

**VILLAGE OF FAIRPORT
INDUSTRIAL DEVELOPMENT AGENCY
dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT**

NEW YORK

FINANCIAL STATEMENTS

For Years Ended September 30, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Council Members of
Village of Fairport
Industrial Development Agency
dba Fairport Office of Economic Development

Report on the Financial Statements

We have audited the accompanying financial statements of the Village of Fairport Industrial Development Agency (Agency), a component unit of the Village of Fairport, New York as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Agency's 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 Agency'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 Agency'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 Village of Fairport Industrial Development Agency (Agency), a component unit of the Village of Fairport, New York as of September 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York's financial statements. The accompanying supplemental schedule as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplemental schedule as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 accompanying supplemental schedule as listed in the table of contents is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 on our consideration of the Village of Fairport Industrial Development Agency (Agency), a component unit of the Village of Fairport, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Village of Fairport Industrial Development Agency (Agency), a component unit of the Village of Fairport, New York's internal control over financial reporting and compliance.

Raymond F. Wager, CPA, P.C.

December 12, 2013

**Village of Fairport
Industrial Development Agency
dba Fairport Office of Economic Development**

Management's Discussion and Analysis (MD&A)

September 30, 2013

Introduction

Our discussion and analysis of the Village of Fairport Industrial Development Agency (Agency), a component unit of the Village of Fairport, New York's financial performance provides an overview of the Agency's financial activities for the year ended September 30, 2013. It should be read in conjunction with the basic financial statements to enhance understanding of the Agency's financial performance, which immediately follows this section.

Financial Highlights

Key financial highlights for year 2013 are as follows:

- ◆ The assets of the Agency exceeded its liabilities at the close of the most recent year by \$3,166,041 (net position).
- ◆ \$539,479 (net investment in capital assets) represents the Agency's investments in land, structures, and equipment (there is no capital-related debt) and is not available for future spending.
- ◆ \$2,376,562 (unrestricted net position) is available for the Agency's ongoing operations.
- ◆ The IDA allocated nearly \$1.4M in 2013 to the Village of Fairport, significantly reducing its net position and assets, but greatly enhancing and expanding the Village's waterfront.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's financial statements. The Agency's financial statements are comprised of two components: (1) government-wide financial statements, and (2) notes to the financial statements.

1. *Government-Wide Financial Statements*

The *government-wide financial statements* are the same as the fund financial statements for proprietary funds, so no additional schedules were necessary. The Agency's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Agency's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

- ◆ The *statement of net position* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. Evaluation of the overall health of the Agency would extend to other nonfinancial factors, such as diversification of the tenants base or the condition of agency infrastructure, in addition to the financial information provided in this report.

- ◆ The *statement of revenues, expenses, and changes in fund net position* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. An important purpose of the design of this statement is to show the financial reliance of the Agency's distinct activities or functions on revenues provided by the Agency's lessees and grantors.

2. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the financial statement section of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Agency's financial position. In the case of the Agency, net position at the close of the current year was \$3,166,041. This represents a decrease in net position of \$1,187,322 from the prior year.

Net Position

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current Assets	\$ 2,909,963	\$ 3,316,565	\$ 3,872,890
Noncurrent Assets	314,784	812,537	787,242
Capital Assets, Net	539,479	540,024	531,421
Total Assets	\$ 3,764,226	\$ 4,669,126	\$ 5,191,553
 <u>LIABILITIES</u>			
Current Liabilities	\$ 575,230	\$ 295,931	\$ 784,477
Noncurrent Liabilities	22,955	19,832	14,066
Total Liabilities	\$ 598,185	\$ 315,763	\$ 798,543
 <u>NET POSITION</u>			
Net Investment in Capital			
Assets	\$ 539,479	\$ 540,024	\$ 531,421
Restricted	250,000	253,027	254,984
Unrestricted	2,376,562	3,560,312	3,606,605
Total Net Position	\$ 3,166,041	\$ 4,353,363	\$ 4,393,010

The investment in capital assets represents 17% of the Agency's net position. The largest of the Agency's net position (75%) represents resources that are unrestricted on how they may be utilized. The remaining category of the Agency's net position represents restricted assets.

The assets decreased \$904,900 as a result of the allocation of loans to LDC and the Agency's contribution to the water front revitalization projects.

Current liabilities increased \$279,299 primarily due to capital projects and the allocation to URA.

Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Operating Revenues:</u>			
Rental of Real Property	\$ 367,316	\$ 283,804	\$ 336,603
Program Income (notes, loans, other)	20,642	31,363	37,676
Miscellaneous Revenue	8,526	3,050	2,952
Village Partnership-Grant	-	-	89,586
Total Operating Revenues	<u>\$ 396,484</u>	<u>\$ 318,217</u>	<u>\$ 466,817</u>
<u>Operating Expenses:</u>			
Administrative & Contractual	\$ 58,583	\$ 45,877	\$ 39,722
Personal Services	105,863	138,118	183,542
Employee Benefits	35,270	33,522	52,301
Allocation to URA	67,423	49,058	39,571
Home and Community Services	99,324	99,053	152,200
Total Operating Expenses	<u>\$ 366,463</u>	<u>\$ 365,628</u>	<u>\$ 467,336</u>
Net Operating Income	<u>\$ 30,021</u>	<u>\$ (47,411)</u>	<u>\$ (519)</u>
<u>Nonoperating Revenues (Expenses):</u>			
Interest Income, Other	\$ 65,374	\$ 85,001	\$ 62,355
Allocation to LDC	(505,669)	-	-
Allocation to Village of Fairport	(1,357,539)	(42,163)	-
Unrealized Gain (Loss) on Fair Value of Investments	(51,619)	(51,080)	4,181
State Grants	623,832	12,099	29,281
NYS - Façade Program	-	(5,120)	(3,400)
Capital Contribution to URA	-	-	(130,000)
Total Nonoperating Revenues (Expenses)	<u>\$ (1,225,621)</u>	<u>\$ (1,263)</u>	<u>\$ (37,583)</u>
Income Before Operating Transfers	<u>\$ (1,195,600)</u>	<u>\$ (48,674)</u>	<u>\$ (38,102)</u>
Operating Transfers In	\$ 8,278	\$ 9,027	\$ 17,940
Net Income	<u>\$ (1,187,322)</u>	<u>\$ (39,647)</u>	<u>\$ (20,162)</u>
Net Position - Beginning of Year	<u>4,353,363</u>	<u>4,393,010</u>	<u>4,413,172</u>
Net Position - End of Year	<u>\$ 3,166,041</u>	<u>\$ 4,353,363</u>	<u>\$ 4,393,010</u>

Effective October 1, 2008 the IDA entered into an agreement with the Urban Renewal Agency to allocate a portion of the administrative and professional costs to the Urban Renewal Agency. As a result of this the IDA allocated \$13,979 of administrative and contractual expenses, \$39,224 of personal service expenses, and \$13,613 of employee benefit expenses to the Urban Renewal Agency. In addition the IDA allocated \$67,423 to the Urban Renewal Agency to fund their operation. The Agency also allocated \$1,357,539 of improvements made in the canal revitalization project to the Village of Fairport and \$505,669 of notes receivable to the Village of Fairport Local Development Corporation.

Capital Assets

The Agency's investment in capital assets as of September 30, 2013 amounts to \$539,479 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and equipment.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Land	\$ 128,198	\$ 128,198	\$ 122,169
Buildings	407,240	407,240	404,346
Equipment	11,669	10,348	8,763
Less: Accumulated Depreciation	(7,628)	(5,762)	(3,857)
Total	<u>\$ 539,479</u>	<u>\$ 540,024</u>	<u>\$ 531,421</u>

Future Factors

- The IDA completed two waterfront construction projects in 2013. The investment and matching funds provided by the IDA reduced the Agency's net assets.
- The IDA signed a purchase and sale agreement with a private developer for the upland parcel adjacent to the waterfront improvements. The Agency looks forward to the sale of the property and the anticipated revenues from the sale in 2014.
- New York State's Authority Budget Office continues to issues guidance to IDAs on reporting and entering information in the PARIS system. The Fairport IDA continues to monitor and comply with the guidance issued by the ABO.

Requests for Information

This financial report is designed to provide a general overview of the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: The Chairman of the Council, Village of Fairport Industrial Development Agency, 31 South Main Street, Fairport, New York 14450.

VILLAGE OF FAIRPORT
INDUSTRIAL DEVELOPMENT AGENCY
dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT
Statement of Net Position
September 30, 2013 and 2012

<u>ASSETS:</u>	<u>2013</u>	<u>2012</u>
<u>Current Assets -</u>		
Cash	\$ 1,017,007	\$ 1,158,871
Investments	1,475,927	2,073,439
Accounts receivable (net)	375,359	44,556
Due from other governments	33,393	-
Current portion of notes and mortgages receivable	-	31,825
Current portion of investment in leases	8,277	7,874
Total Current Assets	<u>\$ 2,909,963</u>	<u>\$ 3,316,565</u>
<u>Noncurrent Assets -</u>		
Long-term notes and mortgages receivable (net)	\$ 250,000	\$ 739,517
Long-term investment in leases	64,784	73,020
Total Noncurrent Assets	<u>\$ 314,784</u>	<u>\$ 812,537</u>
<u>Capital Assets -</u>		
Land	\$ 128,198	\$ 128,198
Building and site improvements	407,240	407,240
Equipment	11,669	10,348
Less: accumulated depreciation	(7,628)	(5,762)
Total Capital Assets	<u>\$ 539,479</u>	<u>\$ 540,024</u>
TOTAL ASSETS	<u><u>\$ 3,764,226</u></u>	<u><u>\$ 4,669,126</u></u>
 <u>LIABILITIES:</u>		
<u>Current Liabilities -</u>		
Accrued liabilities	\$ 202,413	\$ 548
Deferred revenue	27,186	23,061
South Bank retainer	17,000	-
Due to other governments	302,717	242,737
Due to ERS	25,914	29,585
Total Current Liabilities	<u>\$ 575,230</u>	<u>\$ 295,931</u>
<u>Noncurrent Liabilities -</u>		
Current obligations	\$ 1,794	\$ 1,729
Long-term obligations	21,161	18,103
Total Noncurrent Liabilities	<u>\$ 22,955</u>	<u>\$ 19,832</u>
TOTAL LIABILITIES	<u><u>\$ 598,185</u></u>	<u><u>\$ 315,763</u></u>
 <u>NET POSITION:</u>		
Net investment in capital assets	\$ 539,479	\$ 540,024
Restricted	250,000	253,027
Unrestricted	2,376,562	3,560,312
TOTAL NET POSITION	<u>\$ 3,166,041</u>	<u>\$ 4,353,363</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,764,226</u></u>	<u><u>\$ 4,669,126</u></u>

(The accompanying notes are an integral part of these financial statements)

VILLAGE OF FAIRPORT
INDUSTRIAL DEVELOPMENT AGENCY
dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT
Statement of Revenues, Expenses, and Changes in Fund Net Position
For Years Ended September 30, 2013 and 2012

<u>OPERATING REVENUES:</u>	<u>2013</u>	<u>2012</u>
Rental of real property	\$ 367,316	\$ 283,804
Program income (notes, loans, other)	20,642	31,363
Miscellaneous revenue	8,526	3,050
TOTAL OPERATING REVENUES	<u>\$ 396,484</u>	<u>\$ 318,217</u>
<u>OPERATING EXPENSES:</u>		
Administrative and contractual	\$ 58,583	\$ 45,877
Personal services	105,863	138,118
Employee benefits	35,270	33,522
Allocation to URA	67,423	49,058
Home and community services	99,324	99,053
TOTAL OPERATING EXPENSES	<u>\$ 366,463</u>	<u>\$ 365,628</u>
NET OPERATING INCOME	<u>\$ 30,021</u>	<u>\$ (47,411)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income, other	\$ 65,374	\$ 85,001
Allocation to LDC	(505,669)	-
Allocation to Village of Fairport	(1,357,539)	(42,163)
Unrealized gain (loss) on fair value of investments	(51,619)	(51,080)
Contributed capital	623,832	12,099
NYS - facade program	-	(5,120)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ (1,225,621)</u>	<u>\$ (1,263)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ (1,195,600)</u>	<u>\$ (48,674)</u>
Operating transfers in	\$ 8,278	\$ 9,027
NET INCOME	<u>\$ (1,187,322)</u>	<u>\$ (39,647)</u>
NET POSITION - BEGINNING OF YEAR	<u>4,353,363</u>	<u>4,393,010</u>
NET POSITION - END OF YEAR	<u>\$ 3,166,041</u>	<u>\$ 4,353,363</u>

(The accompanying notes are an integral part of these financial statements)

VILLAGE OF FAIRPORT
INDUSTRIAL DEVELOPMENT AGENCY
dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT
Statement of Cash Flows
For Years Ended September 30, 2013 and 2012

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2013</u>	<u>2012</u>
Receipts from rentals	\$ 355,048	\$ 303,349
Payments to suppliers/other governments	(163,482)	(680,725)
Payments to employees	(141,592)	(166,817)
Other revenue	29,168	34,413
Net Cash Provided (Used) by Operating Activities	<u>\$ 79,142</u>	<u>\$ (509,780)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest income	\$ 65,374	\$ 85,001
Change in other assets - realized loss	(51,619)	(53,037)
Issuance of notes receivable	-	(65,000)
Repayment of notes receivable	23,506	36,423
Purchase/sale of investments (net)	597,512	93,991
Net Cash Provided (Used) by Investing Activities	<u>\$ 634,773</u>	<u>\$ 97,378</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>		
Contributed capital to Village of Fairport	\$ (1,155,765)	\$ (42,163)
Purchase of capital assets	(1,321)	(10,508)
State grants	293,029	162,858
Net Cash Provided (Used) by Capital Financing Activities	<u>\$ (864,057)</u>	<u>\$ 110,187</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Payments from other funds	\$ 8,278	\$ 9,027
NYS - facade program	-	(5,120)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 8,278</u>	<u>\$ 3,907</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (141,864)	\$ (298,308)
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,158,871</u>	<u>1,457,179</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,017,007</u>	<u>\$ 1,158,871</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Operating Income	<u>\$ 30,021</u>	<u>\$ (47,411)</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:		
(Increase)/Decrease in accounts receivable	\$ -	\$ 19,545
(Increase)/Decrease in due from other governments	(33,393)	-
Depreciation expense	1,866	1,906
Increase/(Decrease) in accrued liabilities	90	176
Increase/(Decrease) in Retainer	17,000	-
Increase/(Decrease) in security deposits	-	(4,200)
Increase/(Decrease) in deferred revenues	4,125	-
Increase/(Decrease) in due to other governments	59,981	(486,953)
Increase/(Decrease) in due to ERS	(3,671)	1,391
Increase/(Decrease) in OPEB	2,797	2,797
Increase/(Decrease) in compensated absences	326	2,969
Total Adjustments	<u>\$ 49,121</u>	<u>\$ (462,369)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 79,142</u>	<u>\$ (509,780)</u>

(The accompanying notes are an integral part of these financial statements)

**VILLAGE OF FAIRPORT
INDUSTRIAL DEVELOPMENT AGENCY
dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT**

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

I. Summary of Significant Accounting Policies:

The financial statement of the Village of Fairport Industrial Development Agency (Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) that provides for proprietary fund accounting for Industrial Development Agencies.

A. Organization

The Agency was created under the provision of laws of New York State for the purpose of encouraging economic growth in the Village of Fairport, New York. The Agency is exempt from federal, state, and local income taxes. The Agency, established by the Village of Fairport, New York, is a component unit of the Village of Fairport, New York based on several criteria set forth in GASB 14 as amended by GASB 39 (including legal standing, fiscal dependency, and financial accountability). The Agency has been doing business as (dba) Fairport Office of Community and Economic Development over the past year.

B. Basis of Accounting

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to proprietary funds on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Management must make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Financial instruments, including borrowings, are all carried at amounts that approximate fair value.

The government-wide financial statements are the same as the fund financial statements for proprietary funds, so no additional schedules were necessary. The first of these government-wide statements is the Statement of Net Position. This is the Agency-wide statement of position presenting information that includes all of the Agency's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating. Evaluation of the overall health of the Agency would extend to other nonfinancial factors, such as diversification of the tenants base or the condition of Agency infrastructure, in addition to the financial information provided in this report.

(I.) (Continued)

The second government-wide statement is the Statement of Activities which reports how the Agency's net position changed during the current fiscal year. All current-year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of this statement is to show the financial reliance of the Agency's distinct activities or functions on revenues provided by the Agency's lessees and grantors.

C. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Agency considers all highly liquid cash accounts and other temporary investments of three months or less as cash equivalents.

2. Investments

a. Investments are recorded at fair market values based on quoted market prices. The Agency is permitted to invest monies in the following types of investments:

1. Interest bearing checking and/or savings accounts
2. Certificates of deposit
3. Obligations of the United States of America
4. Obligations issued by Agencies of the United States, for which the United States of America guarantees the payment of principal and interest on the obligations
5. Obligations of the State of New York
6. Obligations of Public Authorities, Public Housing Authorities, and Urban Renewal Agencies where New York State statutes governing such entities or whose specific enabling legislation authorizes such investments.

b. Diversification

It shall be the policy of the Agency to diversify its deposits and investments. Diversification will further protect the principal amount of deposits and investments but may not serve to maximize interest earnings. No more than 75% of total available cash may be placed in any one particular authorized depository, financial institution, or security dealer at any time.

The amount of cash readily available, as well as maturity dates for investments shall also be diversified. In this regard, up to 25% of moneys available may be invested for 1 year or less, up to 35% may be invested from 1-3 years, 55-60% may be invested from 3-8 years, and 0-10% may be invested for up to 10 years.

(I.) (Continued)

3. **Accounts Receivable**

Accounts receivable are reported at their net value after reduction for the estimated portion that is expected to be uncollectible as of September 30, 2013 and 2011. Accounts receivable are recorded as revenue in the year they are earned.

4. **Capital Assets**

The capital assets are recorded at cost and are depreciated utilizing the straight-line method of depreciation over the estimated useful life of the asset.

5. **Notes Receivable**

Notes receivable are stated at principal balances, less the estimated portion that is expected to be uncollectible. The IDA's Board approved the allocation of the outstanding notes to the Fairport Local Development Corporation effective May 1, 2013.

6. **Compensated Absences**

The Agency's employees are granted vacation and sick leave and earn compensated absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation leave subject to certain maximum limitations. Estimated vacation leave is recorded as an expense when earned.

7. **Net Position**

a. **Government-Wide Statements**

Net position are categorized as follows:

1. **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. **Restricted net position** - consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. **Unrestricted net position** - all other net position that do not meet the definition of "restricted" or "net investment in capital assets".

(I.) (Continued)

8. **Pension Plan**

Employees of the Agency participate in the New York State Retirement System.

Information relating to the Agency's participation is described in these financial statements. A full description of ERS membership, benefits, and employer and employee obligations to contribute are described in the System's annual reports and financial statements.

9. **Industrial Development Revenue Bond and Note Transactions**

Industrial development revenue bonds and notes issued by the Agency are secured by the properties which are leased to companies and are retired by lease payments. The bonds and notes are not obligations of the Agency, the Village or the State of New York. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders. The funds arising there from are controlled by trustees or banks acting as fiscal agents. The Agency receives bond administrative fees from the borrowing companies for providing the service. Such administrative fee income is recognized immediately upon issuance of the bonds and notes. As of September 30, 2013 and 2012, the Agency has no industrial revenue bonds or note transactions outstanding.

10. **Lease Transactions**

The Agency has established a lease program to provide state and local tax benefits to companies developing industrial properties. Under this program, the Agency receives title to properties under development and leases the property to the previous titleholder (lessee). The Agency generally contracts for payment-in-lieu-of-tax agreements between lessees and participating municipalities. All risks associated with property ownership and business activities on such property remain with the lessee. Title to those properties is transferred back to the lessee at the end of the maximum tax benefit period or at any time during the lease period at the option of the lessee. The Agency does not report assets acquired under the lease program since the Agency's primary function is to provide state and local tax benefits to the lessee. The Agency receives lease administrative fees from the lessee for providing this service. Such administrative fee income is recognized at lease inception or ratably over the term of the lease depending on the agreement terms between the lessee and the Agency. As of September 30, 2013 and 2012, the Agency has five outstanding lease transactions with companies within the Village. As part of these agreements the Agency receives payment in lieu of tax (PILOT) payments which are recorded as an operating revenue of the Agency.

(I.) (Continued)

D. Changes in Accounting Standards

GASB has issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The Agency adopted the provisions of the statement for the year ended September 30, 2013.

E. Future Changes in Accounting Standards

GASB has issued Statement 65, *Items Previously Reported as Assets and Liabilities*, effective for the year ended September 30, 2014.

GASB has issued Statement 66, *GASB Technical Corrections – 2012 – an Amendment of Statements 10 and 62*, effective for the year ending September 30, 2014.

GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, effective for the year ended September 30, 2015.

GASB has issued Statement 69, *Government Combinations and Disposals of Government Operations*, effective for the year ended September 30, 2015.

GASB has issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending September 30, 2015.

The Agency will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

II. Cash and Cash Equivalents:

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. While the Agency does not have a specific policy for custodial credit risk, New York State statutes govern the Agency's investment policies, as discussed previously in these notes.

The Agency's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end are collateralized as follows:

	<u>2013</u>	<u>2012</u>
Uncollateralized	\$ -	\$ -
Collateralized with securities held by the pledging financial institution	638,337	1,038,606
Total	<u>\$ 638,337</u>	<u>\$ 1,038,606</u>

III. Investments – Fair Value Measurement:

The Agency's investments are recorded at fair value and have been categorized based upon a fair market value. See Note 1 for a discussion of the Agency's policies.

The following table presents information about the Agency's investments measured at fair value as of September 30, 2013 and 2012:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Core Cash	\$ 217,130	\$ 217,130	\$ 547,450	\$ 547,450
US Treasury Bonds	120,336	120,929	40,000	40,189
NYS Dorm Authority	212,809	218,858	328,168	326,205
Yonkers NY Bonds	-	-	102,023	102,122
New York NY Bonds	107,000	109,182	107,035	109,374
Federal National Mtg Bonds	154,483	156,875	157,504	161,963
Federal Home Loan Mtg Bonds	100,360	100,656	101,695	102,911
Rochester NY Bonds	51,251	51,757	52,443	53,074
Syracuse NY Public Impt Bonds	25,477	25,543	26,239	26,305
Federal Farm Bonds	181,889	186,123	185,571	191,904
NYS Thruway Auth Bonds	79,197	80,182	191,996	196,885
Poland CSD Bonds	52,266	53,014	53,513	54,552
Amherst NY Serial Bonds	74,167	74,992	76,061	77,193
Suffolk County Serial Bonds	79,987	80,686	81,849	83,312
Total	\$ 1,456,352	\$ 1,475,927	\$ 2,051,547	\$ 2,073,439

The following schedule summarizes the investment return and its classification in the statement of activities for the year:

<u>Type</u>	<u>2013</u>	<u>2012</u>
	<u>Operating</u>	<u>Operating</u>
Interest/Dividends	\$ 39,667	\$ 34,738
Unrealized Gains/(Losses)	(51,619)	(51,080)
Total	\$ (11,952)	\$ (16,342)

IV. Accounts Receivable:

The accounts receivable as of September 30, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Rental Income	\$ -	\$ 27,162
DOS Grant	-	44,556
NYS - South Bank Water Front Project	134,238	-
NYS - Promenade Project	241,121	-
Allowance for doubtful accounts	-	(27,162)
Total Accounts Receivable	\$ 375,359	\$ 44,556

V. **Due From Other Governments:**

Due from other governments represents funds owed to the Agency from the Fairport Local Development Corporation:

	<u>2013</u>	<u>2012</u>
Village of Fairport Local Development Corporation	\$ 33,393	\$ -
Total Due To Other Governments	<u>\$ 33,393</u>	<u>\$ -</u>

VI. **Notes Receivable and Mortgages Receivable:**

The Agency has established a revolving loan fund offering low interest loans to area businesses. The loans are approved by the governing board after giving consideration to the major criteria, i.e., enhancement of the economic environment. Revenue recognition on these loans is limited to the receipt of interest. Non-accruing portions of interest, rents, and PILOT's are not recorded as receivables or revenues.

Interest at below market rates is considered an element of a grant provided by the Corporation; therefore, the face amount of the obligation is not discounted nor is an effective rate of interest imputed.

	<u>2013</u>
Notes and Mortgages Receivable	\$ 250,000
Less: Current Portion	<u>-</u>
Total Long-Term Portion of Notes and Mortgages Receivable	<u>\$ 250,000</u>

The Agency has decided to report this balance as restricted net position instead of establishing an allowance. This was reflected in the beginning net position for 2012.

VII. **Lease Transactions:**

The following are two leases held by the Agency as lessor:

	<u>2013</u>	<u>2012</u>
A lease for \$175,000 at an initial rate of 8% interest per annum, adjusted 5%. Monthly payments are \$980, including interest and principal, and is collateralized by property. Final payment is due February 2025.	\$ 73,427	\$ 81,301
Less: Allowance for doubtful accounts	<u>(366)</u>	<u>(407)</u>
Total Leases	<u>\$ 73,061</u>	<u>\$ 80,894</u>
Less: Current Portion	<u>(8,277)</u>	<u>(7,874)</u>
Total Long-Term Portion of Leases	<u>\$ 64,784</u>	<u>\$ 73,020</u>

VIII. Capital Assets:

A summary of changes in capital assets follows:

	Beginning 10/1/2012	Additions	Deletions	Ending 9/30/2013
Land	\$ 128,198	\$ -	\$ -	\$ 128,198
Building and Site Improvements	407,240	-	-	407,240
Equipment	10,348	1,321	-	11,669
Accumulated Depreciation	(5,763)	(1,865)	-	(7,628)
Total	\$ 540,023	\$ (544)	\$ -	\$ 539,479

IX. Due To Other Governments:

Due to other governments represents funds invested by the Agency on behalf of the following programs of the Fairport Urban Renewal Agency:

	2013	2012
Village of Fairport Urban Renewal Agency	\$ 239,156	\$ 185,142
Village of Fairport Section 8 Housing Assistance Payments Program	63,561	57,595
Total Due To Other Governments	\$ 302,717	\$ 242,737

X. Noncurrent Liabilities:

Noncurrent liabilities represent the Agency's obligations for compensated absences and other postemployment benefits (retiree health) as follows:

	2013	2012
Compensated absences	\$ 8,970	\$ 8,644
Other postemployment benefits	13,985	11,188
Total Noncurrent Liabilities	\$ 22,955	\$ 19,832
Less: Current portion	(1,794)	(1,729)
Total Long-Term Portion of Noncurrent Liabilities	\$ 21,161	\$ 18,103

XI. Net Position:

On April 19, 2010 the Board passed a resolution to designate up to \$2,850,000 of unrestricted net position. As a result the unrestricted net position is as follows:

Unrestricted	2013	2012
Designated		
RLF-Commercial Property	\$ 500,000	\$ 500,000
Canal Waterfront Revitalization	819,571	1,000,000
Business District Improvement	750,000	750,000
Federal/State Matching Fees	-	600,000
Total Designated	\$ 2,069,571	\$ 2,850,000
Undesignated	\$ 306,991	\$ 710,312
Total Unrestricted Net Position	\$ 2,376,562	\$ 3,560,312

XII. Pension Plan:

A. General Information

The Agency participates in the New York State and Local Employees' Retirement System (ERS). This System is a cost sharing multiple employer, public employee retirement system. The System offers a wide range of plans and benefits which is related to years of service and final average salary, vesting of retirement benefits, death, and disability.

B. Provisions and Administration

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

C. Funding Policies

The System is noncontributory for the employees, except for those who joined the systems after July 27, 1976 and before January 1, 2010 with less than ten years membership, who contribute 3% of their salary. Those joining on or after January 1, 2010 are required to contribute 3.5% of their annual salary for their entire career. For NYSERS the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund.

The Agency is required to contribute at an actuarially determined rate. The Agency contributions made to the System were equal to 100 percent of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>NYSERS</u>
2013	\$ 20,371
2012	\$ 11,054
2011	\$ 22,949

XIII. Other Postemployment Benefits

Plan Description

In addition to providing pension benefits described in Note XI, the Agency provides post-employment medical and prescription drug benefits (OPEB) for retirees, spouses, and their covered dependents through the Agency's Postemployment Health Care Benefits Program (Plan). The benefits, benefit levels, employee contributions and employer contributions are governed by the Agency and can be amended by the Agency through its contracts. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan.

Funding Policy

The Agency currently pays for health care benefits on a pay-as-you-go basis. Once New York State Law allows for the establishment of a trust to fund and invest assets necessary to pay for the accumulated liability, the Agency will study the establishment of such a trust. These financial statements assume that pay-as-you-go funding will continue.

(XIII.) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Agency's annual other postemployment (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the Agency's net OPEB obligation by governmental activities:

Annual required contribution	\$	9,002
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost (expense)	\$	<u>9,002</u>
Contributions made		6,205
Increase in net OPEB obligation	\$	<u>2,797</u>
Net OPEB obligation - beginning of year		<u>11,188</u>
Net OPEB obligation - end of year	\$	<u>13,985</u>

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended 2013 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2010	\$ 9,002	62.14%	\$ 5,594
9/30/2011	\$ 9,002	93.21%	\$ 8,391
9/30/2012	\$ 9,002	124.28%	\$ 11,188
9/30/2013	\$ 9,002	155.35%	\$ 13,985

Funded Status and Funding Progress

As of September 30, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$97,727, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability of \$97,727. The covered payroll (annual payroll of active employees covered by the plan) was \$93,360 and the ratio of the UAAL to the covered payroll was 104.68%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

(XIII.) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Valuation Date September 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Active Members Covered Payroll	(6) UAAL As a Percentage of Covered Payroll (4) / (5)
2010	\$ -	\$ 97,727	0.00%	\$ 97,727	\$ 186,604	59.98%
2011	\$ -	\$ 97,727	0.00%	\$ 97,727	\$ 183,542	53.25%
2012	\$ -	\$ 97,727	0.00%	\$ 97,727	\$ 140,718	69.45%
2013	\$ -	\$ 97,727	0.00%	\$ 97,727	\$ 93,360	104.68%

In the September 30, 2008 actuarial valuation, the actuarial cost method was used. The discount rate used was 5%. Because the plan is unfunded, reference to the general assets was considered in the selection of the five percent rate. The valuation assumes a 10% medical cost trend, reduced by decrements to a rate of 5% each subsequent year through 2017 and remain at 5% for 2017 and beyond. The remaining amortization period at September 30, 2013 was twenty-five years.

XIV. Service Commitment:

For the years ended September 30, 2013 and 2012, the Agency paid \$52,800 and \$48,000, respectively to the Village for reimbursement related to maintenance and operating support provided by the Village. This arrangement is reviewed annually by the Village during the budget process.

XV. Cost Allocation:

For the years ended September 30, 2013 and 2012, the Agency was reimbursed by the Fairport Urban Renewal Agency Section 8 Housing Payments Program in the amount of \$321,300 and \$301,616, respectively.

XVI. Commitments and Contingencies:

A. Litigation

As of the date of this report management is not aware of any pending or threatening litigation.

XVII. Subsequent Event:

The Agency is pending a property sale that will occur in the 2014 fiscal year.

VILLAGE OF FAIRPORT
INDUSTRIAL DEVELOPMENT AGENCY
dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT
Schedule of Projects
For Years Ended September 30, 2013 and 2012

Project Name	Corning Tropel Corporation	
Project Owner and Address	Corning Tropel Corporation CP.AP-01-9 Corning, NY 14831	
Purpose	Land lease	
Jobs Created/Retained	147	
PILOT Received	\$	53,625
Benefited Amount	\$	(123,331)

Project Name	Packetts Landing	
Project Owner and Address	Canal East Inc. 210 Packetts Landing Fairport, NY 14450	
Exempt Amounts	\$	50,215
Purpose	Land lease	
Jobs Created/Retained	N/A	
PILOT Received	\$	50,000
Benefited Amount	\$	(215)

Project Name	Canal East	
Project Owner and Address	Canal East Inc. 210 Packetts Landing Fairport, NY 14450	
Exempt Amounts	\$	89,275
Purpose	PILOT	
Jobs Created/Retained	165	
PILOT Received	\$	102,816
Benefited Amount	\$	13,541

VILLAGE OF FAIRPORT
INDUSTRIAL DEVELOPMENT AGENCY
dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT
Schedule of Projects (Continued)
For Years Ended September 30, 2013 and 2012

Project Name	Box Factory
Project Owner and Address	Casa Associates, LLC 6 North Main Street Fairport, NY 14450
Exempt Amounts	\$ 153,101
Purpose	Land lease
Jobs Created/Retained	N/A
PILOT Received	\$ 165,000
Benefited Amount	\$ 11,899

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

**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***

Independent Auditors' Report

To the Council Members of
Village of Fairport
Industrial Development Agency
dba Fairport Office of Economic Development

We have audited, in accordance with the 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, the financial statements of the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York, as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York's financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Fairport Industrial Development Agency, New York's internal control over financial reporting 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 the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency'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 weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York's financial statements are free from 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 are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raymond F. Wager, CPA P.C.

December 12, 2013