

**VILLAGE OF FAIRPORT  
INDUSTRIAL DEVELOPMENT AGENCY  
dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT**

**NEW YORK**

**FINANCIAL STATEMENTS**

**For Years Ended September 30, 2012 and 2011**

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**Certified Public Accountants**

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Members of  
American Institute of  
Certified Public Accountants  
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New York State Society of  
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

To the Council Members of  
Village of Fairport  
Industrial Development Agency  
dba Fairport Office of Economic Development

We have audited the accompanying statement of net assets of the Village of Fairport Industrial Development Agency (Agency), a component unit of the Village of Fairport, New York as of September 30, 2012 and 2011, and the related statements of revenue, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York's management. Our responsibility is to express an opinion on these financial statements based on our audit.

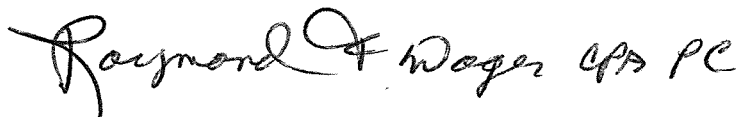
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended 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 December 5, 2012 on our consideration of the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The project reporting information is presented for purposes of additional analysis and is not a required part of the financial statements. The project reporting information has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Raymond F. Wager CPA PC". The signature is written in a cursive, flowing style.

December 5, 2012

**Village of Fairport  
Industrial Development Agency  
dba Fairport Office of Economic Development**

**Management's Discussion and Analysis (MD&A)**

**September 30, 2012**

**Introduction**

Our discussion and analysis of the Village of Fairport Industrial Development Agency (Agency), a component unit of the Village of Fairport, New York's financial performance provides an overview of the Agency's financial activities for the year ended September 30, 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.

**Financial Highlights**

Key financial highlights for year 2012 are as follows:

- ◆ The assets of the Agency exceeded its liabilities at the close of the most recent year by \$4,103,363 (net assets).
- ◆ \$540,024 (invested in capital assets, net of related debt) represents the Agency's investments in land, structures, and equipment (there is no capital-related debt) and is not available for future spending.
- ◆ \$3,310,312 (unrestricted net assets) is available for the Agency's ongoing operations.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Agency's financial statements. The Agency's financial statements are comprised of two components: (1) government-wide financial statements, and (2) notes to the financial statements.

1. *Government-Wide Financial Statements*

The *government-wide financial statements* are the same as the fund financial statements for proprietary funds, so no additional schedules were necessary. The Agency's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Agency's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

- ◆ The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. Evaluation of the overall health of the Agency would extend to other nonfinancial factors, such as diversification of the tenants base or the condition of agency infrastructure, in addition to the financial information provided in this report.

- ◆ The *statement of activities* presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. An important purpose of the design of this statement is to show the financial reliance of the Agency's distinct activities or functions on revenues provided by the Agency's lessees and grantors.

2. *Notes to the Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the financial statement section of this report.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. In the case of the Agency, net assets at the close of the current year were \$3,838,686. This represents a decrease in net assets of \$39,647 from the prior year.

**Net Assets**

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Current Assets	\$ 3,316,565	\$ 3,872,890	\$ (556,325)
Noncurrent Assets	562,537	537,242	25,295
Capital Assets, Net	<u>540,024</u>	<u>531,421</u>	<u>8,603</u>
<b>Total Assets</b>	<b><u>\$ 4,419,126</u></b>	<b><u>\$ 4,941,553</u></b>	<b><u>\$ (522,427)</u></b>
<u>LIABILITIES</u>			
Current Liabilities	\$ 295,931	\$ 784,477	\$ (488,546)
Noncurrent Liabilities	<u>19,832</u>	<u>14,066</u>	<u>5,766</u>
<b>Total Liabilities</b>	<b><u>\$ 315,763</u></b>	<b><u>\$ 798,543</u></b>	<b><u>\$ (482,780)</u></b>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 540,024	\$ 531,421	\$ 8,603
Restricted	253,027	254,984	(1,957)
Unrestricted	<u>3,310,312</u>	<u>3,356,605</u>	<u>(46,293)</u>
<b>Total Net Assets</b>	<b><u>\$ 4,103,363</u></b>	<b><u>\$ 4,143,010</u></b>	<b><u>\$ (39,647)</u></b>

The investment in capital assets represents 14% of the Agency's net assets. The largest of the Agency's net assets (81%) represents resources that are unrestricted on how they may be utilized. The remaining category of the Agency's net assets represents restricted assets.

The current assets decreased \$556,325 as a result of the purchase of property and a new URA loan reduced the amount due to the URA and cash.

The capital assets increased \$8,603 as a result of the purchase of new office equipment.

Current liabilities decreased \$223,869 primarily due to new loans made by the URA as well as property purchased by the URA.

## Changes in Net Assets

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
<b><u>Operating Revenues:</u></b>			
Rental of Real Property	\$ 283,804	\$ 336,603	\$ (52,799)
Program Income (notes, loans, other)	31,363	37,676	(6,313)
Miscellaneous Revenue	3,050	2,952	98
Village Partnership-Grant	-	89,586	(89,586)
<b>Total Operating Revenues</b>	<b>\$ 318,217</b>	<b>\$ 466,817</b>	<b>\$ (148,600)</b>
<b><u>Operating Expenses:</u></b>			
Administrative & Contractual	\$ 45,877	\$ 39,722	\$ 6,155
Personal Services	138,118	183,542	(45,424)
Employee Benefits	33,522	52,301	(18,779)
Allocation to URA	49,058	39,571	9,487
Home and Community Services	141,216	152,200	(10,984)
<b>Total Operating Expenses</b>	<b>\$ 407,791</b>	<b>\$ 467,336</b>	<b>\$ (59,545)</b>
<b>Net Operating Income</b>	<b>\$ (89,574)</b>	<b>\$ (519)</b>	<b>\$ (89,055)</b>
<b><u>Nonoperating Revenues (Expenses):</u></b>			
Interest Income, Other	\$ 85,001	\$ 62,355	\$ 22,646
Unrealized Gain (Loss) on Fair Value of Investments	(51,080)	4,181	(55,261)
State Grants	12,099	29,281	(17,182)
NYS - Façade Program	(5,120)	(3,400)	(1,720)
Capital Contribution to URA	-	(130,000)	130,000
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 40,900</b>	<b>\$ (37,583)</b>	<b>\$ 78,483</b>
<b>Income Before Operating Transfers</b>	<b>\$ (48,674)</b>	<b>\$ (38,102)</b>	<b>\$ (10,572)</b>
Operating Transfers In	\$ 9,027	\$ 17,940	\$ (8,913)
<b>Net Income</b>	<b>\$ (39,647)</b>	<b>\$ (20,162)</b>	<b>\$ (19,485)</b>
<b>Net Assets - Beginning of Year</b>	<b>4,143,010</b>	<b>4,163,172</b>	<b>(20,162)</b>
<b>Net Assets - End of Year</b>	<b>\$ 4,103,363</b>	<b>\$ 4,143,010</b>	<b>\$ (39,647)</b>

Effective October 1, 2008 the IDA entered into an agreement with the Urban Renewal Agency to allocate a portion of the administrative and professional costs to the Urban Renewal Agency. As a result of this the IDA allocated \$13,839 of administrative and contractual expenses, \$20,319 of personal service expenses, and \$6,858 of employee benefit expenses to the Urban Renewal Agency. In addition the IDA allocated \$42,000 to the Urban Renewal Agency to fund their operation. State grants decreased for the Department of State (DOS) and restore New York grants received in 2012.

## Capital Assets

The Agency's investment in capital assets as of September 30, 2012 amounts to \$540,024 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and equipment.

	<u>2012</u>	<u>2011</u>
Land	\$ 122,169	\$ 122,169
Buildings	413,270	404,346
Equipment	10,348	8,763
Less: Accumulated Depreciation	(5,763)	(3,857)
<b>Total</b>	<b>\$ 540,024</b>	<b>\$ 531,421</b>

## **Future Factors**

- In 2013, the IDA will undertake two major construction projects. Both waterfront projects are partially funded by grants from New York State, and are reimbursement grants. The IDA will likely spend \$1M in project-related expenses before reimbursement is received.
- Although the Authority Budget Office (ABO) determined the IDA was dissolved in December 2012, and sent a letter to the Fairport IDA stating as much, the New York State legislature passed a bill in August 2012 that recognized the Fairport IDAs land leases as legitimate IDA activities, and the Fairport IDA was re-instated.

## **Requests for Information**

This financial report is designed to provide a general overview of the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: The Chairman of the Council, Village of Fairport Industrial Development Agency, 31 South Main Street, Fairport, New York 14450.



**VILLAGE OF FAIRPORT**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
 dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT  
 Statement of Net Assets  
 September 30, 2012 and 2011

<u>ASSETS:</u>	<u>2012</u>	<u>2011</u>
<b><u>Current Assets -</u></b>		
Cash	\$ 1,158,871	\$ 1,457,179
Investments	2,073,439	2,167,430
Accounts receivable (net)	44,556	213,822
Current portion of notes and mortgages receivable	31,825	26,327
Current portion of investment in leases	7,874	8,132
<b>Total Current Assets</b>	<b>\$ 3,316,565</b>	<b>\$ 3,872,890</b>
<b><u>Noncurrent Assets -</u></b>		
Long-term notes and mortgages receivable (net)	\$ 489,517	\$ 457,026
Long-term investment in leases	73,020	80,216
<b>Total Noncurrent Assets</b>	<b>\$ 562,537</b>	<b>\$ 537,242</b>
<b><u>Capital Assets -</u></b>		
Land	\$ 128,198	\$ 122,169
Building	407,240	404,346
Equipment	10,348	8,763
Less: accumulated depreciation	(5,762)	(3,857)
<b>Total Capital Assets</b>	<b>\$ 540,024</b>	<b>\$ 531,421</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,419,126</b>	<b>\$ 4,941,553</b>
<b><u>LIABILITIES:</u></b>		
<b><u>Current Liabilities -</u></b>		
Accrued liabilities	\$ 549	\$ 373
Deferred revenue	23,061	22,021
Security deposit-Anco Builders	-	4,200
Due to other governments	242,737	729,689
Due to ERS	29,585	28,194
<b>Total Current Liabilities</b>	<b>\$ 295,932</b>	<b>\$ 784,477</b>
<b><u>Noncurrent Liabilities -</u></b>		
Current obligations	\$ 1,729	\$ 1,135
Long-term obligations	18,103	12,931
<b>Total Noncurrent Liabilities</b>	<b>\$ 19,832</b>	<b>\$ 14,066</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 315,764</b>	<b>\$ 798,543</b>
<b><u>NET ASSETS:</u></b>		
Investment in capital assets, net of related debt	\$ 540,024	\$ 531,421
Restricted	253,027	254,984
Unrestricted	3,310,312	3,356,605
<b>TOTAL NET ASSETS</b>	<b>\$ 4,103,363</b>	<b>\$ 4,143,010</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,419,127</b>	<b>\$ 4,941,553</b>

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

**VILLAGE OF FAIRPORT**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
**dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT**

**Statement of Activities**

**For Years Ended September 30, 2012 and 2011**

<b><u>OPERATING REVENUES:</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Rental of real property	\$ 283,804	\$ 336,603
Program income (notes, loans, other)	31,363	37,676
Miscellaneous revenue	3,050	2,952
Village partnership - grants	-	89,586
<b>TOTAL OPERATING REVENUES</b>	<b><u>\$ 318,217</u></b>	<b><u>\$ 466,817</u></b>
<b><u>OPERATING EXPENSES:</u></b>		
Administrative and contractual	\$ 45,877	\$ 39,722
Personal services	138,118	183,542
Employee benefits	33,522	52,301
Allocation to URA	49,058	39,571
Home and community services	141,216	152,200
<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 407,791</u></b>	<b><u>\$ 467,336</u></b>
<b>NET OPERATING INCOME</b>	<b><u>\$ (89,574)</u></b>	<b><u>\$ (519)</u></b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income, other	\$ 85,001	\$ 62,355
Unrealized gain (loss) on fair value of investments	(51,080)	4,181
State grants	12,099	29,281
NYS - facade program	(5,120)	(3,400)
Capital contribution to URA	-	(130,000)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b><u>\$ 40,900</u></b>	<b><u>\$ (37,583)</u></b>
<b>INCOME BEFORE OPERATING TRANSFERS</b>	<b><u>\$ (48,674)</u></b>	<b><u>\$ (38,102)</u></b>
Operating transfers in	\$ 9,027	\$ 17,940
<b>NET INCOME</b>	<b><u>\$ (39,647)</u></b>	<b><u>\$ (20,162)</u></b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b><u>4,143,010</u></b>	<b><u>4,163,172</u></b>
<b>NET ASSETS - END OF YEAR</b>	<b><u>\$ 4,103,363</u></b>	<b><u>\$ 4,143,010</u></b>

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

**VILLAGE OF FAIRPORT**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
**dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT**  
**Statement of Cash Flows**  
**For Years Ended September 30, 2012 and 2011**

<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Receipts from rentals	\$ 303,349	\$ 332,007
Payments to suppliers/other governments	(722,888)	(99,622)
Payments to employees	(166,817)	(220,029)
Other revenue	34,413	130,214
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (551,943)</u></b>	<b><u>\$ 142,570</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Interest income	\$ 85,001	\$ 62,355
Change in other assets	(53,037)	(954)
Issuance of notes receivable	(65,000)	(70,000)
Repayment of notes receivable	36,423	65,881
Purchase/sale of investments (net)	93,991	(76,757)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>\$ 97,378</u></b>	<b><u>\$ (19,475)</u></b>
<b><u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u></b>		
Purchase of capital assets	\$ (10,508)	\$ (95)
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<b><u>\$ (10,508)</u></b>	<b><u>\$ (95)</u></b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
Payments from other funds	\$ 9,027	\$ 17,940
State grants	162,858	22,585
NYS - facade program	(5,120)	(3,400)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b><u>\$ 166,765</u></b>	<b><u>\$ 37,125</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (298,308)</b>	<b>\$ 160,125</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b><u>1,457,179</u></b>	<b><u>1,297,054</u></b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 1,158,871</u></b>	<b><u>\$ 1,457,179</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
<b>Net Operating Income</b>	<b><u>\$ (89,574)</u></b>	<b><u>\$ (519)</u></b>
<b>Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:</b>		
(Increase)/Decrease in accounts receivable	19,545	(4,596)
Depreciation expense	1,906	1,736
Increase/(Decrease) in accrued liabilities	176	350
Increase/(Decrease) in security deposits	(4,200)	-
Increase/(Decrease) in due to other governments	(486,953)	130,135
Increase/(Decrease) in due to ERS	1,391	19,194
Increase/(Decrease) in OPEB	2,797	2,798
Increase/(Decrease) in compensated absences	2,969	(6,528)
<b>Total Adjustments</b>	<b><u>\$ (462,369)</u></b>	<b><u>\$ 143,089</u></b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (551,943)</u></b>	<b><u>\$ 142,570</u></b>

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

**VILLAGE OF FAIRPORT  
INDUSTRIAL DEVELOPMENT AGENCY  
dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2012**

**I. Summary of Significant Accounting Policies:**

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

**A. Organization**

The Agency was created under the provision of laws of New York State for the purpose of encouraging economic growth in the Village of Fairport, New York. The Agency is exempt from federal, state, and local income taxes. The Agency, established by the Village of Fairport, New York, is a component unit of the Village of Fairport, New York based on several criteria set forth in GASB 14 as amended by GASB 39 (including legal standing, fiscal dependency, and financial accountability). The Agency has been doing business as (dba) Fairport Office of Community and Economic Development over the past year.

**B. Basis of Accounting**

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to proprietary funds on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Management must make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Financial instruments, including borrowings, are all carried at amounts that approximate fair value.

The government-wide financial statements are the same as the fund financial statements for proprietary funds, so no additional schedules were necessary. The first of these government-wide statements is the Statement of Net Assets. This is the Agency-wide statement of position presenting information that includes all of the Agency's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating. Evaluation of the overall health of the Agency would extend to other nonfinancial factors, such as diversification of the tenants base or the condition of Agency infrastructure, in addition to the financial information provided in this report.

**(I.) (Continued)**

The second government-wide statement is the Statement of Activities which reports how the Agency's net assets changed during the current fiscal year. All current-year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of this statement is to show the financial reliance of the Agency's distinct activities or functions on revenues provided by the Agency's lessees and grantors.

**C. Assets, Liabilities, and Net Assets**

**1. Cash and Cash Equivalents**

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

**2. Investments**

**a.** Investments are recorded at fair market values based on quoted market prices. The Agency is permitted to invest monies in the following types of investments:

1. Interest bearing checking and/or savings accounts
2. Certificates of deposit
3. Obligations of the United States of America
4. Obligations issued by Agencies of the United States, for which the United States of America guarantees the payment of principal and interest on the obligations
5. Obligations of the State of New York
6. Obligations of Public Authorities, Public Housing Authorities, and Urban Renewal Agencies where New York State statutes governing such entities or whose specific enabling legislation authorizes such investments.

**b. Diversification**

It shall be the policy of the Agency to diversify its deposits and investments. Diversification will further protect the principal amount of deposits and investments but may not serve to maximize interest earnings. No more than 75% of total available cash may be placed in any one particular authorized depository, financial institution, or security dealer at any time.

The amount of cash readily available, as well as maturity dates for investments shall also be diversified. In this regard, up to 25% of moneys available may be invested for 1 year or less, up to 35% may be invested from 1-3 years, 55-60% may be invested from 3-8 years, and 0-10% may be invested for up to 10 years.

( I. ) (Continued)

3. **Accounts Receivable**

Accounts receivable are reported at their net value after reduction for the estimated portion that is expected to be uncollectible as of September 30, 2012 and 2011. Accounts receivable are recorded as revenue in the year they are earned.

4. **Capital Assets**

The capital assets are recorded at cost and are depreciated utilizing the straight-line method of depreciation over the estimated useful life of the asset.

5. **Notes Receivable**

Notes receivable are stated at principal balances, less the estimated portion that is expected to be uncollectible as of September 30, 2012 and 2011.

6. **Compensated Absences**

The Agency's employees are granted vacation and sick leave and earn compensated absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation leave subject to certain maximum limitations. Estimated vacation leave is recorded as an expense when earned.

7. **Net Assets**

a. **Government-Wide Statements**

Net assets are categorized as follows:

1. **Invested in capital assets, net of related debt** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted net assets** - consists of net assets with constraints placed on 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.
3. **Unrestricted net assets** - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

( I. ) (Continued)

8. **Pension Plan**

Employees of the Agency participate in the New York State Retirement System.

Information relating to the Agency's participation is described in these financial statements. A full description of ERS membership, benefits, and employer and employee obligations to contribute are described in the System's annual reports and financial statements.

9. **Industrial Development Revenue Bond and Note Transactions**

Industrial development revenue bonds and notes issued by the Agency are secured by the properties which are leased to companies and are retired by lease payments. The bonds and notes are not obligations of the Agency, the Village or the State of New York. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders. The funds arising there from are controlled by trustees or banks acting as fiscal agents. The Agency receives bond administrative fees from the borrowing companies for providing the service. Such administrative fee income is recognized immediately upon issuance of the bonds and notes. As of September 30, 2012 and 2011, the Agency has no industrial revenue bonds or note transactions outstanding.

10. **Lease Transactions**

The Agency has established a lease program to provide state and local tax benefits to companies developing industrial properties. Under this program, the Agency receives title to properties under development and leases the property to the previous titleholder (lessee). The Agency generally contracts for payment-in-lieu-of-tax agreements between lessees and participating municipalities. All risks associated with property ownership and business activities on such property remain with the lessee. Title to those properties is transferred back to the lessee at the end of the maximum tax benefit period or at any time during the lease period at the option of the lessee. The Agency does not report assets acquired under the lease program since the Agency's primary function is to provide state and local tax benefits to the lessee. The Agency receives lease administrative fees from the lessee for providing this service. Such administrative fee income is recognized at lease inception or ratably over the term of the lease depending on the agreement terms between the lessee and the Agency. As of September 30, 2012 and 2011, the Agency has five outstanding lease transactions with companies within the Village. As part of these agreements the Agency receives payment in lieu of tax (PILOT) payments which are recorded as an operating revenue of the Agency. During the year one lease transaction expired.

**II. Cash and Cash Equivalents:**

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

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

	<u>2012</u>	<u>2011</u>
Uncollateralized	\$ -	\$ -
Collateralized with securities held by the pledging financial institution	1,038,606	965,128
<b>Total</b>	<b><u>\$ 1,038,606</u></b>	<b><u>\$ 965,128</u></b>

**III. Investments – Fair Value Measurement:**

The Agency’s investments are recorded at fair value and have been categorized based upon a fair market value. See Note 1 for a discussion of the Agency’s policies.

The following table presents information about the Agency’s investments measured at fair value as of September 30, 2012 and 2011:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Core Cash	\$ 547,450	\$ 547,450	\$ 75,080	\$ 75,080
US Treasury Bonds	40,000	40,189	445,000	457,097
NYS Dorm Authority	328,168	326,205	337,858	352,227
Yonkers NY Bonds	102,023	102,122	105,396	105,701
New York NY Bonds	107,035	109,374	109,378	114,156
Federal National Mtg Bonds	157,504	161,963	160,448	163,931
Federal Home Loan Mtg Bonds	101,695	102,911	103,000	104,594
Rockland County Bonds	-	-	104,854	104,827
Rochester NY Bonds	52,443	53,074	53,607	53,833
Syracuse NY Public Impt Bonds	26,239	26,305	26,986	26,905
Federal Farm Bonds	185,571	191,904	189,157	193,244
NYS Thruway Auth Bonds	191,996	196,885	197,645	198,469
Poland CSD Bonds	53,513	54,552	54,729	55,585
Amherst NY Serial Bonds	76,061	77,193	77,913	78,084
Suffolk County Serial Bonds	81,849	83,312	83,665	83,697
<b>Total</b>	<b><u>\$ 2,051,547</u></b>	<b><u>\$ 2,073,439</u></b>	<b><u>\$ 2,124,716</u></b>	<b><u>\$ 2,167,430</u></b>

The following schedule summarizes the investment return and its classification in the statement of activities for the year:

<u>Type</u>	<u>2012</u>	<u>2011</u>
	<u>Operating</u>	<u>Operating</u>
Interest/Dividends	\$ 34,738	\$ 41,828
Unrealized Gains/(Losses)	(51,080)	4,181
<b>Total</b>	<b><u>\$ (16,342)</u></b>	<b><u>\$ 46,009</u></b>



**IV. Accounts Receivable:**

The accounts receivable as of September 30, 2012 and 2011, consisted of the following:

	<u>2012</u>	<u>2011</u>
Rental Income	\$ 27,162	\$ 19,545
DOS Grant	44,556	37,563
Restore NY Grant	-	156,714
Allowance for doubtful accounts	<u>(27,162)</u>	<u>-</u>
<b>Total Accounts Receivable</b>	<b><u>\$ 44,556</u></b>	<b><u>\$ 213,822</u></b>

An allowance has been established for 100% of the pilot in lieu of rent for a land lease which was paid directly to the taxing jurisdictions. The IDA is currently in discussions with the taxing jurisdictions.

**V. Notes Receivable and Mortgages Receivable:**

The Agency has established a revolving loan fund offering low interest loans to area businesses. The loans are approved by the governing board after giving consideration to the major criteria, i.e., enhancement of the economic environment. Revenue recognition on these loans is limited to the receipt of interest. A provision for uncollectible accounts has been deemed necessary by management where substantial delinquencies exist totaling \$252,620 and \$254,540, respectively. Non-accruing portions of interest, rents, and PILOT's are not recorded as receivables or revenues.

Interest at below market rates is considered an element of a grant provided by the Agency; therefore, the face amount of the obligation is not discounted nor is an effective rate of interest imputed.

	<u>2012</u>	<u>2011</u>
Notes and Mortgages Receivable	\$ 773,962	\$ 737,893
Less: Allowance for doubtful accounts	<u>(252,620)</u>	<u>(254,540)</u>
<b>Total Notes and Mortgages Receivable</b>	<b>\$ 521,342</b>	<b>\$ 483,353</b>
Less: Current Portion	<u>(31,825)</u>	<u>(26,327)</u>
<b>Total Long-Term Portion of Notes and Mortgages Receivable</b>	<b><u>\$ 489,517</u></b>	<b><u>\$ 457,026</u></b>

**VI. Lease Transactions:**

The following are two leases held by the Agency as lessor:

	<u>2012</u>	<u>2011</u>
A lease for \$175,000 at an initial rate of 8% interest per annum, adjusted 5%. Monthly payments are \$980, including interest and principal, and is collateralized by property. Final payment is due February 2025.	\$ 81,301	\$ 88,792
Less: Allowance for doubtful accounts	<u>(407)</u>	<u>(444)</u>
<b>Total Leases</b>	<b>\$ 80,894</b>	<b>\$ 88,348</b>
Less: Current Portion	<u>(7,874)</u>	<u>(8,132)</u>
<b>Total Long-Term Portion of Leases</b>	<b><u>\$ 73,020</u></b>	<b><u>\$ 80,216</u></b>

**VII. Capital Assets:**

A summary of changes in capital assets follows:

	<u>Beginning</u> <u>10/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>9/30/2012</u>
Land	\$ 122,169	\$ -	\$ -	\$ 122,169
Building	404,346	8,924	-	413,270
Equipment	8,763	1,585	-	10,348
Accumulated Depreciation	(3,857)	(1,906)	-	(5,763)
<b>Total</b>	<b><u>\$ 531,421</u></b>	<b><u>\$ 8,603</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 540,024</u></b>

**VIII. Due To Other Governments:**

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

	<u>2012</u>	<u>2011</u>
Village of Fairport Urban Renewal Agency	\$ 185,142	\$ 649,041
Village of Fairport Section 8 Housing Assistance Payments Program	<u>57,595</u>	<u>80,648</u>
<b>Total Due To Other Governments</b>	<b><u>\$ 242,737</u></b>	<b><u>\$ 729,689</u></b>

**IX. Noncurrent Liabilities:**

Noncurrent liabilities represent the Agency's obligations for compensated absences and other postemployment benefits (retiree health) as follows:

	<u>2012</u>	<u>2011</u>
Compensated absences	\$ 8,644	\$ 5,675
Other postemployment benefits	<u>11,188</u>	<u>8,391</u>
<b>Total Noncurrent Liabilities</b>	<b><u>\$ 19,832</u></b>	<b><u>\$ 14,066</u></b>
Less: Current portion	<u>(1,729)</u>	<u>(1,135)</u>
<b>Total Long-Term Portion of Noncurrent Liabilities</b>	<b><u>\$ 18,103</u></b>	<b><u>\$ 12,931</u></b>

**X. Net Assets:**

On April 19, 2010 the Board passed a resolution to designate up to \$2,850,000 of unrestricted net assets. As a result the unrestricted net assets are as follows:

<u>Unrestricted</u>	<u>2012</u>	<u>2011</u>
Designated		
RLF-Commercial Property	\$ 500,000	\$ 500,000
Canal Waterfront Revitalization	1,000,000	1,000,000
Business District Improvement	750,000	750,000
Federal/State Matching Fees	600,000	600,000
Total Designated	<u>\$ 2,850,000</u>	<u>\$ 2,850,000</u>
Undesignated	<u>\$ 195,635</u>	<u>\$ 506,605</u>
<b>Total Unrestricted Net Assets</b>	<b><u>\$ 3,045,635</u></b>	<b><u>\$ 3,356,605</u></b>

**XI. Pension Plan:**

**A. General Information**

The Agency participates in the New York State and Local Employees' Retirement System (ERS). This System is a cost sharing multiple employer, public employee retirement system. The System offers a wide range of plans and benefits which is related to years of service and final average salary, vesting of retirement benefits, death, and disability.

**B. Provisions and Administration**

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

**C. Funding Policies**

The System is noncontributory for the employees, except for those who joined the systems after July 27, 1976 and before January 1, 2010 with less than ten years membership, who contribute 3% of their salary. Those joining on or after January 1, 2010 are required to contribute 3.5% of their annual salary for their entire career. For NYSERS the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund.

The Agency is required to contribute at an actuarially determined rate. The Agency contributions made to the System were equal to 100 percent of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>NYSERS</u>
2012	\$ 11,054
2011	\$ 22,949
2010	\$ 9,084

**XII. Other Postemployment Benefits**

***Plan Description***

In addition to providing pension benefits described in Note IX, the Agency provides post-employment medical and prescription drug benefits (OPEB) for retirees, spouses, and their covered dependents through the Agency's Postemployment Health Care Benefits Program (Plan). The benefits, benefit levels, employee contributions and employer contributions are governed by the Agency and can be amended by the Agency through its contracts. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan.

***Funding Policy***

The Agency currently pays for health care benefits on a pay-as-you-go basis. Once New York State Law allows for the establishment of a trust to fund and invest assets necessary to pay for the accumulated liability, the Agency will study the establishment of such a trust. These financial statements assume that pay-as-you-go funding will continue.

( XII. ) (Continued)

*Annual OPEB Cost and Net OPEB Obligation*

The Agency's annual other postemployment (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the Agency's net OPEB obligation by governmental activities:

Annual required contribution	\$	9,002
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost (expense)	\$	9,002
Contributions made		6,205
Increase in net OPEB obligation	\$	2,797
Net OPEB obligation - beginning of year		8,391
<b>Net OPEB obligation - end of year</b>	<b>\$</b>	<b>11,188</b>

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended 2012 was as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
9/30/2010	\$ 9,002	62.14%	\$ 5,594
9/30/2011	\$ 9,002	93.21%	\$ 8,391
9/30/2012	\$ 9,002	124.28%	\$ 11,188

*Funded Status and Funding Progress*

As of September 30, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$97,727, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability of \$97,727. The covered payroll (annual payroll of active employees covered by the plan) was \$140,718 and the ratio of the UAAL to the covered payroll was 69.45%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

( XII. ) (Continued)

*Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Valuation Date September 30,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Active Members Covered Payroll	(6) UAAL As a Percentage of Covered Payroll (4) / (5)
2010	\$ -	\$ 97,727	0.00%	\$ 97,727	\$ 186,604	59.98%
2011	\$ -	\$ 97,727	0.00%	\$ 97,727	\$ 183,542	53.25%
2012	\$ -	\$ 97,727	0.00%	\$ 97,727	\$ 140,718	69.45%

In the September 30, 2008 actuarial valuation, the actuarial cost method was used. The discount rate used was 5%. Because the plan is unfunded, reference to the general assets was considered in the selection of the five percent rate. The valuation assumes a 10% medical cost trend, reduced by decrements to a rate of 5% each subsequent year through 2017 and remain at 5% for 2017 and beyond. The remaining amortization period at September 30, 2012 was twenty-six years.

**XIII. Service Commitment:**

For the years ended September 30, 2012 and 2011, the Agency paid \$48,000 and \$48,000, respectively to the Village for reimbursement related to maintenance and operating support provided by the Village. This arrangement is reviewed annually by the Village during the budget process.

**XIV. Cost Allocation:**

For the years ended September 30, 2012 and 2011, the Agency was reimbursed by the Fairport Urban Renewal Agency Section 8 Payments Program in the amount of \$301,616 and \$299,175, respectively. This reimbursement of expenses consisted of the following:

	<u>2012</u>	<u>2011</u>
Administrative Fee	\$ 296,766	\$ 294,675
Audit Expense	4,850	4,500
<b>Total Reimbursement</b>	<b>\$ 301,616</b>	<b>\$ 299,175</b>

**XV. Fairport Village Partnership:**

Fairport Village Partnership is an organization that links the community together through a common mission; to leverage the unique canal and historic character of Fairport in order to stimulate economic growth, preserve the Village’s heritage, and encourage a diversity of use to service residences, businesses, and visitors. The transactions relating to the partnership were as follows:

	<u>2012</u>	<u>2011</u>
Sponsors Revenue	\$ -	\$ 38,500
Other Revenue	\$ -	\$ 51,086
Expenditures	\$ 13,996	\$ 118,946

The IDA’s relationship ended in 2012 with the Partnership.

**XVI. Commitments and Contingencies:**

**A. Litigation**

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

**XVII. Subsequent Event:**

The Agency has proposed allocating all the notes receivables to the LDC in the 2012-13 fiscal year.

**VILLAGE OF FAIRPORT**  
**INDUSTRIAL DEVELOPMENT AGENCY**  
**dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT**  
**Schedule of Projects**  
**For Years Ended September 30, 2012 and 2011**

<b>Project Name</b>	Corning Tropel Corporation	
<b>Project Owner and Address</b>	Corning Tropel Corporation CP.AP-01-9 Corning, NY 14831	
<b>Exempt Amounts</b>	\$	10,517
<b>Purpose</b>	Land lease	
<b>Jobs Created/Retained</b>	N/A	
<b>PILOT Received</b>	\$	49,500
<b>Benefited Amount</b>	\$	(38,983)

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<b>Project Name</b>	Packetts Landing	
<b>Project Owner and Address</b>	Canal East Inc. 210 Packetts Landing Fairport, NY 14450	
<b>Exempt Amounts</b>	\$	34,492
<b>Purpose</b>	Land lease	
<b>Jobs Created/Retained</b>	N/A	
<b>PILOT Received</b>	\$	50,000
<b>Benefited Amount</b>	\$	(15,508)

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<b>Project Name</b>	Packetts Landing	
<b>Project Owner and Address</b>	Canal East Inc. 210 Packetts Landing Fairport, NY 14450	
<b>Exempt Amounts</b>	\$	116,185
<b>Purpose</b>	PILOT	
<b>Jobs Created/Retained</b>	N/A	
<b>PILOT Received</b>	\$	102,816
<b>Benefited Amount</b>	\$	13,369

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VILLAGE OF FAIRPORT  
INDUSTRIAL DEVELOPMENT AGENCY  
dba FAIRPORT OFFICE OF ECONOMIC DEVELOPMENT  
Schedule of Projects (Continued)  
For Years Ended September 30, 2011 and 2010

<b>Project Name</b>	Box Factory
<b>Project Owner and Address</b>	Casa Associates, LLC 6 North Main Street Fairport, NY 14450
<b>Exempt Amounts</b>	\$ 209,120
<b>Purpose</b>	Land lease
<b>Jobs Created/Retained</b>	N/A
<b>PILOT Received</b>	\$ 81,488
<b>Benefited Amount</b>	\$ 127,633

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

**Shareholders:**

Raymond F. Wager, CPA  
Thomas J. Lauffer, CPA  
Thomas C. Zuber, CPA

Members of  
American Institute of  
Certified Public Accountants  
and  
New York State Society of  
Certified Public Accountants

**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***

To the Council Members of  
Village of Fairport  
Industrial Development Agency  
dba Fairport Office of Economic Development

We have audited the financial statements of the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York as of and for the year ended September 30, 2012, and have issued our report thereon dated December 5, 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**

The management of Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Village of Fairport Industrial Development Agency's, a component unit of the Village of Fairport, New York internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 significant deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Agency'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 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York'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*.

We noted certain matters that we reported to the management of the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York in a separate letter dated December 5, 2012.

This report is intended solely for the information and use of the Council, management, and the Federal Awarding Agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Raymond F. Wager CPA, PC". The signature is written in a cursive style.

December 5, 2012