

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

NEW YORK

FINANCIAL STATEMENTS

For Years Ended September 30, 2010 and 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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 13, 2010 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.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Agency's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 2010 supplementary information. However, we did not audit the information and do not express an opinion on it.

Raymond F. Wager, CPA P.c.

December 13, 2010

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

Management's Discussion and Analysis (MD&A)

September 30, 2010

Introduction

Our discussion and analysis of the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport, New York's (Agency) financial performance provides an overview of the Agency's financial activities for the year ended September 30, 2010. It should be read in conjunction with the basic financial statements to enhance understanding of the Agency's financial performance, which immediately follows this section.

Financial Highlights

Key financial highlights for year 2010 are as follows:

- ◆ The assets of the Agency exceeded its liabilities at the close of the most recent year by \$4,163,172 (net assets).
- ◆ \$663,062 (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.
- ◆ \$3,239,991 (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 \$4,163,172. This represents an increase in net assets of \$118,188 from the prior year.

Net Assets

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>	<u>Variance</u>
Current Assets	\$ 3,621,250	\$ 3,402,739	\$ 218,511
Noncurrent Assets	525,264	712,418	(187,154)
Capital Assets, Net	<u>663,062</u>	<u>659,672</u>	<u>3,390</u>
Total Assets	\$ 4,809,576	\$ 4,774,829	\$ 34,747
<u>LIABILITIES</u>			
Current Liabilities	\$ 628,607	\$ 717,724	\$ (89,117)
Noncurrent Liabilities	<u>17,797</u>	<u>12,121</u>	<u>5,676</u>
Total Liabilities	\$ 646,404	\$ 729,845	\$ (83,441)
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 663,062	\$ 659,672	\$ 3,390
Restricted	260,119	279,160	(19,041)
Unrestricted	<u>3,239,991</u>	<u>3,106,152</u>	<u>133,839</u>
Total Net Assets	\$ 4,163,172	\$ 4,044,984	\$ 118,188

The investment in capital assets represents 16% of the Agency's net assets. The largest of the Agency's net assets (78%) 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 increased \$218,511 primarily due to the approved expenditure driven state grants which have been awarded but not received.

The non-current assets decreased (\$187,154) as a result of one loan being paid off early totaling approximately \$226,000.

Current liabilities decreased (\$89,117) resulting from the completion of the pollution remediation and a reduction of the \$118,500 obligation.

Changes in Net Assets

<u>Operating Revenues:</u>	<u>2010</u>	<u>2009</u>	<u>Variance</u>
Rental of Real Property	\$ 330,829	\$ 357,352	\$ (26,523)
Interest on Notes, Loans, Program Income	53,873	43,813	10,060
Miscellaneous Revenue	3,197	3,052	145
Village Partnership-Grant	64,123	59,457	4,666
Total Operating Revenues	\$ 452,022	\$ 463,674	\$ (11,652)
<u>Operating Expenses:</u>			
Administrative & Contractual	\$ 31,366	\$ 62,644	\$ (31,278)
Personal Services	186,604	163,361	23,243
Employee Benefits	56,599	41,456	15,143
Allocation to URA	39,489	-	39,489
Home and Community Services	167,728	168,925	(1,197)
Total Operating Expenses	\$ 481,786	\$ 436,386	\$ 45,400
Net Operating Income	\$ (29,764)	\$ 27,288	\$ (57,052)
<u>Nonoperating Revenues (Expenses):</u>			
Interest Income, Other	\$ 65,714	\$ 60,360	\$ 5,354
Provisions for Bad Debt	-	(25,712)	25,712
Unrealized Loss on Fair Value of Investments	(42,762)	(80,378)	37,616
State Grants	204,356	23,003	181,353
NYS - façade program	(22,966)	-	(22,966)
Pollution remediation obligations	(61,807)	(118,500)	56,693
Total Nonoperating Revenues (Expenses)	\$ 142,535	\$ (141,227)	\$ 68,682
Income Before Operating Transfers	\$ 112,771	\$ (113,939)	\$ 11,630
Operating Transfers In	\$ 5,417	\$ 8,180	\$ (2,763)
Net Income	\$ 118,188	\$ (105,759)	\$ 8,867
Net Assets - Beginning of Year	4,044,984	4,150,743	(105,759)
Net Assets - End of Year	\$ 4,163,172	\$ 4,044,984	\$ (96,892)

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 \$14,671 of administrative and contractual expenses, \$19,058 of personal service expenses, and \$4,662 of employee benefit expenses to the Urban Renewal Agency. In addition the IDA allocated \$39,489 to the Urban Renewal Agency to fund their operation. State grants increased for the Department of State (DOS) and restore New York grants received in 2010.

Capital Assets

The Agency's investment in capital assets as of September 30, 2010 amounts to \$663,062 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and equipment.

	<u>2010</u>	<u>2009</u>
Land	\$ 122,169	\$ 122,169
Buildings	534,346	534,346
Equipment	8,668	3,789
Less: Accumulated Depreciation	(2,121)	(632)
Total	\$ 663,062	\$ 659,672

Future Factors

- Deficits and debt at the State level continue to have adverse effects on local public authorities like the Fairport IDA and URA. A second “cost recovery tax” has been assessed by the NYS Division of Budget on IDA revenues, and we will again commence legal action to dismiss the tax. Until then, it serves only as a distraction from our core mission of economic development.
- The IDA’s redevelopment project at 15 Parker Street inches forward. Remediation at the site was completed in 2010 and we anticipate closing on the property in 2011.
- The IDA will look closely at its loan guidelines in 2011 in an effort to strengthen its ability to collect on a loan should it fall past due.

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, 2010 and 2009

<u>ASSETS:</u>	<u>2010</u>	<u>2009</u>
<u>Current Assets -</u>		
Cash	\$ 1,297,054	\$ 1,190,801
Investments	2,090,673	2,084,194
Accounts receivable	196,339	38,716
Current portion of notes and mortgages receivable	25,552	77,484
Current portion of investment in leases	11,632	11,544
Total Current Assets	\$ 3,621,250	\$ 3,402,739
<u>Noncurrent Assets -</u>		
Long-term notes and mortgages receivable (net)	\$ 411,114	\$ 587,020
Long-term investment in leases	114,150	125,398
Total Noncurrent Assets	\$ 525,264	\$ 712,418
<u>Capital Assets -</u>		
Land	\$ 122,169	\$ 122,169
Building	534,346	534,346
Equipment	8,668	3,789
Less: accumulated depreciation	(2,121)	(632)
Total Capital Assets	\$ 663,062	\$ 659,672
TOTAL ASSETS	\$ 4,809,576	\$ 4,774,829
<u>LIABILITIES:</u>		
<u>Current Liabilities -</u>		
Accrued liabilities	\$ 23	\$ 118,897
Deferred revenue	15,830	25,421
Security deposit-Anco Builders	4,200	5,000
Due to other governments	599,554	568,406
Due to ERS	9,000	-
Total Current Liabilities	\$ 628,607	\$ 717,724
<u>Noncurrent Liabilities -</u>		
Current portion of compensated absences	\$ 2,441	\$ 1,063
Long-term compensated absences	15,356	11,058
Total Noncurrent Liabilities	\$ 17,797	\$ 12,121
TOTAL LIABILITIES	\$ 646,404	\$ 729,845
<u>NET ASSETS:</u>		
Investment in capital assets, net of related debt	\$ 663,062	\$ 659,672
Restricted	260,119	279,160
Unrestricted	3,239,991	3,106,152
TOTAL NET ASSETS	\$ 4,163,172	\$ 4,044,984
TOTAL LIABILITIES AND NET ASSETS	\$ 4,809,576	\$ 4,774,829

(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, 2010 and 2009

<u>OPERATING REVENUES:</u>	<u>2 0 1 0</u>	<u>2 0 0 9</u>
Rental of real property	\$ 330,829	\$ 357,352
Interest on notes, loans, and program income	53,873	43,813
Miscellaneous revenue	3,197	3,052
Village partnership - grants	64,123	59,457
TOTAL OPERATING REVENUES	<u>\$ 452,022</u>	<u>\$ 463,674</u>
 <u>OPERATING EXPENSES:</u>		
Administrative and contractual	\$ 31,366	\$ 62,644
Personal services	186,604	163,361
Employee benefits	56,599	41,456
Allocation to URA	39,489	-
Home and community services	167,728	168,925
TOTAL OPERATING EXPENSES	<u>\$ 481,786</u>	<u>\$ 436,386</u>
NET OPERATING INCOME	<u>\$ (29,764)</u>	<u>\$ 27,288</u>
 NONOPERATING REVENUES (EXPENSES)		
Interest income, Other	\$ 65,714	\$ 60,360
Provisions for bad debts	-	(25,712)
Unrealized loss on fair value of investments	(42,762)	(80,378)
State grants	204,356	23,003
NYS - facade program	(22,966)	-
Pollution remediation obligations	(61,807)	(118,500)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ 142,535</u>	<u>\$ (141,227)</u>
INCOME BEFORE OPERATING TRANSFERS	<u>\$ 112,771</u>	<u>\$ (113,939)</u>
Operating transfers in	\$ 5,417	\$ 8,180
NET INCOME	<u>\$ 118,188</u>	<u>\$ (105,759)</u>
NET ASSETS - BEGINNING OF YEAR	<u>4,044,984</u>	<u>4,150,743</u>
NET ASSETS - END OF YEAR	<u>\$ 4,163,172</u>	<u>\$ 4,044,984</u>

(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, 2010 and 2009

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2010</u>	<u>2009</u>
Receipts from rentals	\$ 354,596	\$ 385,133
Payments to suppliers/other governments	(206,745)	(218,340)
Payments to employees	(228,901)	(206,349)
Other revenue	121,193	51,508
Net Cash Provided (Used) by Operating Activities	<u>\$ 40,143</u>	<u>\$ 11,952</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest income	\$ 65,714	\$ 60,360
Change in other assets	(61,803)	(70,042)
Issuance of notes receivable	(66,500)	(223,500)
Repayment of notes receivable	324,539	72,292
Purchase of investments	(6,479)	633,500
Net Cash Provided (Used) by Investing Activities	<u>\$ 255,471</u>	<u>\$ 472,610</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>		
Purchase of equipment	\$ (4,880)	\$ (3,789)
Net Cash Provided (Used) by Capital Financing Activities	<u>\$ (4,880)</u>	<u>\$ (3,789)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Payments from other funds	\$ 5,417	\$ 8,180
State grants	13,375	23,003
NYS - facade program	(22,966)	-
Pollution remediation obligations	(180,307)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (184,481)</u>	<u>\$ 31,183</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 106,253	\$ 511,956
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,190,801</u>	<u>678,845</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,297,054</u>	<u>\$ 1,190,801</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Operating Income	\$ (29,764)	\$ 27,288
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:		
(Increase)/Decrease in accounts receivable	23,767	(27,032)
Depreciation expense	1,490	632
Increase/(Decrease) in accrued liabilities	5,220	(1,532)
Increase/(Decrease) in deferred revenues	-	(1)
Increase/(Decrease) in security deposits	(800)	-
Increase/(Decrease) in due to other governments	31,148	12,597
Increase/(Decrease) in due to ERS	9,000	-
Increase/(Decrease) in compensated absences	82	-
Total Adjustments	<u>\$ 69,907</u>	<u>\$ (15,336)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 40,143</u>	<u>\$ 11,952</u>

(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, 2010

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.

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.

(I.) (Continued)

1. **Accounting Principles (No. GASB 45)**

The Agency has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. The Agency implemented the requirements for GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and the Agency has reviewed the impact of GASB Statement No. 51, *Accounting and Reporting for Intangible Assets* and determined that there is no material impact to the agency.

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**

The Agency adopted the provisions of SFAS No. 157, *Fair Value Measurements*, effective October 1, 2008, which establishes a fair value hierarchy that defines three discrete “levels” of valuation techniques to determine the fair value of investments. Level 1 inputs consist of quoted (unadjusted) prices in active markets for identical assets at the measurement date, Level 2 inputs are inputs other than quoted prices that are observable either directly or indirectly, and Level 3 inputs are unobservable inputs and are to be used only if observable inputs are not available.

The Agency values investments in securities that are freely tradable and listed on a national securities exchange national market at their last sales price as of the last business day of the year.

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, 2010 and 2009. 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, 2010 and 2009.

(I.) (Continued)

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".

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 Revenue Bond and Note Transactions**

While the agency has the authority to issue Industrial Revenue Bond and note Transactions, as of September 30, 2010 and 2009, the Agency has no industrial revenue bonds or note transactions outstanding.

10. **Reclassification**

Certain amounts have been reclassified in the 2009 financial statements to conform with the current year presentation.

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>2010</u>	<u>2009</u>
Uncollateralized	\$ -	\$ -
Collateralized with securities held by the pledging financial institution	613,885	690,217
Total	<u>\$ 613,885</u>	<u>\$ 690,217</u>

III. Investments – Fair Value Measurement:

The Agency's investments are recorded at fair value and have been categorized based upon a fair value hierarchy in accordance with SFAS 157. 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, 2010 and 2009:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>	<u>Cost</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>
Core Cash	\$ 599,130	\$ 599,130	\$ 266,199	\$ 266,199
Blackrock Fund	-	-	25,407	25,407
US Treasury Bonds	445,000	475,569	635,000	708,680
NYS Dorm Authority	330,000	365,902	267,357	272,540
Fidelity US Govt Reserve	-	-	565,019	565,015
First Chicago - C of D	-	-	125,000	126,262
United BK OSSEO - C of D	-	-	120,000	120,091
Yonkers NY Bonds	100,000	108,802	-	-
New York NY Bonds	105,000	117,855	-	-
Federal National Mtg Bonds	100,000	106,188	-	-
Federal Home Loan Mtg Bonds	100,000	104,947	-	-
Rockland County Bonds	100,000	106,571	-	-
Rochester NY Bonds	50,000	54,390	-	-
Carmel NY CSD Bonds	50,000	51,319	-	-
Total	<u>\$ 1,979,130</u>	<u>\$ 2,090,673</u>	<u>\$ 2,003,982</u>	<u>\$ 2,084,194</u>

(III.) (Continued)

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

	<u>2010</u>	<u>2009</u>
<u>Type</u>	<u>Operating</u>	<u>Operating</u>
Interest/Dividends	\$ 52,642	\$ 60,360
Unrealized Gains/(Losses)	(42,762)	(80,378)
Total	<u>\$ 9,880</u>	<u>\$ (20,018)</u>

IV. Accounts Receivable:

The accounts receivable as of September 30, 2010 and 2009, consisted of the following:

	<u>2010</u>	<u>2009</u>
Rental Income	\$ 14,949	\$ 27,716
Village of Fairport (Partnership)	-	11,000
DOS Grant	24,676	-
Restore NY Grant	156,714	-
Total Accounts Receivable	<u>\$ 196,339</u>	<u>\$ 38,716</u>

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 \$260,119. 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>2010</u>	<u>2009</u>
Notes and Mortgages Receivable	\$ 696,153	\$ 942,648
Less: Allowance for doubtful accounts	(259,487)	(278,144)
Total Notes and Mortgages Receivable	<u>\$ 436,666</u>	<u>\$ 664,504</u>

VI. Capital Leases:

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

	<u>2010</u>	<u>2009</u>
30-year lease having a monthly payment of \$535 based upon a 5% interest rate per annum, collateralized by property. Final payment is due September 2011.	\$ 5,772	\$ 11,740
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.	120,642	126,218
Less: Allowance for doubtful accounts	(632)	(1,016)
Total Capital Leases	<u><u>\$ 125,782</u></u>	<u><u>\$ 136,942</u></u>

VII. Capital Assets:

A summary of the change in capital assets follows:

	<u>Beginning</u> <u>10/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>9/30/2010</u>
Land	\$ 122,169	\$ -	\$ -	\$ 122,169
Building	534,346	-	-	534,346
Equipment	3,789	4,879	-	8,668
Accumulated Depreciation	(632)	(1,489)	-	(2,121)
Total	<u><u>\$ 659,672</u></u>	<u><u>\$ 3,390</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 663,062</u></u>

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>2010</u>	<u>2009</u>
Village of Fairport Urban Renewal Agency	\$ 489,408	\$ 453,251
Village of Fairport Section 8 Housing Assistance Payments Program	110,146	115,155
Total Due To Other Governments	<u><u>\$ 599,554</u></u>	<u><u>\$ 568,406</u></u>

IX. 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>	
Designated	
RLF-Commercial Property	\$ 500,000
Canal Waterfront Revitalization	1,000,000
Business District Improvement	750,000
Federal/State Matching Fees	600,000
Undesignated	439,991
Total Unrestricted Net Assets	<u><u>\$ 3,289,991</u></u>

X. Pension Plan:

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.

A. Plan Descriptions

The IDA participates in the New York State Local Employees' Retirement System. This 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 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. Reports may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

B. Funding Policies

The System is contributory except for those who joined the system prior to July 27, 1976. Under the authority of the 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>
2010	\$ 43,905
2009	\$ 27,692
2008	\$ 29,284

XI. 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.

a. Medical Benefit Provisions

New York State Employees' Retirement System (NYSERS) eligibility requirements:
Tier 1 (Members before July 1, 1973)

- a. For reduced pension benefits: Age 55 with 5 years of service
- b. For full pension benefits: Age 55 with 20 Years of service

Tiers 2, 3, and 4 (Became a member after July 1, 1973)

- c. For reduced pension benefits: Age 55 with 5 years of service
- d. For full pension benefits: Age 55 with 30 Years of service or age 62 with 20 years of service

Hired Before January 1, 2006

Eligibility:

An employee must be eligible to retire under NYSERS with 10 years of service

Medical Cost:

With 10 years of service at retirement: The Village of Fairport Office of Community and Economic Development pays for the later of 6 years or until the retiree reaches age 65. The amount is 50% of the Blue Choice Blue premium payable in 2005 plus 50% of the increase since 2005.

With 15 years of service at retirement: The Village of Fairport Office of Community and Economic Development pays 100% of the Village contribution towards Blue Choice Value in effect at retirement, for the later of 6 years or until the retiree reaches age 65.

For All Retirees: The amount the Village pays does not increase annually. For retirees whose 6 years of coverage extends beyond age 65, the Village contributes the lesser of the cost of a Medicare supplement plan, or the pre-65 Village contribution level.

Surviving Spouse:

No benefits are provided to surviving spouses.

Hired After January 1, 2006

Eligibility:

An employee must be eligible to retire under NYSERS with 15 years of service

(XI.) (Continued)

Medical Cost:

With 15 years of service at retirement: The Village of Fairport Office of Community and Economic Development pays 75% of the Village contribution towards Blue Choice Value in effect at retirement, for the later of 6 years or until the retiree reaches age 65.

With 20 years of service at retirement: The Village of Fairport Office of Community and Economic Development pays 100% of the Village contribution towards Blue Choice Value in effect at retirement, for the later of 6 years of until the retiree reaches age 65.

For All Retirees: The amount the Village pays does not increase annually. For retirees whose 6 years of coverage extends beyond age 65, the Village contributes the lesser of the cost of a Medicare supplement plan, or the pre-65 Village contribution level. Coverage is limited to single or 2-person coverage.

Surviving Spouse

No benefits are provided to surviving spouses.

Funding Policy

The Agency's 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.

Annual OPEB Cost and Net OPEB Obligation

The District'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)	<u>\$ 9,002</u>
Contributions made	<u>6,205</u>
Increase in net OPEB obligation	\$ 2,797
Net OPEB obligation - beginning of year	<u>2,797</u>
Net OPEB obligation - end of year	<u><u>\$ 5,594</u></u>

(XI.) (Continued)

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 2010 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 9,002	31.07%	\$ 2,797
6/30/2010	\$ 9,002	31.07%	\$ 5,594

Funded Status and Funding Progress

As of September 30, 2009, 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 \$186,604 and the ratio of the UAAL to the covered payroll was 52.37%.

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.

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.

<u>Actuarial Valuation Date June 30,</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Liability (AAL) Entry-Age Normal</u>	<u>(3) Funded Ratio (1) / (2)</u>	<u>(4) Unfunded Actuarial Liability (UAAL) (2) - (1)</u>	<u>(5) Active Members Covered Payroll</u>	<u>(6) UAAL As a Percentage of Covered Payroll (4) / (5)</u>
2009	\$ -	\$ 97,727	0.00%	\$ 97,727	\$ 163,361	59.98%
2010	\$ -	\$ 97,727	0.00%	\$ 97,727	\$ 186,604	52.37%

In the September 30, 2009 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 selections of the five percent rate. The valuation assumes a 10% medical cost trend for 2010, 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, 2010 was twenty-eight years.

XII. Service Commitment:

For the years ended September 30, 2010 and 2009, the Agency paid \$46,500 and \$51,500, 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.

XIII. Cost Allocation:

For the years ended September 30, 2010 and 2009, the Agency was reimbursed by the Fairport Urban Renewal Agency Section 8 Program in the amount of \$282,600 and \$272,400, respectively. This reimbursement of expenses consisted of the following:

	<u>2010</u>	<u>2009</u>
Administrative Fee	\$ 278,080	\$ 269,100
Audit Expense	4,520	3,300
Total Reimbursement	<u>\$ 282,600</u>	<u>\$ 272,400</u>

XIV. Pollution Remediation:

The Agency has completed the pollution remediation associated with the property located on Park Street and has received a letter from the New York State Department of Environmental Conservation indicating the cleanup is complete and no further remedial actions are necessary at this time.

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:

Sponsors Revenue	\$ 27,500
Other Revenue	36,623
Expenditures	(80,203)

XVI. Commitments and Contingencies:

A. Litigation

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

B. NYS Administrative Assessment

Public Authorities Law Section 2975 established a cost recovery of central government services to various public authorities. On October 28, 2010 the Agency received their assessment for 2011 totaling \$22,060. The Agency is currently reviewing this calculation to determine any necessary action.

XVII. Subsequent Event:

The Agency has approved loans totaling \$40,000 which have yet to be disbursed as follows:

<u>Approval</u>	<u>Amount</u>
9/27/2010	\$ 10,000
10/25/2010	30,000

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 as of and for the year ended September 30, 2010, and have issued our report thereon dated December 13, 2010. 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 the Village of Fairport Industrial Development Agency, a component unit of the Village of Fairport'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 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 13, 2010.

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.

Raymond F. Wager, CPA P.C.

December 13, 2010