

**YATES COUNTY INDUSTRIAL  
DEVELOPMENT AGENCY  
(A Discretely Presented Component Unit  
of the County of Yates, New York)**

**Financial Statements as of  
December 31, 2010 and 2009  
Together with  
Independent Auditors' Report**

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

**YATES COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
(A Discretely Presented Component Unit of the County of Yates, New York)**

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AS OF DECEMBER 31, 2010 AND 2009**

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## INDEPENDENT AUDITORS' REPORT

March 23, 2011

To the Board of Directors of  
Yates County Industrial Development Agency:

We have audited the accompanying financial statements of the business-type activities of Yates County Industrial Development Agency (the Agency), a New York Public Benefit Corporation and a discretely presented component unit of Yates County, New York as of and for the years ended December 31, 2010 and 2009, 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 Yates County Industrial Development Agency as of December 31, 2010 and 2009, and the respective change in financial position and cash flows, thereof 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 March 23, 2011, on our consideration of the Yates County Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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(Continued)

## **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 9 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, 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 audits were conducted for the purpose of forming opinions on the financial statements of the business-type activities of Yates County Industrial Development Agency. The management's discussion and analysis and the supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The management's discussion and analysis and supplemental schedules have not been subjected 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.

# YATES COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (UNAUDITED) FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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### Introduction

Our discussion and analysis of the Yates County Industrial Development Agency d/b/a Finger Lakes Economic Development Center's (the Agency) financial performance provides an overview of the Agency's financial activities for the years ended December 31, 2010 and 2009. 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

- The assets of the Agency exceeded liabilities at the close of the 2010 year by \$4,467,765 (net assets), a decrease of \$41,934 from the prior year balance of \$4,509,699.
- Earned Operating Revenues of \$606,913 in 2010 declined from 2009 revenues of \$649,719 by \$42,806, primarily due to the assignment of revenues received from the Empire Pipeline Project to affiliated Agency in 2010.
- Certificates of deposits, held in reserve at December 31, 2010 were approximately \$539,000, compared to approximately \$1,009,000 at December 31, 2009.

In 1969, New York State adopted the Industrial Development Agency Act. The Act defines Industrial Development Agencies (IDA's) and sets forth their organization and powers. IDAs are independent public benefit corporations. They are created to promote, develop, encourage and assist industrial, manufacturing, warehousing, commercial, research and recreation facilities to advance job opportunities, health, and economic welfare of the people of the State of New York. Each IDA is a non-profit government at the request of one or more municipalities.

IDA's carry out their mandate by creating projects that offer financial incentives to attract, retain and expand businesses within their jurisdiction. To achieve these goals, an IDA can buy, sell and lease property and issue debt. Businesses wishing to obtain financial assistance typically apply to an IDA. The assistance granted to these businesses generally includes the issuance of a low interest Industrial Development Revenue Bond, and exemptions from real property tax, mortgage recording tax, and sales and use tax. The bonds issued are not obligations of the municipality or the State. As part of the transaction, the IDA generally takes title to the project's real property. In doing so, the IDA is not required to pay taxes or assessments on any property it acquires or that is under its jurisdiction, control, or supervision. Usually, this benefit is, in effect, passed through to the assisted business. A portion of the local real property tax exemption is usually recaptured in the form of payments in lieu of taxes (PILOTs). The assisted business typically agrees to make PILOTs, which generally are significantly less than the real property taxes that are abated on a sliding scale over a specific time period.

In many cases, the financing of an IDA-sponsored project takes the form of a lease-purchase agreement with the business. The IDA sells its bonds and uses the proceeds to acquire or construct the project for the business. Upon completion, the project is leased to the business for a term equal to the term of the IDA's bond issue. The annual payments from the business are then set at an amount sufficient to pay the annual principal and interest on the IDA bonds. Since IDA's are considered governmental agencies, property acquired by them or under their control has tax-exempt status. The business usually has the option to purchase the project for a nominal fee at the end of the financing term.

### **Financial Highlights (Continued)**

IDA's may also provide financial assistance through "straight-lease" transactions. Under such arrangements, the IDA generally would take title to property of a project occupant, thereby entitling the property to sales, mortgage recording and property tax exemptions, with no additional financial assistance provided through the proceeds of the IDA bonds. These projects are typically financed through conventional means, outside of Agency involvement.

The Board of the Agency consists of seven members, and is appointed by the Yates County Legislature, as the original sponsoring municipality. Provisions of the General Municipal Law require each IDA to establish a uniform tax exemption policy with input from affected tax jurisdictions and to provide guidelines for claiming real property tax, mortgage recording tax, and sales tax exemptions. The IDA must also establish a procedure for deviation from its uniform tax exemption policy and provide written notification of the reasons for the deviation to affected taxing jurisdictions.

In 1993, legislation was passed altering the powers of IDA's. The main focus of the legislation addressed the issue of making IDA's more accountable by requiring them to:

- Submit written PILOT agreements, including payment allocation, to taxing jurisdictions;
- File real property tax exemptions with county chief executive officers and school districts;
- Submit data on outstanding projects annually to the New York State Comptroller's Office;
- Hold a public hearing for all projects in excess of \$100,000; and
- Adhere to the same conflict of interest code of ethics as municipalities.

The Public Authority Accountability Act of 2005 (PAAA) was signed into law on January 13, 2006. The primary purpose of the Act is to ensure greater efficiency, openness and accountability for New York's public authorities. By definition, IDA's are classified as public authorities under this Act. Included in the Act are statues for the following:

- Reporting requirements, including annual reports, web sites and budget reports;
- Audit requirements, including audit reports, auditor restrictions and the creation of an audit committee;
- Board Member responsibilities, including mandatory training, separation of board & management, independent member test and financial disclosure;
- Establishment of a Governance Committee;
- Codes, policies and guidelines to include Code of Ethics, Compensation, Whistle Blower, Travel, Real Property Acquisition, Real Property Disposition, Procurement, Investment and Indemnification Policies.

## Financial Statements

The Agency is a public benefit corporation functioning under legislation passed by the State of New York; its volunteer Board members 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 Agency is required to report as a proprietary fund similar to 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.

## Affiliated Agencies

During 2010, two affiliated agencies began operations. Finger Lakes Horizon Economic Development Corporation (FLHEDC) was formed under the New York State Corporation Law and was funded by revenues received in prior years from the Empire Pipeline Project. Future receipts from the Empire Pipeline Project were assigned to FLHEDC to provide continued funding. FLHEDC loans money to start-up businesses to promote community and economic development and for the creation of jobs in Yates County. The Agency is the sole member of FLHEDC and officers of the Agency are members of the Board of FLHEDC. Yates County Capital Resource Corporation (CRC) was formed under the New York State Corporation Law to facilitate the financing of projects for non-profit organizations within the County. CRC was funded by the agency fees received from the issuance of a bond. The County is the sole member of FLHEDC and officers of the Agency are members of the Board of CRC. FLHEDC and CRC are both subject to PAAA and their assets, liabilities and activities are not included in the Agency's financial reports.

## Summary of Operations and Changes in Net Assets

For the year ended December 31, 2010

|  | Operating<br>Fund   | Revolving<br>Loan Fund | Small Cities<br>Loan Fund | 2010<br>Total      |
|--|---------------------|------------------------|---------------------------|--------------------|
| Operating revenues   | \$ 561,549          | \$ 11,380              | \$ 33,984                 | \$ 606,913         |
| Operating expenses   | <u>(575,528)</u>    | <u>(820)</u>           | <u>-</u>                  | <u>(576,348)</u>   |
| Operating income   | (13,979)            | 10,560                 | 33,984                    | 30,565             |
| Non-operating revenues, net                                | <u>6,769</u>        | <u>45,524</u>          | <u>176</u>                | <u>52,469</u>      |
| Change in net assets before<br>Transfer and management fee | (7,210)             | 56,084                 | 34,160                    | 83,034             |
| Transfer   | (124,968)           | -                      | -                         | (124,968)          |
| Interfund management fee                                   | <u>11,308</u>       | <u>(11,308)</u>        | <u>-</u>                  | <u>-</u>           |
| Change in net assets                                       | <u>\$ (120,870)</u> | <u>\$ 44,776</u>       | <u>\$ 34,160</u>          | <u>\$ (41,934)</u> |

## Summary of Operations and Changes in Net Assets (Continued)

For the year ended December 31, 2009

|                             | Operating<br>Fund | Revolving<br>Loan Fund | Small Cities<br>Loan Fund | 2009<br>Total    |
|-----------------------------|-------------------|------------------------|---------------------------|------------------|
| Operating revenues          | \$ 603,777        | \$ 12,570              | \$ 33,372                 | \$ 649,719       |
| Operating expenses          | <u>(568,520)</u>  | <u>(350)</u>           | <u>-</u>                  | <u>(568,870)</u> |
|                             | 35,257            | 12,220                 | 33,372                    | 80,849           |
| Non-operating revenues, net | (36,973)          | 15,662                 | 233                       | (21,078)         |
| Interfund management fee    | <u>11,046</u>     | <u>(11,046)</u>        | <u>-</u>                  | <u>-</u>         |
| Change in net assets        | <u>\$ 9,330</u>   | <u>\$ 16,836</u>       | <u>\$ 33,605</u>          | <u>\$ 59,771</u> |

For the year ended December 31, 2008

|   | Operating<br>Fund  | Revolving<br>Loan Fund | Small Cities<br>Loan Fund | 2008<br>Total      |
|---|--------------------|------------------------|---------------------------|--------------------|
| Operating revenues                        | \$ 489,586         | \$ 15,096              | \$ 33,373                 | \$ 538,055         |
| Operating expenses                        | <u>(564,365)</u>   | <u>-</u>               | <u>-</u>                  | <u>(564,365)</u>   |
| Operating income                          | (74,779)           | 15,096                 | 33,373                    | (26,310)           |
| Non-operating revenues<br>(expenses), net | (4,470)            | (2,295)                | 619                       | (6,146)            |
| Interfund management fee                  | <u>3,982</u>       | <u>(3,982)</u>         | <u>-</u>                  | <u>-</u>           |
| Change in net assets                      | <u>\$ (75,267)</u> | <u>\$ 8,819</u>        | <u>\$ 33,992</u>          | <u>\$ (32,456)</u> |

### Operating Revenues

The Agency's operating revenues for 2010 totaled \$606,913, which was a decrease of \$42,806 from the 2009 revenues of \$649,719. The decrease in revenues was predominately due to the assignment of the Empire Pipeline Project revenue to FLHEDC, resulting in no revenue to the Agency in 2010 compared to \$127,500 in 2009. The Agency's operating revenues for 2009 totaled \$649,719, which was an increase of \$111,664 from the 2008 revenues of \$538,055. The increased revenues were predominately due to net revenue received from the Empire Pipeline Project of \$127,500.

The Agency's primary source of revenue has historically been from the rental of real property. Substantially all of the Agency's buildings are held for leasing. The Agency leases several office, manufacturing and storage spaces to various organizations under the terms of cancelable operating lease agreements. The leases require monthly payments ranging from \$50 to \$8,060 and expire at various dates.

The Agency also earns fee income from the issuance of industrial revenue bonds, IDA lease transactions, and referral fees. Fee income is recorded as revenue when the project closes. Total fee income earned during 2010, 2009 and 2008 was approximately \$58,000, \$22,000, and \$36,000 respectively.

### Operating Revenues (Continued)

During 2008, the Agency entered into an agreement with Yates County to operate the County's Empire Zone on a cost reimbursement basis. Revenues earned in accordance with this agreement were \$71,057, \$58,701 and \$29,089 during 2010, 2009 and 2008, respectively.

The Agency also administers two community development revolving loan funds used to help finance local rehabilitation projects and make operating and capital loans to existing and potential new industries located or locating in Yates County, as well a loan program to fund organic and viticulture projects within Yates County. As the loan funds are repaid, the program income generated can be re-loaned to other businesses in accordance with the grant provisions.

The components of the non-operating revenues (expenses) relate to interest earned on reserve accounts, and provisions for or recoveries of bad debts and the gain on the sale of a building in 2008.

Also included in nonoperating expenses, in 2010, all industrial development agencies in New York State were assessed a fee from the State of New York Department of Taxation and Finance (the Department) pursuant to Public Authorities Law Section 2975 for administrative services. The total fee assessed for the period April 1, 2010 to March 31, 2011 was \$29,450. A similar fee was assessed in 2009 and the total assessment for the period April 1, 2009 to March 31, 2010 was \$25,945; of which \$19,459 was recognized in the 2009 financial statements. Since the 2009-2010 assessment has not been collected by the Department and since the Department's right to make these assessments has been challenged by industrial development agencies in New York State, an additional accrual of only \$2,628 was recorded at December 31, 2010, bringing the total accrued assessment at December 31, 2010 to \$22,087.

### Operating Expenses

In general, the Agency's operating expenses consist of administration, operating and maintenance, contractual, and depreciation. Administrative expenditures consist primarily of salaries and benefits of Agency employees, along with expenditures associated with the daily activities. Contractual expenditures include expenditures for legal and other professional services as well as grant and program expenditures. Operating and maintenance, and depreciation expenses relate to the activities required to maintain the facilities and associated property of the Agency.

The Agency's operating expenses totaled \$576,348, \$568,870 and \$564,365 in 2010, 2009, and 2008, respectively. The increase in operating expenses of \$7,478 included an increase in depreciation expense of \$6,308 due to depreciation expense incurred on approximately \$210k of additions in 2010. The increase in operating expenses of \$4,505 in 2009 included an increase in administrative expenses of \$29,612 due to the first full year of operation of the Empire Zone program; offset by a decrease in property maintenance expenses of \$17,723 and property taxes of \$9,589.

It is important to note that neither the Revolving Loan Fund nor Small Cities Loan Fund is available to the Agency for operations.

### Net Assets

|                            | <u>2010</u>         | <u>2009</u>         | <u>2008</u>         |
|----------------------------|---------------------|---------------------|---------------------|
| Invested in capital assets | \$ 2,659,201        | \$ 2,612,623        | \$ 2,723,619        |
| Restricted                 | 603,958             | 525,022             | 474,581             |
| Unrestricted               | <u>1,204,606</u>    | <u>1,372,054</u>    | <u>1,251,728</u>    |
| Total net assets           | <u>\$ 4,467,765</u> | <u>\$ 4,509,699</u> | <u>\$ 4,449,928</u> |
| Net change in net assets   | <u>\$ (41,934)</u>  | <u>\$ 59,771</u>    | <u>\$ (32,456)</u>  |

### Net Assets (Continued)

Net assets include the value of the Agency's investment in infrastructure, and funds for ongoing repairs/replacement and/or additions to this infrastructure, as well as for the operation of programs.

The Agency's net assets consist of three components. The largest component, invested in capital assets, totaled \$2,659,201, 60% of the total net assets in 2010 and \$2,612,623, 58% of the total net assets in 2009. Invested in capital assets consists primarily of the land, buildings and machinery and equipment, which are not considered to be highly liquid.

The restricted net assets represents the balance in the revolving loan fund and the small cities loan fund, which can be re-loaned to other local businesses who meet the initial grant requirements. The unrestricted net assets represent the monies available for the ongoing operations of the Agency.

### Capital Assets

The Agency had \$2,388,312 and \$2,341,734 invested in a broad range of capital assets, including buildings and improvements machinery and equipment, net of accumulated depreciation at December 31, 2010 and 2009, respectively. The change in capital assets, net of accumulated depreciation, is reflected below:

|                                     | <u>2010</u>      | <u>2009</u>         | <u>2008</u>    |
|-------------------------------------|------------------|---------------------|----------------|
| Investment in capital assets:       |                  |                     |                |
| Buildings and improvements, net     | \$ 2,374,111     | \$ 2,320,551        | \$ 2,424,312   |
| Equipment and furniture, net        | <u>14,201</u>    | <u>21,183</u>       | <u>28,418</u>  |
|                                     | 2,388,312        | 2,341,734           | 2,452,730      |
| Investment in Horizon Business Park | <u>270,889</u>   | <u>270,889</u>      | <u>270,889</u> |
|                                     | \$ 2,659,201     | \$ 2,612,623        | \$ 2,723,619   |
| Net increase (decrease)             | <u>\$ 46,578</u> | <u>\$ (110,996)</u> |                |

The investment in capital assets increased by purchases in 2010 and 2009 predominantly consisting of improvements to the Keuka Business Park totaling approximately of \$210,000 and \$46,000, respectively. The increase in investment in capital assets was offset by depreciation of approximately \$163,000 and \$156,000 in 2010 and 2009, respectively.

### Long-Term Debt

The Agency has no long-term debt.

### Future Factors

At the end of 2009, there were approximately 20 tenants, representing 21 separate leases, at Keuka Business Park. As the primary source of revenue for the Agency, maintaining a strong tenant base is critical for financial solvency. For 2009, one tenant at the Keuka Business Park represented approximately 28% of the rental revenues generated at the facility.

Portions of the Keuka Business Park facility range from 35-50 years of age and require significant attention to annual maintenance and upkeep. As the facility ages, capital improvements will be required for roofs, surfacing parking areas, climate control components and other energy efficiency measures. It is critical that the Agency balance lease revenues and capital improvement expenses to best maintain the facility. A Facilities Capital Plan is updated annually in an attempt to anticipate future needs.

### **Future Factors (Continued)**

In order to prepare for future capital needs and operating expenses, the Agency has accumulated significant cash investments. These funds have been invested in Certificate of Deposits, most of which are invested with a six-month rotating maturity date. All Agency investments are subject to the Investment Policy of the Agency and must be federally guaranteed.

There are approximately 30 developable acres remaining in the Agency-owned Horizon Business Park. All revenues from the sale of property at Horizon Business Park are available for Agency operating expenses and improvements to Horizon Business Park.

The Agency managed four separate loan funds during 2010 and was very active in issuing loans. They believe that the trend will continue in 2011. During 2010, the Agency issued twelve loans totaling \$338,200 compared to one loan in 2009 of \$100,000. The Agency is using tougher credit analysis of loan applicants, has tightened its security agreements with loan clients to better protect Agency investments, and has taken a more aggressive stance to recover loan proceeds from delinquent accounts. During 2010, collections were made in accordance with a payment plan that was established in 2009. One loan was also forgiven in 2010 in order to accommodate another project. No reserve for doubtful loan payments was considered necessary at December 31, 2010.

In December 2009, the Board approved the Yates County Organic and Viticulture Market Expansion Capital grant program through the New York State Economic Development Program totaling \$750,000. The Program is funded by the State of New York and allows the Agency to extend loans for organic and organic viticulture projects. Three loans were extended during 2010.

In 2009, the Agency approved the use of its net proceeds from the Empire Pipeline Project to develop programs to assist new businesses. These funds were initially accounted for in the Agency and referred to as the entrepreneur fund. In October 2010, this fund was transferred to FLHEDC, which was a corporation that was established to manage these funds.

With Keuka Business Park nearly at capacity, the demand for space for new and existing businesses continues to grow, and with the Agency's ability to reserve funds over the past few years, the Agency starts 2011 in a strong financial position. The Agency's own resources, combined with resources available through the Organic and Viticulture Market Expansion grant program, as well as cooperative efforts within the community, provides the Agency with the ability to be a major component of the economic development in the County. The amount of business development in Yates County in 2010, coupled with improvements in certain portions of the economy, has created an optimistic outlook for the Agency.

### **Requests for Information**

This financial report is designed to provide a general overview of the Yates County Industrial Development 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  
Yates County Industrial Development Agency  
1 Keuka Business Park Suite 104  
Penn Yan, New York 14527

**YATES COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**(A Discretely Presented Component Unit of the County of Yates, New York)**

**STATEMENTS OF NET ASSETS**  
**DECEMBER 31, 2010 AND 2009**

|  | <u>2010</u>         | <u>2009</u>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>                            |                     |                     |
| CURRENT ASSETS:                          |                     |                     |
| Cash and cash equivalents                | \$ 794,597          | \$ 620,682          |
| Certificates of deposit                  | 539,256             | 1,008,533           |
| Accounts receivable, net                 | 91,518              | 123,761             |
| Current portion of notes receivable, net | 151,487             | 88,890              |
| Prepaid expenses                         | <u>16,254</u>       | <u>12,436</u>       |
| Total current assets                     | <u>1,593,112</u>    | <u>1,854,302</u>    |
| CAPITAL ASSETS                           | <u>2,388,312</u>    | <u>2,341,734</u>    |
| OTHER ASSETS:                            |                     |                     |
| Notes receivable, net of current portion | 361,045             | 213,324             |
| Investment in Horizon Business Park site | <u>270,889</u>      | <u>270,889</u>      |
|  | <u>631,934</u>      | <u>484,213</u>      |
| Total assets                             | <u>\$ 4,613,358</u> | <u>\$ 4,680,249</u> |
| <b>LIABILITIES AND NET ASSETS</b>        |                     |                     |
| CURRENT LIABILITIES:                     |                     |                     |
| Accounts payable and accrued expenses    | \$ 36,932           | \$ 32,754           |
| Deferred revenue                         | 103,023             | 132,746             |
| Compensated absences                     | <u>5,638</u>        | <u>5,050</u>        |
| Total current liabilities                | <u>\$ 145,593</u>   | <u>\$ 170,550</u>   |
| NET ASSETS:                              |                     |                     |
| Invested in capital assets               | \$ 2,659,201        | \$ 2,612,623        |
| Restricted                               | 603,958             | 525,022             |
| Unrestricted                             | <u>1,204,606</u>    | <u>1,372,054</u>    |
| Total net assets                         | <u>\$ 4,467,765</u> | <u>\$ 4,509,699</u> |

The accompanying notes are an integral part of these statements.

**YATES COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**(A Discretely Presented Component Unit of the County of Yates, New York)**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

|  | <u>2010</u>         | <u>2009</u>         |
|--|---------------------|---------------------|
| OPERATING REVENUE:                                   |                     |                     |
| Rental of real property                              | \$ 390,562          | \$ 407,193          |
| Bond service fees                                    | 57,885              | 22,070              |
| Program income                                       | 45,364              | 45,742              |
| Empire zone reimbursement                            | 71,057              | 58,701              |
| Empire Pipeline Project                              | -                   | 127,500             |
| Other  | <u>42,045</u>       | <u>(11,487)</u>     |
| Total operating revenue                              | <u>606,913</u>      | <u>649,719</u>      |
| OPERATING EXPENSES:                                  |                     |                     |
| Administration                                       | 287,856             | 281,952             |
| Operating and maintenance                            | 116,018             | 117,506             |
| Contractual  | 9,174               | 12,416              |
| Depreciation   | <u>163,300</u>      | <u>156,996</u>      |
| Total operating expenses                             | <u>576,348</u>      | <u>568,870</u>      |
| OPERATING INCOME                                     | <u>30,565</u>       | <u>80,849</u>       |
| NONOPERATING REVENUES (EXPENSES):                    |                     |                     |
| Interest income                                      | 10,792              | 27,734              |
| Recovery of (provision for) bad debts, net           | 44,305              | (29,353)            |
| Assessments  | <u>(2,628)</u>      | <u>(19,459)</u>     |
| Total nonoperating revenues (expenses), net          | <u>52,469</u>       | <u>(21,078)</u>     |
| CHANGE IN NET ASSETS BEFORE TRANSFER<br>TO AFFILIATE | 83,034              | 59,771              |
| TRANSFER TO AFFILIATE                                | <u>(124,968)</u>    | <u>-</u>            |
| CHANGE IN NET ASSETS                                 | (41,934)            | 59,771              |
| NET ASSETS - beginning of year                       | <u>4,509,699</u>    | <u>4,449,928</u>    |
| NET ASSETS - end of year                             | <u>\$ 4,467,765</u> | <u>\$ 4,509,699</u> |

The accompanying notes are an integral part of these statements.

**YATES COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**(A Discretely Presented Component Unit of the County of Yates, New York)**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

|   | <u>2010</u>       | <u>2009</u>       |
|---|-------------------|-------------------|
| CASH FLOW FROM OPERATING ACTIVITIES:  |                   |                   |
| Cash received from providing services   | \$ 650,464        | \$ 539,688        |
| Cash payments for other than personal services                                  | (227,856)         | (225,711)         |
| Cash payments for personal services and benefits                                | <u>(198,180)</u>  | <u>(209,561)</u>  |
| Net cash flow from operating activities:  | <u>224,428</u>    | <u>104,416</u>    |
| CASH FLOW FROM INVESTING ACTIVITIES:  |                   |                   |
| Decrease (increase) in certificates of deposit                                  | 469,277           | (26,584)          |
| Collection of notes receivable  | 86,499            | 54,428            |
| Issuance of notes   | (338,200)         | (100,000)         |
| Purchases of capital assets   | (209,878)         | (46,000)          |
| Transfer to affiliate   | (69,003)          | -                 |
| Interest income   | <u>10,792</u>     | <u>27,734</u>     |
| Net cash flow from investing activities   | <u>(50,513)</u>   | <u>(90,422)</u>   |
| CHANGE IN CASH AND CASH EQUIVALENTS   | 173,915           | 13,994            |
| CASH AND CASH EQUIVALENTS - beginning of year                                   | <u>620,682</u>    | <u>606,688</u>    |
| CASH AND CASH EQUIVALENTS - end of year   | <u>\$ 794,597</u> | <u>\$ 620,682</u> |
| RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:        |                   |                   |
| Operating income  | \$ 30,565         | \$ 80,849         |
| Adjustments to reconcile net income to net cash flow from operating activities: |                   |                   |
| Depreciation  | 163,300           | 156,996           |
| Changes in:   |                   |                   |
| Accounts receivable   | 32,243            | (121,077)         |
| Prepaid expenses  | (3,818)           | (3,440)           |
| Accounts payable and accrued expenses   | <u>2,138</u>      | <u>(8,912)</u>    |
| Net cash flow from operating activities   | <u>\$ 224,428</u> | <u>\$ 104,416</u> |

The accompanying notes are an integral part of these statements.

# YATES COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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### 1. THE ORGANIZATION

The Yates County Industrial Development Agency d/b/a Finger Lakes Economic Development Center (the Agency) was created in 1975 by the Yates County Legislature for the purpose of encouraging economic growth in Yates County (the County). The Agency, although established by the Yates County Legislature, is a separate entity and operates independently of the County. It carries out its mandate by creating projects that offer incentives to attract, retain, and expand businesses in the County. These incentives include low interest financing and property tax exemptions. The Agency is a public benefit organization that is subject to The Public Authority Accountability Act of 2005.

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 net assets" or "invested in capital assets, net of related debt".

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

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

Proprietary Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Agency's proprietary funds include the following:

- **Operating Fund** - is used to account for the general operating activities of the Agency.
- **Revolving Loan Fund** - represents restricted net assets to be used for making loans to existing and potential new industries located or locating operations in Yates County.
- **Small Cities Loan Fund** - represents restricted net assets to be used for making loans to existing and potential new businesses focusing in the tourism industry located or locating operations in Yates County.

Interfund transactions have been eliminated in the financial statements.

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of bank demand deposit and money market accounts.

### **Accounts Receivable**

Accounts receivable consists primarily of amounts due from customers for the rental of facilities. 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 delinquent and when customary collection efforts are exhausted, the account is written off.

### **Notes Receivable**

The Agency has entered into agreements with the Yates County Legislature to act as the Administrative Agency of Yates County for the administration of a Revolving Loan Fund and Small Cities Loan Fund. The purpose of these funds is to make 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.

The Agency has also entered into a grant disbursement agreement with the Empire State Development Corporation to make loans to existing and potential businesses for capital expansion of the organic and viticulture market.

Notes receivable consists of outstanding loans from these loan funds. 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.

### **Capital Assets**

Property and equipment purchased by the Agency is stated at cost, including interest capitalized during construction, where applicable. Depreciation is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years.

### **Investment in Horizon Business Park Site**

In 1998, the Agency purchased vacant land for development and sale, known as the Horizon Business Park. This investment is recorded at historical cost. There were no sales in 2010 and 2009.

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

### **Deferred Revenue**

Deferred revenue relates to a loan made in the Small Cities Loan Fund from grant proceeds received in a prior year. Revenue is realized when the principal payments of the loan are received.

### **Compensated Absences**

As part of compensation, employees earn vacation days in varying amounts. A limited number of unused vacation can be carried over to the subsequent year. In the event of termination or retirement, employees are entitled to payment for accumulated vacation leave, subject to certain maximum limitations. Estimated vacation leave is recorded as an expense when earned.

### **Revenue**

The Agency's primary source of revenue is from the rental of real property. Substantially all of the Agency's buildings are held for leasing.

The Agency also earns fee income from the issuance of industrial revenue bonds IDA lease transactions, and referral fees. Fee income is recorded as revenue when the financing closes.

### **Pension Plan**

Employees of the Agency participate in the New York State and Local Employees' Retirement System, which is a cost-sharing multiple-employer retirement system.

### **Assessments**

In 2010 and 2009, all industrial development agencies in New York State were assessed a fee from the State of New York Department of Taxation and Finance (the Department) pursuant to Public Authorities Law Section 2975 for administrative services. The total fee assessed for the period April 1, 2010 to March 31, 2011 was \$29,450. A similar fee was assessed in 2009 and the total assessment for the period April 1, 2009 to March 31, 2010 was \$25,945; of which \$19,459 was recognized in the 2009 financial statements. Since the 2009-2010 assessment has not been collected by the Department and since the Department's right to make these assessments has been challenged by industrial development agencies in New York State, an additional accrual of only \$2,628 was recorded at December 31, 2010, bringing the total accrued assessment at December 31, 2010 to \$22,087.

### **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.

### **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 AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

#### **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.

### 3. CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT (Continued)

#### Custodial Credit Risk (Continued)

At December 31, 2010 and 2009, cash and cash equivalents and certificates of deposit held by the Agency in financial institutions were \$1,333,853 and \$1,629,215, respectively. These accounts are not subject to significant investment risk relating to changing interest rates. The Agency's balances are collateralized as follows:

|  | <u>2010</u>         | <u>2009</u>         |
|--|---------------------|---------------------|
| FDIC insured   | \$ 750,000          | \$ 750,000          |
| Collateral held for pledging bank by third-party<br>custodian in the Agency's name | <u>2,031,974</u>    | <u>2,128,809</u>    |
|  | <u>\$ 2,781,974</u> | <u>\$ 2,878,809</u> |

### 4. ACCOUNTS RECEIVABLE

The operating fund accounts receivable at December 31, 2010 and 2009 consisted of rental charges receivable of \$495,237, and \$503,642, respectively, net of an allowance for doubtful accounts of \$473,604 and expense reimbursements of \$69,885 and \$93,723, respectively.

### 5. LOAN FUNDS AND NOTES RECEIVABLE

Principal maturities of notes receivable from various Yates County businesses, bearing interest at rates ranging from 1% to 4% and maturing at various dates through December 2015 at December 31, 2010 were as follows:

|                 | <u>Operating<br/>Loan Fund</u> | <u>Small Cities<br/>Loan Fund</u> | <u>Revolving Loan Fund</u>  |                             |                   |
|-----------------|--------------------------------|-----------------------------------|-----------------------------|-----------------------------|-------------------|
|                 | <u>Note<br/>Receivable</u>     | <u>Note<br/>Receivable</u>        | <u>Notes<br/>Receivable</u> | <u>Accrued<br/>Interest</u> | <u>Total</u>      |
| 2011            | \$ 15,057                      | \$ 45,030                         | \$ 87,326                   | \$ 4,074                    | \$ 151,487        |
| 2012            | 15,208                         | 46,394                            | 65,873                      | -                           | 127,475           |
| 2013            | 15,360                         | 47,742                            | 66,085                      | -                           | 129,187           |
| 2014            | 15,515                         | 23,912                            | 38,493                      | -                           | 77,920            |
| 2015            | <u>9,293</u>                   | <u>8,222</u>                      | <u>8,948</u>                | <u>-</u>                    | <u>26,463</u>     |
|                 | 70,433                         | 171,300                           | 266,725                     | 4,074                       | 512,532           |
| Current portion | <u>(15,057)</u>                | <u>(45,030)</u>                   | <u>(87,326)</u>             | <u>(4,074)</u>              | <u>(151,487)</u>  |
|                 | <u>\$ 55,376</u>               | <u>\$ 126,270</u>                 | <u>\$ 179,399</u>           | <u>\$ -</u>                 | <u>\$ 361,045</u> |

## 5. LOAN FUNDS AND NOTES RECEIVABLE (Continued)

A summary of outstanding notes at December 31, 2009 is as follows:

|                                      | <u>Small Cities<br/>Loan Fund</u> | <u>Revolving Loan Fund</u>  |                              |                       |
|--------------------------------------|-----------------------------------|-----------------------------|------------------------------|-----------------------|
|                                      | <u>Note<br/>Receivable</u>        | <u>Notes<br/>Receivable</u> | <u>Accrued<br/>Interest</u>  | <u>Total</u>          |
| Total                                | \$ 132,696                        | \$ 247,248                  | \$ 21,880                    | \$ 401,824            |
| Allowance for<br>uncollectable notes | <u>          -</u>                | <u>      (77,730)</u>       | <u>      (21,880)</u>        | <u>      (99,610)</u> |
|                                      | 132,696                           | 169,518                     | -                            | 302,214               |
| Current portion                      | <u>      (29,724)</u>             | <u>      (59,166)</u>       | <u>                  -</u>   | <u>      (88,890)</u> |
|                                      | <u>\$ 102,972</u>                 | <u>\$ 110,352</u>           | <u>\$                  -</u> | <u>\$ 213,324</u>     |

Loans are considered to be non-performing when, based on current information and events, there is substantial doubt regarding the Agency's ability to collect the scheduled payments of principal or interest when due according to the terms of the loan agreement.

At December 31, 2010, there were no loans considered to be non-performing based on collectability; therefore an allowance for uncollectible notes was not considered necessary.

At December 31, 2009, non-performing loans of \$77,730, interest of \$21,880 and an allowance of \$99,610 were included in the schedule above. Interest income on non-performing loans was recorded as revenue in 2009; however, an allowance was established in the amount of the interest reported.

## 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2010, was as follows:

|   | <u>Balance at<br/>12/31/09</u> | <u>Additions</u>           | <u>Retirements</u>           | <u>Balance at<br/>12/31/10</u> |
|---|--------------------------------|----------------------------|------------------------------|--------------------------------|
| Capital assets that are<br>depreciated: |                                |                            |                              |                                |
| Buildings and improvements              | \$ 4,984,382                   | \$ 209,878                 | \$ -                         | \$ 5,194,260                   |
| Equipment and furniture                 | <u>181,713</u>                 | <u>                  -</u> | <u>                  -</u>   | <u>181,713</u>                 |
|   | <u>5,166,095</u>               | <u>209,878</u>             | <u>                  -</u>   | <u>5,375,973</u>               |
| Less: Accumulated depreciation:         |                                |                            |                              |                                |
| Buildings and<br>improvements           | (2,663,831)                    | (156,318)                  | -                            | (2,820,149)                    |
| Equipment and<br>furniture              | <u>(160,530)</u>               | <u>(6,982)</u>             | <u>                  -</u>   | <u>(167,512)</u>               |
|   | <u>(2,824,361)</u>             | <u>(163,300)</u>           | <u>                  -</u>   | <u>(2,987,661)</u>             |
| Total depreciable assets, net           | <u>\$ 2,341,734</u>            | <u>\$ 46,578</u>           | <u>\$                  -</u> | <u>\$ 2,388,312</u>            |

**6. CAPITAL ASSETS (Continued)**

Capital asset balances and activity for the year ended December 31, 2009, was as follows:

|                                      | <u>Balance at<br/>12/31/08</u> | <u>Additions</u>    | <u>Retirements</u> | <u>Balance at<br/>12/31/09</u> |
|--------------------------------------|--------------------------------|---------------------|--------------------|--------------------------------|
| Capital assets that are depreciated: |                                |                     |                    |                                |
| Buildings and improvements           | \$ 4,938,382                   | \$ 46,000           | \$ -               | \$ 4,984,382                   |
| Equipment and furniture              | <u>181,713</u>                 | <u>-</u>            | <u>-</u>           | <u>181,713</u>                 |
|                                      | <u>5,120,095</u>               | <u>46,000</u>       | <u>-</u>           | <u>5,166,095</u>               |
| Less: Accumulated depreciation:      |                                |                     |                    |                                |
| Buildings and improvements           | (2,514,070)                    | (149,761)           | -                  | (2,663,831)                    |
| Equipment and furniture              | <u>(153,295)</u>               | <u>(7,235)</u>      | <u>-</u>           | <u>(160,530)</u>               |
|                                      | <u>(2,667,365)</u>             | <u>(156,996)</u>    | <u>-</u>           | <u>(2,824,361)</u>             |
| Total depreciable assets, net        | <u>\$ 2,452,730</u>            | <u>\$ (110,996)</u> | <u>\$ -</u>        | <u>\$ 2,341,734</u>            |

**7. INVESTMENT IN HORIZON BUSINESS PARK SITE**

The following is a summary of the activity for the year ended December 31, 2010:

| <u>Description</u>                       | <u>Balance at<br/>January 1</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at<br/>December 31</u> |
|--|---------------------------------|------------------|------------------|-----------------------------------|
| Investment in Horizon Business Park Site | <u>\$ 270,889</u>               | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 270,889</u>                 |

The following is a summary of the activity for the year ended December 31, 2009:

| <u>Description</u>                       | <u>Balance at<br/>January 1</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at<br/>December 31</u> |
|--|---------------------------------|------------------|------------------|-----------------------------------|
| Investment in Horizon Business Park Site | <u>\$ 270,889</u>               | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 270,889</u>                 |

**8. LINE-OF-CREDIT**

The Agency has an annually renewable line-of-credit agreement with a bank that allows for borrowings up to \$100,000. Amounts borrowed bear interest at the prime rate. During 2010 and 2009 the Agency had no activity on the line-of-credit.

## **9. RENTAL PROPERTY**

The Agency leases several office, manufacturing and storage spaces to various organizations under the terms of cancelable operating lease agreements. The leases require monthly payments ranging from \$50 to \$8,060 and expire on various dates through 2021. Aggregate committed monthly lease payments as of December 31, 2010 were approximately \$29,000. One tenant represented approximately 28% and 29% of the rental revenues during 2010 and 2009, respectively.

## **10. EMPLOYEE RETIREMENT PLAN**

The Agency participates in the New York State and Local Employees' Retirement System (the System), which is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, and have less than ten years of membership or ten years of credited service, contribute 3% of their salary. Otherwise, the System is noncontributory. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be 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 required contributions for the year ended December 31, 2010, 2009 and 2008, were \$18,528, \$13,058, and \$8,436 respectively. The Agency's contributions to the System were equal to 100 percent of the contributions required for each year.

## **11. AFFILIATED AGENCIES AND TRANSFER**

During 2010, two affiliated agencies began operations. Finger Lakes Horizon Economic Development Corporation (FLHEDC) was formed under the New York State Not-for-Profit Corporation Law and was funded by the transfer of funds available from revenues received in a prior year from the Empire Pipeline Project 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 FLHEDC to provide continued funding. FLHEDC operates an unrestricted loan fund for start-up businesses to promote community and economic development and creation of jobs in Yates County. The Agency is the sole member of FLHEDC and officers of the Agency are members of the Board of FLHEDC. Yates County Capital Resource Corporation (CRC) was formed under the New York State Corporation Law to facilitate the financing of projects for non-profit organizations within the county. CRC was funded by the agency fees received from the issuance of a bond. The County is the sole member of FLHEDC and officers of the Agency are members of the Board of CRC. Both FLHEDC and CRC are public benefit organizations that are subject to The Public Authority Accountability Act of 2005 and their assets, liabilities and activities are not included in the Agency's financial statements.

## **12. CONDUIT FINANCING**

In connection with its efforts to promote economic growth in Yates County, the Agency has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entities served by the bond issuance. The Agency is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The terms of these transactions generally provide for reductions in property taxes paid by recipients of the financing in return for commitments to provide jobs and other economic benefits for the County of Yates.

Bond service fees earned were \$57,885 and \$22,070 during the years ended December 31, 2010 and 2009, respectively.

At December 31, 2010 and 2009, bonds outstanding related to projects with which the Agency was involved were \$10,434,706 and \$21,094,597, respectively, maturing at various dates through December 1, 2022.

**YATES COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**(A Discretely Presented Component Unit of the County of Yates, New York)**

**COMBINING STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2010**

|  | Operating<br>Fund   | Revolving<br>Loan Fund | Small Cities<br>Loan Fund | Total               |
|--|---------------------|------------------------|---------------------------|---------------------|
| <b>ASSETS</b>                            |                     |                        |                           |                     |
| CURRENT ASSETS:                          |                     |                        |                           |                     |
| Cash and cash equivalents                | \$ 529,466          | \$ 113,132             | \$ 151,999                | \$ 794,597          |
| Certificates of deposit                  | 539,256             | -                      | -                         | 539,256             |
| Accounts receivable, net                 | 91,518              | -                      | -                         | 91,518              |
| Current portion of notes receivable, net | 15,057              | 91,400                 | 45,030                    | 151,487             |
| Due (to) from other fund                 | 299                 | (299)                  | -                         | -                   |
| Prepaid expenses                         | 16,254              | -                      | -                         | 16,254              |
|  | <u>1,191,850</u>    | <u>204,233</u>         | <u>197,029</u>            | <u>1,593,112</u>    |
| Total current assets                     |                     |                        |                           |                     |
|  | <u>2,388,312</u>    | <u>-</u>               | <u>-</u>                  | <u>2,388,312</u>    |
| CAPITAL ASSETS                           |                     |                        |                           |                     |
|  |                     |                        |                           |                     |
| OTHER ASSETS:                            |                     |                        |                           |                     |
| Notes receivable, net of current portion | 55,376              | 179,399                | 126,270                   | 361,045             |
| Investment in Horizon Park site          | 270,889             | -                      | -                         | 270,889             |
|  | <u>326,265</u>      | <u>179,399</u>         | <u>126,270</u>            | <u>631,934</u>      |
| Total assets                             | <u>\$ 3,906,427</u> | <u>\$ 383,632</u>      | <u>\$ 323,299</u>         | <u>\$ 4,613,358</u> |
| <b>LIABILITIES AND NET ASSETS</b>        |                     |                        |                           |                     |
| CURRENT LIABILITIES:                     |                     |                        |                           |                     |
| Accounts payable and accrued expenses    | \$ 36,932           | \$ -                   | \$ -                      | \$ 36,932           |
| Deferred revenue                         | 50                  | -                      | 102,973                   | 103,023             |
| Compensated balances                     | 5,638               | -                      | -                         | 5,638               |
|  | <u>42,620</u>       | <u>-</u>               | <u>102,973</u>            | <u>145,593</u>      |
| Total current liabilities                |                     |                        |                           |                     |
|  | <u>\$ 42,620</u>    | <u>\$ -</u>            | <u>\$ 102,973</u>         | <u>\$ 145,593</u>   |
| NET ASSETS:                              |                     |                        |                           |                     |
| Invested in capital assets               | \$ 2,659,201        | \$ -                   | \$ -                      | \$ 2,659,201        |
| Restricted                               | -                   | 383,632                | 220,326                   | 603,958             |
| Unrestricted                             | 1,204,606           | -                      | -                         | 1,204,606           |
|  | <u>3,863,807</u>    | <u>383,632</u>         | <u>220,326</u>            | <u>4,467,765</u>    |
| Total net assets                         |                     |                        |                           |                     |
|  | <u>\$ 3,863,807</u> | <u>\$ 383,632</u>      | <u>\$ 220,326</u>         | <u>\$ 4,467,765</u> |

The accompanying notes are an integral part of these exhibits.

**YATES COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**(A Discretely Presented Component Unit of the County of Yates, New York)**

**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|  | <u>Operating<br/>Fund</u> | <u>Revolving<br/>Loan Fund</u> | <u>Small Cities<br/>Loan Fund</u> | <u>Total</u>        |
|--|---------------------------|--------------------------------|-----------------------------------|---------------------|
| <b>OPERATING REVENUE:</b>  |                           |                                |                                   |                     |
| Rental of real property  | \$ 390,562                | \$ -                           | \$ -                              | \$ 390,562          |
| Bond service fees  | 57,885                    | -                              | -                                 | 57,885              |
| Program income   | -                         | 11,380                         | 33,984                            | 45,364              |
| Empire zone reimbursement  | 71,057                    | -                              | -                                 | 71,057              |
| Other  | 42,045                    | -                              | -                                 | 42,045              |
|  | <u>561,549</u>            | <u>11,380</u>                  | <u>33,984</u>                     | <u>606,913</u>      |
| <b>OPERATING EXPENSES:</b>   |                           |                                |                                   |                     |
| Administration   | 287,036                   | 820                            | -                                 | 287,856             |
| Operating and maintenance  | 116,018                   | -                              | -                                 | 116,018             |
| Contractual  | 9,174                     | -                              | -                                 | 9,174               |
| Depreciation   | 163,300                   | -                              | -                                 | 163,300             |
|  | <u>575,528</u>            | <u>820</u>                     | <u>-</u>                          | <u>576,348</u>      |
| <b>OPERATING INCOME (DEFICIT)</b>  | <u>(13,979)</u>           | <u>10,560</u>                  | <u>33,984</u>                     | <u>30,565</u>       |
| <b>NONOPERATING REVENUES<br/>(EXPENSES):</b>                                     |                           |                                |                                   |                     |
| Interest income  | 9,397                     | 1,219                          | 176                               | 10,792              |
| Recovery of (provision for) bad debts, net                                       | -                         | 44,305                         | -                                 | 44,305              |
| Assessments  | (2,628)                   | -                              | -                                 | (2,628)             |
|  | <u>6,769</u>              | <u>45,524</u>                  | <u>176</u>                        | <u>52,469</u>       |
| <b>CHANGE IN NET ASSETS BEFORE<br/>TRANSFER AND INTERFUND<br/>MANAGEMENT FEE</b> | <u>(7,210)</u>            | <u>56,084</u>                  | <u>34,160</u>                     | <u>83,034</u>       |
| <b>TRANSFER TO AFFILIATE<br/>INTERFUND MANAGEMENT FEE</b>                        | <u>(124,968)</u>          | <u>-</u>                       | <u>-</u>                          | <u>(124,968)</u>    |
|  | <u>11,308</u>             | <u>(11,308)</u>                | <u>-</u>                          | <u>-</u>            |
| <b>CHANGE IN NET ASSETS</b>  | <u>(120,870)</u>          | <u>44,776</u>                  | <u>34,160</u>                     | <u>(41,934)</u>     |
| <b>NET ASSETS - beginning of year</b>  | <u>3,984,677</u>          | <u>338,856</u>                 | <u>186,166</u>                    | <u>4,509,699</u>    |
| <b>NET ASSETS - end of year</b>  | <u>\$ 3,863,807</u>       | <u>\$ 383,632</u>              | <u>\$ 220,326</u>                 | <u>\$ 4,467,765</u> |

The accompanying notes are an integral part of these exhibits.

**YATES COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**(A Discretely Presented Component Unit of the County of Yates, New York)**

**COMBINING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

|   | Operating<br>Fund | Revolving<br>Loan Fund | Small Cities<br>Loan Fund | Total             |
|---|-------------------|------------------------|---------------------------|-------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES:</b>                                     |                   |                        |                           |                   |
| Cash received from providing services   | \$ 605,100        | \$ 11,380              | \$ 33,984                 | \$ 650,464        |
| Cash payments for other than personal services                                  | (215,728)         | (12,128)               | -                         | (227,856)         |
| Cash payments for personal services and benefits                                | (198,180)         | -                      | -                         | (198,180)         |
| Net cash flow from operating activities   | <u>191,192</u>    | <u>(748)</u>           | <u>33,984</u>             | <u>224,428</u>    |
| <b>CASH FLOW FROM INVESTING ACTIVITIES:</b>                                     |                   |                        |                           |                   |
| Increase (decrease) in certificates of deposit                                  | 469,277           | -                      | -                         | 469,277           |
| Collection of notes receivable  | 7,852             | 71,724                 | 6,923                     | 86,499            |
| Issuance of notes   | (134,250)         | (128,700)              | (75,250)                  | (338,200)         |
| Transfer to affiliate   | (69,003)          | -                      | -                         | (69,003)          |
| Purchases of capital assets   | (209,878)         | -                      | -                         | (209,878)         |
| Interest income   | 9,397             | 1,219                  | 176                       | 10,792            |
| Net cash flow from investing activities   | <u>73,395</u>     | <u>(55,757)</u>        | <u>(68,151)</u>           | <u>(50,513)</u>   |
| CHANGE IN CASH AND CASH EQUIVALENTS   | 264,587           | (56,505)               | (34,167)                  | 173,915           |
| CASH AND CASH EQUIVALENTS - beginning of year                                   | <u>264,879</u>    | <u>169,637</u>         | <u>186,166</u>            | <u>620,682</u>    |
| CASH AND CASH EQUIVALENTS - end of year   | <u>\$ 529,466</u> | <u>\$ 113,132</u>      | <u>\$ 151,999</u>         | <u>\$ 794,597</u> |
| <b>RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:</b> |                   |                        |                           |                   |
| Operating income  | \$ (13,979)       | \$ 10,560              | \$ 33,984                 | \$ 30,565         |
| Adjustments to reconcile net income to net cash flow from operating activities: |                   |                        |                           |                   |
| Depreciation  | 163,300           | -                      | -                         | 163,300           |
| Changes in:   |                   |                        |                           |                   |
| Accounts receivable   | 32,243            | -                      | -                         | 32,243            |
| Prepaid expenses  | (3,818)           | -                      | -                         | (3,818)           |
| Accounts payable and accrued expenses   | 2,138             | -                      | -                         | 2,138             |
| Transfer to operating fund  | 11,308            | (11,308)               | -                         | -                 |
| Net cash flow from operating activities   | <u>\$ 191,192</u> | <u>\$ (748)</u>        | <u>\$ 33,984</u>          | <u>\$ 224,428</u> |

The accompanying notes are an integral part of these exhibits.

**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 23, 2011

To the Board of Directors of  
Yates County Industrial Development Agency:

We have audited the financial statements of the business-type activities of Yates County Industrial Development Agency (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, 2010, which collectively comprise Yates County Industrial Development Agency's basic financial statements and have issued our report thereon dated March 23, 2011. 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**

In planning and performing our audit, we considered Yates County Industrial Development Agency'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 Yates County Industrial Development Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Yates County Industrial Development 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 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 Yates County Industrial Development Agency'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.