

**VILLAGE OF FAIRPORT
LOCAL DEVELOPMENT CORPORATION**

NEW YORK

FINANCIAL STATEMENTS

For Years Ended September 30, 2013 and 2012

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 5
<u>Statement 1</u> - Statement of Net Position	6
<u>Statement 2</u> - Statement of Revenues, Expenses, and Changes in Fund Net Position	7
<u>Statement 3</u> - Statement of Cash Flows	8
Notes to Financial Statements	9 - 12
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	13 - 14

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Shareholders:

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Members of
American Institute of
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Certified Public Accountants

Independent Auditors' Report

To the Council Members of
Village of Fairport
Local Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Village of Fairport Local Development Corporation (Corporation), a component unit of the Village of Fairport, New York, which comprise the statement of net position as of September 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in fund net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion 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 Corporation'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 Corporation'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Village of Fairport Local Development Corporation (Corporation), a component unit of the Village of Fairport, New York as of September 30, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Local Development Corporation (Corporation), 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 Local Development Corporation (Corporation), 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
Local Development Corporation**

Management's Discussion and Analysis (MD&A)

September 30, 2013

Introduction

Our discussion and analysis of the Village of Fairport Local Development Corporation (Corporation), a component unit of the Village of Fairport, New York's financial performance provides an overview of the Corporation'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 Corporation's financial performance, which immediately follows this section.

Financial Highlights

Key financial highlights for year 2013 are as follows:

- ◆ The assets of the Corporation exceeded its liabilities at the close of the most recent year by \$767,148 (net position) an increase of \$502,471 over the prior year.
- ◆ \$264,677 (net investment in capital assets) represents the Corporation's investment in land (there is no capital-related debt) and this amount is not available for future spending.
- ◆ The LDC recruited a tenant for the historic Pure Oil building, whose signature product line and shared vision helped transform the southern gateway into a distinctive and eye-catching corner, saying to those who pass "you are someplace special".

Overview of the Financial Statements

The statement of net position, the statement of activities and statement of cash flows report information about the Corporation's as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses would be accounted for regardless of when cash is received or paid.

These two statements report the Corporation's net position and changes in them. The Corporation's net position, the difference between assets and liabilities, are one way to measure the Corporation's financial health or financial position. Over time, increases or decreases in the Corporation's net position are one indicator of whether its financial health is improving or deteriorating.

Additionally, the statement of cash flows provides information about the Corporation's cash receipts, cash disbursements, and net changes in cash resulting from operating, financing and investing activities.

Government-Wide Financial Analysis

The Corporation was established in 2012 as a local development corporation.

As noted earlier, net position may serve over time as a useful indicator of the Corporation's financial position. In the case of the Corporation, net position at the close of the current year were \$767,148.

Net Position

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current Assets	\$ 80,405	\$ -
Noncurrent Assets	455,959	-
Capital Assets, Net	<u>264,677</u>	<u>264,677</u>
Total Assets	<u>\$ 801,041</u>	<u>\$ 264,677</u>
<u>LIABILITIES</u>		
Current Liabilities	\$ 33,893	\$ -
Total Liabilities	<u>\$ 33,893</u>	<u>\$ -</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 264,677	\$ 264,677
Unrestricted	<u>502,471</u>	<u>-</u>
Total Net Position	<u>\$ 767,148</u>	<u>\$ 264,677</u>

Changes in Net Position

<u>OPERATING REVENUES</u>	<u>2013</u>	<u>2012</u>
Program Income	14,272	-
Total Operating Revenues	<u>\$ 14,272</u>	<u>\$ -</u>
<u>Operating Expenses:</u>		
Administrative & Contractual	\$ 8,393	\$ -
Other	282	-
Total Operating Expenses	<u>\$ 8,675</u>	<u>\$ -</u>
Net Operating Income	<u>\$ 5,597</u>	<u>\$ -</u>
<u>Nonoperating Revenues (Expenses):</u>		
Contributed Capital	\$ 505,669	\$ 264,677
Other	(8,795)	-
Total Nonoperating Revenues (Expenses)	<u>\$ 496,874</u>	<u>\$ 264,677</u>
NET INCOME	<u>\$ 502,471</u>	<u>\$ 264,677</u>
NET POSITION - BEGINNING OF YEAR	<u>264,677</u>	<u>-</u>
NET POSITION - END OF YEAR	<u>\$ 767,148</u>	<u>\$ 264,677</u>

Capital Assets

The Corporations investment in capital assets as of September 30, 2013 and 2012 amounts to \$264,677. This net investment in capital assets includes land.

	<u>2013</u>	<u>2012</u>
Land	\$ 264,677	\$ 264,677
Total	<u>\$ 264,677</u>	<u>\$ 264,677</u>

Future Factors

- New York State's guidance on reporting and disclosure requirements for LDCs will be carefully monitored and reviewed by staff for compliance and accuracy.
- The Fairport LDC will market its loan fund's availability to support local job creation and business retention.

Requests for Information

This financial report is designed to provide a general overview of the Village of Fairport Local Development Corporation, 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 Local Development Corporation, 31 South Main Street, Fairport, New York 14450.

**VILLAGE OF FAIRPORT
LOCAL DEVELOPMENT CORPORATION
NEW YORK**

**Statement of Net Position
September 30, 2013 and 2012**

<u>ASSETS:</u>	<u>2013</u>	<u>2012</u>
<u>Current Assets -</u>		
Cash	\$ 51,300	\$ -
Current portion of notes and mortgages receivable	29,105	-
Total Current Assets	\$ 80,405	\$ -
<u>Noncurrent Assets -</u>		
Long-term notes and mortgages receivable (net)	\$ 455,959	\$ -
<u>Capital Assets -</u>		
Land	\$ 264,677	\$ 264,677
TOTAL ASSETS	\$ 801,041	\$ 264,677
 <u>LIABILITIES:</u>		
<u>Current Liabilities -</u>		
Security deposit-99 Main Street	\$ 500	\$ -
Due to other governments	33,393	-
Total Current Liabilities	\$ 33,893	\$ -
TOTAL LIABILITIES	\$ 33,893	\$ -
 <u>NET POSITION:</u>		
Net investment in capital assets	\$ 264,677	\$ 264,677
Unrestricted	502,471	-
TOTAL NET POSITION	\$ 767,148	\$ 264,677
TOTAL LIABILITIES AND NET POSITION	\$ 801,041	\$ 264,677

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

**VILLAGE OF FAIRPORT
LOCAL DEVELOPMENT CORPORATION
NEW YORK**

**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>
Program income	\$ 14,272	\$ -
TOTAL OPERATING REVENUES	<u>\$ 14,272</u>	<u>\$ -</u>
 <u>OPERATING EXPENSES:</u>		
Administrative and contractual	\$ 8,393	\$ -
Other	282	-
TOTAL OPERATING EXPENSES	<u>\$ 8,675</u>	<u>\$ -</u>
NET OPERATING INCOME	<u>\$ 5,597</u>	<u>\$ -</u>
 NONOPERATING REVENUES (EXPENSES)		
Contributed capital	\$ 505,669	\$ 264,677
Other	(8,795)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ 496,874</u>	<u>\$ 264,677</u>
NET INCOME	\$ 502,471	\$ 264,677
NET POSITION - BEGINNING OF YEAR	<u>264,677</u>	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ 767,148</u></u>	<u><u>\$ 264,677</u></u>

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

**VILLAGE OF FAIRPORT
LOCAL DEVELOPMENT CORPORATION
NEW YORK**

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 charges, fees, and grants	\$ 47,665	\$ -
Payments to suppliers	(493,239)	-
Net Cash Provided (Used) by Operating Activities	\$ (445,574)	\$ -
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Contributed capital	\$ 505,669	\$ 264,677
Purchase of capital assets	-	(264,677)
Net Cash Provided (Used) by Financing Activities	\$ 505,669	\$ -
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Nonoperating expense - allowance for doubtful accounts	\$ (8,795)	\$ -
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 51,300	\$ -
BEGINNING CASH AND CASH EQUIVALENTS	-	-
ENDING CASH AND CASH EQUIVALENTS	\$ 51,300	\$ -
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Operating Income (Loss)	\$ 5,597	\$ -
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:		
Increase/(decrease) in due to other governments	33,393	-
Increase/(decrease) in security deposit	500	-
(Increase)/decrease in notes receivable	(485,064)	-
Total Adjustments	\$ (451,171)	\$ -
Net Cash Provided (Used) by Operating Activities	\$ (445,574)	\$ -

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

**VILLAGE OF FAIRPORT
LOCAL DEVELOPMENT CORPORATION
NEW YORK**

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

I. Summary of Significant Accounting Policies:

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

A. Organization

The Village of Fairport Local Development Corporation (The Corporation) is a local development corporation of the State of New York authorized under Section 1411 of the Not-for-Profit Corporation Law. The Corporation was created through a Local Law enacted in 2013 by the Village of Fairport Board of Directors. The Corporation's operating certificate was granted by the New York State Department of State on April 17, 2013. The Board consists of four members, all appointed by the Village of Fairport Board of Directors. They serve at the pleasure of the Board.

B. Basis of Accounting

The financial statements of the Corporation 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 Corporation-wide statement of position presenting information that includes all of the Corporations 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 Corporation as a whole is improving or deteriorating. Evaluation of the overall health of the Corporation would extend to other nonfinancial factors, such as diversification of the tenants base or the condition of Corporation infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the Corporation'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 Corporation's distinct activities or functions on revenues provided by the Corporation's lessees and grantors.

(I.) (Continued)

C. **Related Party**

The Corporation is related through common management with the Village of Fairport Industrial Development Corporation (IDA), which also promotes economic development in the Village. Annually, employees of the IDA provide certain administrative and management services to the Corporation. The cost of these services are covered by the IDA and are not reflected in the accompanying financial statements.

D. **Income Taxes**

The Corporation is a not-for-profit public benefit corporation and is exempt from income taxes under the Internal Revenue Code.

E. **Assets and Net Position**

1. **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.

2. **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 assets** - consists of net assets with constraints placed on the 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 assets** - all other net assets that do not meet the definition of "restricted" or "net investment in capital assets".

3. **Notes Receivable**

Notes receivable are stated at principal balances, less the estimated portion that is expected to be uncollectible as of September 30, 2013.

(I.) (Continued)

F. 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 Corporation adopted the provisions of the statement for the year ended September 30, 2013.

II. Cash and Cash Equivalents:

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

At September 30, 2013, the carrying amount of the Corporation's cash accounts was \$51,300, which is checking and savings accounts. Deposits in financial institutions are covered by federal depository insurance on bank accounts in the FLDC's name. Other collateral has been assigned to funds over the FDIC coverage.

III. Capital Assets:

A summary of changes in capital assets follows:

	<u>Beginning</u> <u>10/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>9/30/2013</u>
Land	<u>\$ 264,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264,677</u>

IV. Notes Receivable and Mortgages Receivable:

The Corporation 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. A provision for uncollectible accounts has been deemed necessary by management where substantial delinquencies exist totaling \$8,795. 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	\$ 493,859
Less: Allowance for doubtful accounts	<u>(8,795)</u>
Total Notes and Mortgages Receivable	\$ 485,064
Less: Current Portion	<u>(29,105)</u>
Total Long-Term Portion of Notes and Mortgages Receivable	<u>\$ 455,959</u>

V. Due To Other Governments:

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

	<u>2013</u>
Village of Fairport Industrial Development Agency	\$ 33,393
Total Due To Other Governments	<u><u>\$ 33,393</u></u>

VI. Commitments and Contingencies:

A. Litigation

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

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

Shareholders:

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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***

Independent Auditors' Report

To the Council Members of
Village of Fairport
Local Development Corporation

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 Local Development Corporation (Corporation), a component unit of the Village of Fairport, New York, which comprise the statement of net position as of September 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in fund net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Village of Fairport Local Development Corporation (Corporation), 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 Local Development Corporation (Corporation), a component unit of the Village of Fairport, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Fairport Local Development Corporation (Corporation), a component unit of the Village of Fairport, New York's internal control. Accordingly, we do not express an opinion on the effectiveness the Village of Fairport Local Development Corporation (Corporation), 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 Corporation'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 Local Development Corporation (Corporation), 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raymond F. Wager, CPA P.C.

December 12, 2013