

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

**Financial Statements as of  
December 31, 2011 and 2010  
Together with  
Independent Auditors' Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

**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, 2011 AND 2010**

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## INDEPENDENT AUDITORS' REPORT

March 21, 2012

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

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 Yates County, New York as of December 31, 2011 and 2010 and for the year ended December 31, 2011 and for the period from inception (August 19, 2010) to December 31, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 Finger Lakes Horizon Economic Development Corporation, as of December 31, 2011 and 2010, and the respective changes in financial position and cash flows, thereof for the year ended December 31, 2011 and for the initial period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2012, 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* and should be considered in assessing the results of our audit.

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## **INDEPENDENT AUDITORS' REPORT**

(Continued)

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 audit 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.

**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 YEAR ENDED DECEMBER 31, 2011 AND FOR THE PERIOD FROM  
AUGUST 19, 2010 (DATE OF INCEPTION) TO DECEMBER 31, 2010**

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**Introduction**

Our discussion and analysis of the Finger Lakes Economic Development Corporation's (the Agency), financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2011 and for the initial period ended December 31, 2010. 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**

- In 2010, the IDA transferred \$124,968 of assets to the Agency to commence operations.
- Operating Revenues of \$127,500 and \$127,501 were received in conjunction with the Empire Pipeline Project in 2011 and 2010, respectively.
- The assets of the Agency exceeded liabilities at the close of the 2011 year by \$381,319 (net assets), and by \$253,498 (net assets) at the close of 2010.

**Overview of the Financial Statements**

The statements of net assets and the statements of revenue, expenses, and change in net assets 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 two statements report the Agency's net assets and changes in them from one year to the next. The Agency's net assets, 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 assets 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 (GASB). Revenues are recognized when earned, not received. Expenses are recognized when incurred, not when they are paid.

### Summary of Operations and Changes in Net Assets

For the year ended December 31, 2011 and for the initial period ended December 31, 2010:

	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 127,500	\$ 127,501
Operating expenses	(2,157)	-
Non-operating revenues	2,478	1,029
Transfer from affiliate	<u>-</u>	<u>124,968</u>
Change in net assets	<u>\$ 127,821</u>	<u>\$ 253,498</u>

### Operating Revenues and Expenses

The Agency's operating revenues for 2011 and 2010 totaled \$127,500 and \$127,501, respectively, which is the net revenue received from the Empire Pipeline Project.

The components of the operating expenses in 2011 related to accounting fees and office supplies. Total operating expenses for 2011 was \$2,157. There were no operating expenses in 2010.

The components of the non-operating revenues relate to interest earned on notes receivable. Total interest earned was \$2,478 and \$1,029 for 2011 and 2010, respectively.

In 2010 a total of \$124,968 in cash and notes receivable were transferred from the IDA to fund the start-up of the Agency.

### Net Assets

	<u>2011</u>	<u>2010</u>
Unrestricted net assets	<u>\$ 381,319</u>	<u>\$ 253,498</u>
Net increase	<u>\$ 127,821</u>	<u>\$ 253,498</u>

Net assets include 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 Factors

The Agency was encouraged by the level of new business activities requesting financing during 2010 and 2011 and the Agency expects those requests to continue in 2012. 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 ASSETS**  
**DECEMBER 31, 2011 AND 2010**

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	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 140,315	\$ 161,521
Current portion of notes receivable	<u>50,643</u>	<u>20,282</u>
Total current assets	190,958	181,803
OTHER ASSETS:		
Notes receivable, net of current portion	<u>190,361</u>	<u>71,695</u>
Total assets	<u>\$ 381,319</u>	<u>\$ 253,498</u>
<b>LIABILITIES AND NET ASSETS</b>		
NET ASSETS:		
Unrestricted	<u>\$ 381,319</u>	<u>\$ 253,498</u>
Total net assets	<u>\$ 381,319</u>	<u>\$ 253,498</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 ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 AND FOR THE PERIOD AUGUST 19, 2010**  
**(DATE OF INCEPTION) TO DECEMBER 31, 2010**

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	<u>2011</u>	<u>2010</u>
OPERATING REVENUE	\$ 127,500	\$ 127,501
OPERATING EXPENSES	<u>2,157</u>	<u>-</u>
OPERATING INCOME	125,343	127,501
NONOPERATING REVENUE:		
Interest income	<u>2,478</u>	<u>1,029</u>
CHANGE IN NET ASSETS BEFORE TRANSFER FROM AFFILIATE	127,821	128,530
TRANSFER FROM AFFILIATE	<u>-</u>	<u>124,968</u>
CHANGE IN NET ASSETS	127,821	253,498
NET ASSETS - beginning of the period	<u>253,498</u>	<u>-</u>
NET ASSETS - end of year	<u>\$ 381,319</u>	<u>\$ 253,498</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 YEAR ENDED DECEMBER 31, 2011 AND FOR THE PERIOD AUGUST 19, 2010**  
**(DATE OF INCEPTION) TO DECEMBER 31, 2010**

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	<u>2011</u>	<u>2010</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Cash received from providing services	\$ 127,500	\$ 127,501
Cash payments for other than personal services	<u>(2,157)</u>	<u>-</u>
Net cash flow from operating activities	<u>125,343</u>	<u>127,501</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Collection of notes receivable	15,023	3,488
Issuance of notes receivable	(164,050)	(39,500)
Transfer from affiliate	-	69,003
Interest income	<u>2,478</u>	<u>1,029</u>
Net cash flow from investing activities	<u>(146,549)</u>	<u>34,020</u>
CHANGE IN CASH	(21,206)	161,521
CASH - beginning of the period	<u>161,521</u>	<u>-</u>
CASH - end of year	<u>\$ 140,315</u>	<u>\$ 161,521</u>
<b>RECONCILIATION OF NET INCOME TO NET CASH FLOW</b>		
<b>FROM OPERATING ACTIVITIES:</b>		
Operating income	<u>\$ 125,343</u>	<u>\$ 127,501</u>
Net cash flow from operating activities	<u>\$ 125,343</u>	<u>\$ 127,501</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, 2011 AND 2010**

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**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. The Agency applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as any Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

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. Fixed assets and long-term liabilities related to these activities are recorded within the fund.

**Basis of Presentation**

GASB requires the classification of net assets into three components as defined below:

- **Invested in Capital Assets, net of related debt** - consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings, if any, that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted Net Assets** - consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Basis of Presentation (Continued)**

The Agency's net assets were unrestricted at December 31, 2011 and 2010.

### **Cash**

Cash consists of a bank demand deposit account.

### **Notes Receivable**

The Agency operated 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, 2011 and 2010.

### **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. The 2009 payment was made to the IDA and, as discussed in Note 5, the IDA transferred the related assets to the Agency in 2010.

### **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 generally accepted accounting principles 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 State's political subdivisions.

Collateral is required for deposits and certificates of deposit not covered by Federal Deposit Insurance Corporation (FDIC) insurance. 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;
- 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, 2011 and 2010 cash held by the Agency in financial institutions was \$140,315 and \$161,521, respectively. This account is not subject to significant investment risk relating to changing interest rates and the balance was within the limits of FDIC at December 31, 2011 and 2010.

**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 December 2016 were as follows at December 31, 2011:

2012	\$	50,643
2013		51,903
2014		52,788
2015		48,133
2016		<u>37,537</u>
		241,004
Current portion		<u>(50,643)</u>
	\$	<u>190,361</u>

**5. TRANSFER FROM AN AFFILIATED AGENCY**

The Agency was initially funded by the transfer of funds available from revenues received by the IDA from the Empire Pipeline Project in a prior year totaling \$124,968 and consisted of cash of \$69,003 and notes receivable of \$55,965. Future receipts from the Empire Pipeline Project were assigned to the Agency to provide continued funding of economic development projects.

**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 21, 2012

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

We have audited 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 Yates County, New York as of and for the year ended December 31, 2011, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 21, 2012. 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.

**Internal Control Over Financial Reporting**

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Finger Lakes Horizon Economic Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Finger Lakes Horizon Economic Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Finger Lakes Horizon Economic Development Corporation's internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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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***

(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Finger Lakes Horizon Economic Development Corporation's financial statements are free of 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*.

This report is intended solely for the information and use of management, Board of Directors, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.