

**FINGER LAKES HORIZON ECONOMIC
DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit
of the County of Yates, New York)**

**Financial Statements as of
December 31, 2013 and 2012
Together with
Independent Auditor's Report**

**FINGER LAKES HORIZON ECONOMIC DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Yates, New York)**

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AS OF DECEMBER 31, 2013 AND 2012**

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INDEPENDENT AUDITOR'S REPORT

March 25, 2014

To the Board of Directors of
Finger Lakes Horizon Economic Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Finger Lakes Horizon Economic Development Corporation (the Agency), a New York Public Benefit Corporation and a discretely presented component unit of the County of Yates, New York, as of and for the years ended December 31, 2013 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinion.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the business-type activities of Finger Lakes Horizon Economic Development Corporation, as of December 31, 2013 and 2012, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 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 audits 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014 on our consideration of the Finger Lakes Horizon Economic Development Corporation'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 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 the Agency's internal control over financial reporting and compliance.

FINGER LAKES HORIZON ECONOMIC DEVELOPMENT CORPORATION (A Discretely Presented Component Unit of the County of Yates, New York)

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Introduction

Our discussion and analysis of the Finger Lakes Horizon Economic Development Corporation's (the Agency), financial performance provides an overview of the Agency's financial activities for the years ended December 31, 2013 and 2012. 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.

The Agency is a local development corporation functioning under legislation passed by the State of New York. Four of its seven Board members are the officers of the Yates County Industrial Development Agency (IDA) who are appointed by the Yates County Legislature. The Agency functions much like a municipality with annual reporting requirements, uniform policies and financial safeguards required.

Financial Highlights

- Operating revenue of \$127,500 was received in conjunction with the Empire Pipeline Project in both 2013 and 2012.
- The assets of the Agency exceeded liabilities at the close of the 2013 year by \$643,589 (net position), and by \$513,636 (net position) at the close of the 2012 year.

Overview of the Financial Statements

The statements of net position and the statements of revenue, expenses, and change in net position report information about the Agency 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 are taken into account regardless of when cash is received or paid.

These statements report the Agency's net position and changes in them from one year to the next. The Agency's net position, the difference between assets and liabilities, are one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net position are one indicator of whether its financial health is improving or deteriorating. Consideration should also be given to other factors, such as changes in the Agency's fee income and the fluctuation of the Agency's expenses, to assess the overall health of the Agency.

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

Notes to the Financial Statements

The financial statements also include notes that explain the information in the financial statements. They are essential to a full understanding of the data provided in the financial statements.

Financial Statements

The Agency is required to report as a proprietary fund similar to a private business. Financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles put forth by the Governmental Accounting Standards Board. Revenues are recognized when earned, not received. Expenses are recognized when incurred, not when they are paid.

Summary of Operations and Changes in Net Position

For the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Operating revenue	\$ 127,500	\$ 127,500
Operating expenses	(4,757)	(2,144)
Nonoperating revenue	<u>7,210</u>	<u>6,961</u>
Change in net position	<u>\$ 129,953</u>	<u>\$ 132,317</u>

Operating Revenue and Expenses

The Agency's operating revenue for both 2013 and 2012 totaled \$127,500, which is the net revenue received from the Empire Pipeline Project.

The components of the operating expenses relate to accounting fees, office supplies, bank fees, and loan management fees. Total operating expenses were \$4,757 and \$2,144 for 2013 and 2012, respectively.

The components of the nonoperating revenue relate to interest earned on notes receivable. Total interest earned was \$7,210 and \$6,961 for 2013 and 2012, respectively.

Net Position

	<u>2013</u>	<u>2012</u>
Unrestricted net position	<u>\$ 643,589</u>	<u>\$ 513,636</u>
Change in net position	<u>\$ 129,953</u>	<u>\$ 132,317</u>

Net position includes cash available to provide funding for economic development projects and operations, as well as notes receivables resulting from the Agency's loan fund activities.

Long-Term Debt

The Agency has no long-term debt.

Future Economic Factors

The Agency was encouraged by the level of new business activities requesting financing during 2012 and 2013 and the Agency expects those requests to continue in 2014. The Agency will continue to promote the advantages of Yates County and believes that supporting the entrepreneur will result in the creation of more jobs and improved economic conditions within Yates County.

Requests for Information

This financial report is designed to provide a general overview of the Finger Lakes Horizon Economic Development Corporation'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:

Mr. Stephen Griffin, Chief Executive Officer
Finger Lakes Horizon Economic Development Corporation
1 Keuka Business Park Suite 104
Penn Yan, New York 14527

FINGER LAKES HORIZON ECONOMIC DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Yates, New York)

STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 301,696	\$ 184,436
Current portion of notes receivable	<u>90,239</u>	<u>78,181</u>
Total current assets	391,935	262,617
OTHER ASSETS:		
Notes receivable, net of current portion	<u>251,654</u>	<u>251,019</u>
Total assets	<u>\$ 643,589</u>	<u>\$ 513,636</u>
LIABILITIES AND NET POSITION		
NET POSITION:		
Unrestricted	<u>\$ 643,589</u>	<u>\$ 513,636</u>
Total net position	<u>\$ 643,589</u>	<u>\$ 513,636</u>

The accompanying notes are an integral part of these statements.

FINGER LAKES HORIZON ECONOMIC DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Yates, New York)

STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUE	\$ 127,500	\$ 127,500
OPERATING EXPENSES	<u>4,757</u>	<u>2,144</u>
OPERATING INCOME	122,743	125,356
NONOPERATING REVENUE:		
Interest income	<u>7,210</u>	<u>6,961</u>
CHANGE IN NET POSITION	129,953	132,317
NET POSITION - beginning of year	<u>513,636</u>	<u>381,319</u>
NET POSITION - end of year	<u>\$ 643,589</u>	<u>\$ 513,636</u>

The accompanying notes are an integral part of these statements.

FINGER LAKES HORIZON ECONOMIC DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Yates, New York)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 127,500	\$ 127,500
Cash payments for other than personal services	<u>(4,757)</u>	<u>(2,144)</u>
Net cash flow from operating activities	<u>122,743</u>	<u>125,356</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Collection of notes receivable	158,307	50,054
Issuance of notes receivable	(171,000)	(138,250)
Interest income	<u>7,210</u>	<u>6,961</u>
Net cash flow from investing activities	<u>(5,483)</u>	<u>(81,235)</u>
CHANGE IN CASH	117,260	44,121
CASH - beginning of year	<u>184,436</u>	<u>140,315</u>
CASH - end of year	<u>\$ 301,696</u>	<u>\$ 184,436</u>
RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	<u>\$ 122,743</u>	<u>\$ 125,356</u>
Net cash flow from operating activities	<u>\$ 122,743</u>	<u>\$ 125,356</u>

The accompanying notes are an integral part of these statements.

**FINGER LAKES HORIZON ECONOMIC DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Yates, New York)**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. THE ORGANIZATION

Finger Lakes Horizon Economic Development Corporation (the Agency) was formed under the New York State Not-for-Profit Corporation Law in 2010 for the purpose of promoting community and economic development and the creation of jobs for the citizens of Yates County, New York. The Agency is a public benefit organization that is subject to The Public Authority Accountability Act of 2005. The Yates County Industrial Development Agency (IDA) is the sole member of the Agency and four of the Agency's seven Board members are the officers of the IDA, who are appointed by the Yates County Legislature. The Agency, however, is a separate entity and operates independently of the County and the IDA.

The Agency is a discretely presented component unit of the County.

All governmental activities and functions performed for the Agency are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing Governmental accounting and financial reporting principles.

The Agency reports its activities within a proprietary fund type. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Capital assets and long-term liabilities related to these activities are recorded within the fund.

Net Position

Generally accepted accounting principles require that resources be classified for accounting purposes into applicable net position categories.

Unrestricted net position is the residual net position that is not restricted, but which may be internally designated by the Board of Directors. At December 31, 2013 and 2012, the amount of unrestricted net position was \$643,589 and \$513,636, of which none were internally designated.

Net position is reported as restricted when constraints placed on its use are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. There were no externally imposed conditions on the net position as of December 31, 2013 and 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash consists of a bank demand deposit account.

Notes Receivable

The Agency operates a loan fund for the purpose of making operating and capital loans to existing and potential new industries located or locating operations in Yates County. These loans are made to create and retain jobs and expand the tax base.

Management records an allowance for doubtful accounts based on past collection experience and an analysis of outstanding amounts. Amounts for which no payments have been received for several years are considered in default and when customary collection efforts are exhausted, the account is written off. An allowance was not considered necessary at December 31, 2013 and 2012.

Operating Revenue

The Agency's operating revenue is from Empire Pipeline which, as part of an agreement with Yates County, is paying approximately \$250,000 per year for fifteen (15) years, commencing in 2009, for an economic development fund. A portion of the payments are remitted to effected towns and the balance is being managed by the Agency. Revenue to be reported by the Agency is expected to be approximately \$127,500 per year through 2024.

Income Taxes

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

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. CASH

Policies

The Agency follows a deposit and investment policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conform with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the investment officers, which consist of the Board Treasurer, Board Chairman and the Chief Executive Officer.

3. CASH (Continued)

Policies (Continued)

Agency monies must be deposited in commercial banks or trust companies located within and authorized to do business in New York State or with a private banker authorized to do business in New York State, and maintaining a permanent capital of not less than \$1,000,000 in New York State. Permissible investments include special time deposit accounts, certificates of deposit and obligations of the United States or of federal agencies whose principal and interest payments are fully guaranteed by the federal government, or of New York State or in general obligations of the New York State's political subdivisions.

Collateral is required for deposits and certificates of deposit not covered by Federal Deposit Insurance Corporation (FDIC). Obligations that may be pledged as collateral are those identified in New York State General Municipal Law, Section 10, and outlined in the New York State Comptroller's Financial Management Guide.

Interest Rate Risk

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

Credit Risk

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

- Special time deposits;
- Certificates of deposit;
- Obligations of the United States of America;
- Obligations of the State of New York; and,
- Obligations issued by political subdivisions of the State of New York, with the approval of the New York State Comptroller.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Agency's deposit and investment policy, all deposits of the Agency including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities together with a security agreement and custodial agreement or a surety bond or letter of credit securing 100% of the Agency's funds.

At December 31, 2013 and 2012 cash held by the Agency and the bank balances in financial institutions was \$301,696 and \$184,436, respectively. This account is not subject to significant investment risk relating to changing interest rates since the balance was within the FDIC limits at December 31, 2012 and, subsequent to the year ending December 31, 2013, the Agency entered into a collateral agreement with the financial institution to ensure that amounts in excess of FDIC limits are secured a pledge of securities.

4. NOTES RECEIVABLE

Principal maturities of notes receivable from various Yates County businesses, bearing interest at rates ranging from 1% to 2.6% and maturing at various dates through January 2019 were as follows at December 31, 2013:

2014	\$	90,239
2015		87,650
2016		79,455
2017		53,522
2018		30,492
Thereafter		<u>535</u>
		341,893
Current portion		<u>(90,239)</u>
	\$	<u><u>251,654</u></u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 25, 2014

To the Board of Directors of
Finger Lakes Horizon Economic 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 business-type activities of Finger Lakes Horizon Economic Development Corporation (the Agency), a New York Public Benefit Corporation and a discretely presented component unit of the County of Yates, New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 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 weaknesses may exist that have not been identified.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Finger Lakes Horizon Economic Development Corporation'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 the 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 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.