferred Revenue

The Agency was the lead agency for a water project funded by the County of Cayuga. Such grants received are shown as revenues when earned, which is when expenses are incurred. Funds remaining are reported as deferred revenue.

I. Equity Classifications

Statement of Net Assets

- Restricted Net Assets
  Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets
  Consists of all other net assets that do not meet the definition of "restricted."

NOTE 2 Basis of Accounting/Measurement Focus

All funds are accounted for on an "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned. Material revenues accrued include administrative fees and interest on notes, mortgages and capitalized leases. Expenses are recorded when the liability is incurred.

NOTE 3 Deposits and Investments

State statutes govern the Agency's investment policies. 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 Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105% of 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.

Total bank balances of the primary government of $341,551 at December 31, 2012 are covered by FDIC insurance up to the limits, with the remaining amounts collateralized with securities held by the Agency's financial institution pledged in the name of Cayuga County Industrial Development Agency. The carrying value of deposits at December 31, 2012 totaled $257,483. Included in these balances is a 3 month certificate of deposit in the amount of $90,776 at an interest rate of .5%.

Total bank balances of the component unit of $158,734 at December 31, 2012 are covered by FDIC insurance. The carrying value of deposits at December 31, 2012 totaled $158,734. Included in the balance is a six month certificate of deposit in the amount of $150,664 at an interest rate of .32%. These funds are restricted for the purpose of economic development loans.

NOTE 4 Notes Receivable

A. Primary Government
The Organization had outstanding notes receivable at December 31, 2010 in the amount of $45,647, scheduled for repayment in 2012. The loan was paid in full during 2011.

B. Component Unit
The Corporation issued a $67,000 note to Vacuum Logistics in 2008. Principal and interest payments were deferred for the first 18 months of the term. Deferred interest of $6,525 was added to the principal of the note. During 2011, the note was written off, as the debtor has declared bankruptcy.

NOTE 5 PILOT Payments Receivable/Payable
The agency acts as an agent in collecting Payment In Lieu Of Tax (PILOT) Payments from participating companies and remitting them to local governmental entities. The Agency reports PILOT Payments Receivable for amounts due from companies and PILOT Payments Payable for amounts to be remitted to local government entities at year end.

NOTE 6 Land and Building Inventory
Activity in land and building inventory during the year ended December 31, 2012 is as follows:

Land and Building Inventory

| Balance at 12/31/2011 | Additions | Sales | Balance at 12/31/2012 |
|---|---|---|---|
| $ 672,114 | $ 80,937 | $ - | $ 753,051 |

NOTE 7 Restricted Net Assets – Component Unit
Amounts reported in restricted net assets are funds remaining from a Housing and Urban Development grant and are restricted for economic development loans.

NOTE 8 Related Party Transactions
The Agency paid the County of Cayuga $10,000 for certain administrative services and use of County property during 2014.

NOTE 9 Industrial Revenue Bond and Note Transactions
Certain industrial development revenue bonds and notes issued by the Agency are secured by property that is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the State.

The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts because its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising there from are controlled by trustees or banks acting as financial agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such Administrative fee income is recognized immediately upon issuance of bonds and notes.

NOTE 10 Commitments and Contingencies

General

The Agency is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; error and omissions; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 11 Subsequent Events

Management has evaluated subsequent events through January 21, 2013, the date on which the financial statements were available to be issued.

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# 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
Cayuga County Industrial Development Agency
Auburn, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Cayuga County Industrial Development Agency as of and for the year ended December 31, 2012, and the related notes to the financial statement, which collectively comprise Cayuga County Industrial Development Agency's basic financial statements and have issued our report thereon dated January 18, 2013.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cayuga County Industrial Development Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cayuga County Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weakness may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cayuga County Industrial Development 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*.

**Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Cuddy + Ward, LLP

CUDDY & WARD, LLP
Certified Public Accountants

Auburn, New York
January 18, 2013