

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

**Financial Statements as of
December 31, 2014 and 2013
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, 2014 AND 2013**

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INDEPENDENT AUDITOR'S REPORT

March 18, 2015

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, 2014 and 2013, 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 an opinion 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.

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(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Agency, as of December 31, 2014 and 2013, 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 18, 2015, 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, 2014 AND 2013

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, 2014 and 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.

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.

The mission of the Agency is to promote community and economic development and the creation of jobs in the non-profit and for-profit sectors for the citizens of Yates County, New York (Yates County). The Agency undertakes projects within Yates County for the purpose of relieving and reducing unemployment; bettering and maintaining job opportunities by encouraging the development of, or retention of, an industry in Yates County, and lessening the burdens of government and acting in the public interest

Financial Highlights

- Operating revenue of \$140,690 in 2014 increased \$5,980 from \$134,710 in 2013 predominately due to an increase in interest earned on notes receivable and fees of \$4,980.
- The assets of the Agency exceeded liabilities at the close of the 2014 year by \$794,524 (net position), and by \$643,589 (net position) at the close of the 2013 year.
- During 2014, the Agency worked in conjunction with a local bank and the IDA to provide emergency loan funds to local businesses affected by a flood that devastated the area.

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:

	<u>2014</u>	<u>2013</u>
Operating revenue	\$ 140,690	\$ 134,710
Operating expenses	(11,855)	(4,757)
Transfer from affiliate	<u>22,100</u>	<u>-</u>
Change in net position	<u>\$ 150,935</u>	<u>\$ 129,953</u>

Operating Revenue and Expenses

The Agency's operating revenue for 2014 and 2013 totaled \$140,690 and \$134,710, respectively, which includes the net revenue received from the Empire Pipeline Project, interest earned on notes receivable, loan application fees, and late payments received on notes receivable.

The components of the operating expenses relate to legal fees, accounting fees, office supplies, bank fees, and loan management fees. Total operating expenses were \$11,855 and \$4,757 for 2014 and 2013, respectively.

Net Position

	<u>2014</u>	<u>2013</u>
Unrestricted net position	<u>\$ 794,524</u>	<u>\$ 643,589</u>
Change in net position	<u>\$ 150,935</u>	<u>\$ 129,953</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.

Current Liabilities

During 2014, the Agency entered into a 0% interest line-of-credit with Lyons National Bank to assist in providing loans to businesses in Yates County affected by the 2014 flood. The Agency borrowed \$250,000 during 2014 for the emergency loans issued. The entire amount remained outstanding to Lyons National Bank at December 31, 2014.

Long-Term Debt

The Agency has no long-term debt.

Future Economic Factors

The Agency is encouraged by the level of new business activities in Yates County and will continue to work in conjunction with local banks and governments to assist businesses in obtaining financing for the purpose of enhancing economic growth and job creation. The Agency will also 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 Agency'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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 257,523	\$ 301,696
Current portion of notes receivable	<u>203,471</u>	<u>90,239</u>
Total current assets	460,994	391,935
OTHER ASSETS:		
Notes receivable, net of current portion	<u>583,530</u>	<u>251,654</u>
Total assets	<u>1,044,524</u>	<u>643,589</u>
LIABILITIES		
CURRENT LIABILITIES:		
Line-of-credit	<u>250,000</u>	-
Total current liabilities	<u>250,000</u>	-
NET POSITION		
NET POSITION (UNRESTRICTED)	<u>794,524</u>	<u>643,589</u>
Total net position	<u>\$ 794,524</u>	<u>\$ 643,589</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUE:		
Agency fees	\$ 128,500	\$ 127,500
Interest income and late fees	<u>12,190</u>	<u>7,210</u>
Total operating revenue	140,690	134,710
OPERATING EXPENSES	<u>11,855</u>	<u>4,757</u>
OPERATING INCOME	128,835	129,953
TRANSFER FROM AFFILIATE	<u>22,100</u>	<u>-</u>
CHANGE IN NET POSITION	150,935	129,953
NET POSITION - beginning of year	<u>643,589</u>	<u>513,636</u>
NET POSITION - end of year	<u>\$ 794,524</u>	<u>\$ 643,589</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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 140,690	\$ 134,710
Cash payments for other than personal services	<u>(11,855)</u>	<u>(4,757)</u>
Net cash flow from operating activities	<u>128,835</u>	<u>129,953</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Collection of notes receivable	142,242	158,307
Issuance of notes receivable	(587,350)	(171,000)
Transfer from affiliate	<u>22,100</u>	<u>-</u>
Net cash flow from investing activities	<u>(423,008)</u>	<u>(12,693)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings on line-of-credit	<u>250,000</u>	<u>-</u>
Net cash flow from financing activities	<u>250,000</u>	<u>-</u>
CHANGE IN CASH	(44,173)	117,260
CASH - beginning of year	<u>301,696</u>	<u>184,436</u>
CASH - end of year	<u>\$ 257,523</u>	<u>\$ 301,696</u>
RECONCILIATION OF NET INCOME TO NET CASH FLOW		
FROM OPERATING ACTIVITIES:		
Operating income	<u>\$ 128,835</u>	<u>\$ 129,953</u>
Net cash flow from operating activities	<u>\$ 128,835</u>	<u>\$ 129,953</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, 2014 AND 2013**

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 (Yates County). 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 Yates County and the IDA.

The Agency is a discretely presented component unit of Yates 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

GAAP requires 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, 2014 and 2013, the amount of unrestricted net position was \$794,524 and \$643,589, respectively, 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, 2014 and 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash consists of bank demand deposit accounts.

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. During 2014, the Agency also operated an emergency loan fund to assist businesses within Yates County that were affected by the 2014 flood. These loans were provided to businesses at 0% interest for 5 years.

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, 2014 and 2013.

Operating Revenue

The Agency receives operating revenue 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.

The Agency also earns income from interest on notes receivable, loan application fees related to the issuance of operating and capital loans to existing and potential industries located in Yates County, and late fees related to payments made on notes receivable balances.

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.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the current year presentation.

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, 2014 and 2013 cash held by the Agency and the bank balances in financial institutions was \$257,523 and \$301,696, respectively. The cash balance is not subject to significant investment risk relating to changing interest rates. 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. At December 31, 2014, the collateral held in the Agency's name \$244,663.

4. NOTES RECEIVABLE

Principal maturities of notes receivable from various Yates County businesses, bearing interest at rates ranging from 0% to 2.6% and maturing at various dates through July 2020 were as follows at December 31, 2014:

2015	\$	203,471
2016		188,488
2017		163,503
2018		144,053
2019		77,064
Thereafter		<u>10,422</u>
		787,001
Current portion		<u>(203,471)</u>
	\$	<u><u>583,530</u></u>

5. TRANSFER FROM AN AFFILIATED AGENCY

The Agency was transferred \$22,100 from the IDA to assist with providing emergency loans to businesses affected by the 2014 flood. No assets were transferred from the IDA to the Agency in 2013.

6. LINE-OF-CREDIT

During 2014, the Agency entered into a \$250,000 bank line-of-credit with Lyons National Bank for the purpose of providing emergency loans to businesses affected by the 2014 flood. Borrowings on the line-of-credit bear interest at 0%, are secured by assets of the Agency and guaranteed by the IDA. The amount outstanding under the terms of the line-of-credit agreement was \$250,000 at December 31, 2014.

**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 18, 2015

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, 2014, 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 18, 2015.

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 the Agency'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 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.