SENECA COUNTY

ECONOMIC DEVELOPMENT CORPORATION

NEW YORK

FINANCIAL STATEMENTS

For Years Ended December 31, 2013 and 2012

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Shareholders:

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Members of
American Institute of
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New York State Society of
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Seneca County Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Seneca County Economic Development Corporation (the Corporation), which comprise the combined statement of financial position as of December 31, 2013 and 2012, and the related statements of activities, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Seneca County Economic Development Corporation as of December 31, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 information 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 March 5, 2014 on our consideration of the Seneca County 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 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 Seneca County Economic Development Corporation's internal control over financial reporting and compliance.

Raymond F. Wager, CPA P.C.

March 5, 2014

SENECA COUNTY ECONOMIC DEVELOPMENT CORPORATION
NEW YORK
Combined Statement of Financial Position
December 31, 2013 and 2012

	2013	2012
ASSETS:		
Current Assets -		
Cash and cash equivalents	$ 248,832	$ 275,129
Due from other governments	9,310	4,743
Total Current Assets	$ 258,142	$ 279,872
Capital Assets -		
Machinery and equipment, net	$ 3,454	$ 6,886
TOTAL ASSETS	**$ 261,596**	**$ 286,758**
LIABILITIES:		
Current Liabilities -		
Accounts payable	$ 573	$ -
Due to other governments	8,243	4,743
Unearned revenue	15,000	-
Total Current Liabilities	$ 23,816	$ 4,743
TOTAL LIABILITIES	**$ 23,816**	**$ 4,743**
NET ASSETS:		
Investment in capital assets	$ 3,454	$ 6,886
Unrestricted	234,326	275,129
TOTAL NET ASSETS	$ 237,780	$ 282,015
TOTAL LIABILITIES AND NET ASSETS	**$ 261,596**	**$ 286,758**

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

SENECA COUNTY ECONOMIC DEVELOPMENT CORPORATION
NEW YORK
Combined Statement of Activities
For Years Ended December 31, 2013 and 2012

REVENUES AND OTHER SUPPORT:	2013	2012
Rent income	$ 61,703	$ 41,724
Donations	11,257	54,733
Burial income	8,080	5,065
State and federal aid - pass through grants	3,500	4,743
Miscellaneous	391	-
Sale of property and compensation for loss	-	12,362
TOTAL REVENUES AND OTHER SUPPORT	**$ 84,931**	**$ 118,627**
EXPENSES:		
Management and general	$ 104,669	$ 86,995
Program services	20,469	24,217
Fund raising	4,028	67,180
TOTAL EXPENSES	**$ 129,166**	**$ 178,392**
EXCESS (DEFICIENCY) IN UNRESTRICTED NET ASSETS	**$ (44,235)**	**$ (59,765)**
NET ASSETS - BEGINNING OF YEAR	282,015	341,780
NET ASSETS - END OF YEAR	**$ 237,780**	**$ 282,015**

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

SENECA COUNTY ECONOMIC DEVELOPMENT CORPORATION
NEW YORK
Combined Statement of Cash Flows
For Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ (44,235)	$ (59,765)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,432	3,443
(Increase) decrease in operating assets -		
Accounts receivable	-	461,988
Due from other governments	(4,567)	-
Prepaid items	-	7,500
Increase (decrease) in operating liabilities -		
Accounts payable	573	(245,101)
Due to other governments	3,500	4,743
Unearned revenue	15,000	-
Net Cash Provided (Used) by Operating Activities	**$ (26,297)**	**$ 172,808**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (26,297)	$ 172,808
BEGINNING CASH AND CASH EQUIVALENTS	275,129	102,321
ENDING CASH AND CASH EQUIVALENTS	**$ 248,832**	**$ 275,129**

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

SENECA COUNTY ECONOMIC
DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

(Note 1) **Summary of Significant Accounting Policies:**

The financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when earned. Expenditures are recognized when materials or services are received.

A. Organization

The Seneca County Economic Development Corporation, New York (the Corporation) was reincorporated as a nonprofit local development corporation on August 31, 2000. The purposes for which the Corporation is to be formed and operated, are exclusively for charitable purposes within the meaning of Section 501(c) (3) of the Internal Revenue Code, to relieve and reduce unemployment, promote and provide for additional and maximum employment, to better and maintain job opportunities, lessen the burdens of government and act in the public interest.

B. Basis of Presentation

The Seneca County Economic Development Corporation, New York prepares its financials following the Not-For-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the Seneca County Economic Development Corporation, New York is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Seneca County Economic Development Corporation, New York is required to present a Statement of Cash Flows. The Corporation has no temporarily or permanently restricted net assets at December 31, 2013.

C. Cash

Cash and cash equivalents are carried at cost plus accrued interest, which approximates fair value. For purposes of presenting the statement of cash flows, the Corporation considers all highly liquid short-term investments with maturities of three months or less from the date of purchase to be cash or cash equivalents.

D. Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Under Accounting Standards Codification (ASC) Topic 740, the tax status of tax-exempt entitles is an uncertain tax position since events could potentially occur that jeopardize tax-exempt status. Management is not aware of any events that could jeopardize the Corporation's tax-exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements. The Corporation files an IRS Form 990 Return of Organization Exempt from Income Tax annually. These forms filed for the years ending 2010, 2011, and 2012 are subject to examination by the IRS, generally for 3 years after they were filed.

(Note 1) (Continued)

E. Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on the functional basis in the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

G. Revenues

The Corporation receives grants from New York State for various economic development programs in Seneca County. These grants are received by the Seneca County Economic Development Corporation then passed through to other organizations once the conditions of the grants are met.

The Corporation receives rental income from Finger Lakes Rail Company for storage of cars on the Depot property.

(Note 2) Detail Notes on All Funds and Account Groups:

A. Assets

1. Cash and Investments

The Corporation's investment policies are governed by state statutes. The Corporation's monies must be deposited in FDIC insured commercial banks or trust companies located within the state.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity. The Statement of Cash Flows uses the indirect method of reporting cash flows.

Deposits and investments consisted of:

Deposits - All deposits including certificates of deposit are carried at cost.

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

(Note 2) (Continued)

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

	2013	2012
Uncollateralized	$ -	$ -
Collateralized with securities held by the pledging financial institution	5,589	26,499
Total	**$ 5,589**	**$ 26,499**

(Note 3) Accounts Receivable:

Accounts receivable represent the New York State Grant pass through requests due to the Corporation as of December 31, 2013 and 2012 as follows:

	2013	2012
SCIDA	$ 1,067	$ -
New York State	8,243	4,743
Total Accounts Receivable	**$ 9,310**	**$ 4,743**

(Note 4) Interfund Receivables and Payables:

Interfund receivables and payables at December 31, 2013 were as follows:

	Interfund Receivables	Interfund Payables
Operating	$ 261,263	$ -
Cemetery	-	261,263
Total	**$ 261,263**	**$ 261,263**

(Note 5) Property and Equipment:

Property and equipment is stated at the lower of cost or fair market value at the date of purchase. Expenditures for property and equipment are capitalized when in excess of $2,500. Depreciation is computed beginning with the first full year of service using the straight-line method over useful lives of 3 years for computer software and 5 years for equipment items.

The balance at December 31, 2013 is as follows:

Type	Balance at 12/31/2012	Additions	Balance at 12/31/2013
Equipment	$ 10,329	$ -	$ 10,329
Accumulated Depreciation - Equipment	(3,443)	(3,432)	(6,875)
Total	**$ 6,886**	**$ (3,432)**	**$ 3,454**

(Note 6) **Related Party:**

Representation on the Board of Directors of the Corporation consists of five board members, all of which are Seneca County Industrial Development Agency, Inc. (SCIDA) board members.

The Seneca County IDA performs the bookkeeping function for the Corporation.

(Note 7) **License/Lease Agreements:**

A. License agreement dated July 1, 2013 between the Corporation and Richard Nogle for the rental of land for the purpose of cultivating plant crops. The terms of the agreement will be renewable on an annual basis with a fee totaling $300.

B. License agreement dated September 15, 2013 between the Corporation and Donald Reinshagen for the rental of land for the purpose of cultivating plant crops. The terms of the agreement will be renewable on an annual basis with a fee totaling $300.

C. License agreement dated August 7, 2013 between the Corporation and Aaron Covert for the rental of land for the purpose of cultivating plant crops. The terms of the agreement will be renewable on an annual basis with a fee totaling $300.

D. License agreement between the Corporation and Finger Lakes Rail for the use of 19.36 miles of track for the purpose of sorting and refurbishing rail cars. The fee shall be calculated at $0.30 per car per day for 0-800 rail cars and $0.35 per car per day in excess of 801. The lease shall expire December 1, 2014.

E. On June 1, 2013 the Corporation entered into a license agreement with the United States of America for the use of approximately 3,900 acres of land for the purpose of troop training. The parcel of land is located at the Seneca Army Depot. The term of the license shall expire May 31, 2015.

F. Lease Agreement between the SCIDA and the Corporation for the leasing of land (including logging and mineral rights) commonly known as the "conservation land" and the existing improvements located thereon, consisting principally of approximately sixty-four (64) buildings and/or structures, 506 storage igloos, roadways, fencing and utilities. The lease shall expire on December 31, 2035 unless mutually agreed to by the parties. The annual amount of the lease is one dollar.

(Note 8) **Sampson Veterans Memorial Cemetery:**

As of July 2011 the Corporation has been providing services to Seneca County for the Sampson Veterans Memorial Cemetery located in Romulus, New York. These services consist of the management and maintenance of the Cemetery on a day-to day basis. In addition, it is the Corporations' responsibility for hiring and maintaining staff or independent contractors or agents while complying with all State and Federal Laws. All expenses of management and maintenance of the Cemetery are the responsibility of the Corporation and funded either through contributions, donations, grants, in-kind services, income generated through operations and any other source available to the Corporation.

(Note 9) **Deficit Net Assets – Cemetery:**

The Cemetery Fund had a deficit unrestricted net assets of $236,033 at December 31, 2013. Management anticipates that future income streams will allow the Corporation to meet its obligations under its contract with Seneca County.

(Note 10) **Commitment and Contingencies:**

A. **Litigation**

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

(Note 11) **Subsequent Events:**

Events and transactions which have occurred from January 1, 2013 through March 5, 2014, the date of these financials, have been evaluated by the EDC's management for the purpose of determining whether there were any events that might require disclosure in these financial statements. No such events or transactions were noted.

SENECA COUNTY ECONOMIC DEVELOPMENT CORPORATION
NEW YORK
Combining Statement of Financial Position
December 31, 2013

	General Operations	Cemetery	Total 2013
ASSETS:			
Current Assets -			
Cash and cash equivalents	$ 223,029	$ 25,803	$ 248,832
Due from other funds	261,263	-	261,263
Due from other governments	9,310	-	9,310
Total Current Assets	$ 493,602	$ 25,803	$ 519,405
Capital Assets -			
Machinery and equipment, net	$ -	$ 3,454	$ 3,454
TOTAL ASSETS	**$ 493,602**	**$ 29,257**	**$ 522,859**
LIABILITIES:			
Current Liabilities -			
Accounts payable	$ -	$ 573	$ 573
Due to other governments	8,243	-	8,243
Due to other funds	-	261,263	261,263
Unearned revenue	15,000	-	15,000
Total Current Liabilities	$ 23,243	$ 261,836	$ 285,079
TOTAL LIABILITIES	**$ 23,243**	**$ 261,836**	**$ 285,079**
NET ASSETS:			
Investment in capital assets	$ -	$ 3,454	$ 3,454
Unrestricted	470,359	(236,033)	234,326
TOTAL NET ASSETS	$ 470,359	$ (232,579)	$ 237,780
TOTAL LIABILITIES AND NET ASSETS	**$ 493,602**	**$ 29,257**	**$ 522,859**

SENECA COUNTY ECONOMIC DEVELOPMENT CORPORATION
NEW YORK
Combining Statement of Activities
For Year Ended December 31, 2013

	General Operations	Cemetery	Total 2013
REVENUES:			
Rent income	$ 61,703	$ -	$ 61,703
State and federal aid - pass through grants	3,500	-	3,500
Miscellaneous	4	387	391
Donations	-	11,257	11,257
Burial income	-	8,080	8,080
TOTAL REVENUES	**$ 65,207**	**$ 19,724**	**$ 84,931**
EXPENSES:			
Management and General -			
Professional fees	$ 10,900	$ -	$ 10,900
Legal costs	5,263	-	5,263
Cemetery director services	-	38,547	38,547
Burial service	-	22,199	22,199
Travel and meetings	-	2,504	2,504
Maintenance and repairs	-	25,256	25,256
Total Management and General	$ 16,163	$ 88,506	$ 104,669
Program Services -			
Insurance	$ 5,749	$ 702	$ 6,451
Pass through grants	3,500	-	3,500
Annual dues/fees	-	170	170
Operations - equipment	-	2,540	2,540
Operations - software programs	-	940	940
Operations - telephone	-	1,255	1,255
Operations - utilities	-	2,056	2,056
Depreciation expense	-	3,432	3,432
Miscellaneous	125	-	125
Total Program Services	$ 9,374	$ 11,095	$ 20,469
Fund Raising -			
Professional fees - fundraising	$ -	$ 4,028	$ 4,028
TOTAL EXPENSES	**$ 25,537**	**$ 103,629**	**$ 129,166**
EXCESS (DEFICIENCY) IN UNRESTRICTED NET ASSETS	**$ 39,670**	**$ (83,905)**	**$ (44,235)**
NET ASSETS - BEGINNING OF YEAR	430,689	(148,674)	282,015
NET ASSETS - END OF YEAR	**$ 470,359**	**$ (232,579)**	**$ 237,780**

(See Independent Auditors' Report)

SENECA COUNTY ECONOMIC DEVELOPMENT CORPORATION
NEW YORK
Combining Statement of Cash Flows
For Year Ended December 31, 2013

	General Operations	Cemetery	Total 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Increase (decrease) in net assets	$ 39,670	$ (83,905)	$ (44,235)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation	-	3,432	3,432
(Increase) decrease in operating assets -			
Due from other governments	(4,567)	-	(4,567)
Increase (decrease) in operating liabilities -			
Accounts payable	-	573	573
Due to other governments	3,500	-	3,500
Unearned revenue	15,000	-	15,000
Net Cash Provided (Used) by Operating Activities	**$ 53,603**	**$ (79,900)**	**$ (26,297)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
net cash provided (used) by financing activities:			
Payments from EDC to Cemetery to cover deficit	$ (90,000)	$ 90,000	$ -
Net Cash Provided (Used) by Financing Activities	**$ (90,000)**	**$ 90,000**	**$ -**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (36,397)	$ 10,100	$ (26,297)
BEGINNING CASH AND CASH EQUIVALENTS	259,426	15,703	275,129
ENDING CASH AND CASH EQUIVALENTS	**$ 223,029**	**$ 25,803**	**$ 248,832**

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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 Board of Directors
Seneca County 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 Seneca County Economic Development Corporation (the Corporation), which comprise the combined statement of financial position as of December 31, 2013 and 2012, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Seneca County Economic Development Corporation's financial statements, and have issued our report thereon dated March 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Seneca County Economic Development Corporation'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 Seneca County Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Seneca County Economic Development Corporation's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses - #2013-001 to be a material weakness.

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Seneca County 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*.

Corporation's Response to Findings

Seneca County Economic Development Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Seneca County Economic Development Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

March 5, 2014

SENECA COUNTY ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended December 31, 2013

I. Summary of the Auditors' Results

Financial Statements

a)	Type of auditor's report issued	Unmodified
b)	Internal control over financial reporting	
	1. Material weaknesses identified	Yes
	2. Significant deficiency(ies) identified	No
c)	Noncompliance material to financial statements noted	No

II. Financial Statement Findings

Current Year Finding:

(#2013-001) Deficit Net Assets –

Criteria – Sufficient funds are necessary to continue to meet the cash flow needs of the Cemetery.

Condition – The Cemetery reported a deficit net assets-unrestricted balance of $236,033 at December 31, 2013 and losses from operations for the years ended December 31, 2013 and 2012 were $83,905 and $95,462, respectively.

Effect – This situation could affect the Corporation's ability to provide the cash flow necessary to continue Cemetery operations for an extended period.

Recommendations – Management must find new sources of revenue or identify ways of reducing expenses if Cemetery operations are going to continue for an extended period.

Corporation's Response – Management anticipates that this deficit will be reduced by future income streams and does not anticipate being unable to meet its obligations under its contract with Seneca County.