

Broome County Local Development Corporation
(A Discretely Presented Component Unit of the
County of Broome, New York)

Financial Statements as of
December 31, 2013
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-2
REQUIRED SUPPLEMENTARY INFORMATION	
Management's discussion and analysis (Unaudited).....	3-4
FINANCIAL STATEMENTS	
Statement of net position.....	5
Statement of revenue, expenses, and changes in net position.....	6
Statement of cash flow.....	7
Notes to Financial Statements.....	8-11
OTHER INFORMATION	
Schedule of Bonds & Notes Related to Project	12
OTHER REQUIRED REPORT	
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	13-14
Schedule of findings and responses.....	15

INDEPENDENT AUDITOR'S REPORT

March 21, 2014

To the Board of Directors of
Broome County Local Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Broome County Local Development Corporation (Corporation) (a discretely presented component unit of the County of Broome, New York), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

6 Wembley Court
Albany, New York 12205
p (518) 464-4080
f (518) 464-4087

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position, the business-type activities of the Corporation, as of December 31, 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 and 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Schedule of Bonds Related to Project has 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2014 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Bonadio & Co., LLP

**BROOME COUNTY LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Broome, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEARS ENDED DECEMBER 31, 2013**

The following is a discussion and analysis of the Corporation's financial performance for the fiscal year ended December 31, 2013. The section is a summary of the Corporation's financial activities based on currently known facts, decisions, or conditions. Due to the fact that this is the first year of operations for the Corporation, only the results on the current year are discussed below. This section is only an introduction and should be read in conjunction with the Corporation's financial statements, which immediately follow this section.

The Corporation is a component unit of the County of Broome, New York and is discretely presented in the County's financial statements.

Financial Highlights

- During the first year of operations the Corporation's net position increased \$180,554.

Overview of Financial Statements

The basic financial statements include the statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, and notes to the financial statements. The Corporation also includes in this report additional information to supplement the basic financial statements.

The first of these statements is the Statement of Net Position. This is the statement of financial position presenting information that includes all of the Corporation's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Corporation as a whole is improving or deteriorating. Evaluation of the overall economic health of the Corporation must include other non-financial factors such as the economic picture of the County and the State, in addition to the financial information provided in this report.

The second statement is the Statement of Revenues, Expenses and Changes in Net Position, which reports how the Corporation's net position changed during the current and previous fiscal period. Revenues and expenses are included when earned or incurred, regardless of when cash is received or paid.

The third statement is the Statement of Cash Flows, which shows the sources and uses of cash.

The accompanying Notes to the Financial Statements provide information essential to a full understanding of the financial statements.

Overview of the Financial Statements (Continued)

Below is a summary of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position for the year ended December 31, 2013:

Summary of Net Position

Cash - Restricted	\$ <u>180,554</u>
Total assets	<u>180,554</u>
Net position:	
Unrestricted	\$ <u>180,554</u>

Summary of Changes in Net Position

Revenues:	
Fee income	\$ 182,000
Interest income	<u>150</u>
Total revenues	182,150
Expenses	
Bond issuance fees	<u>1,596</u>
Total expenses	<u>1,596</u>
Change in net position	\$ <u>180,554</u>

Economic Factors

- The Corporation will continue to look for funding opportunities to further its mission of promoting local development. Each year, the Corporation will evaluate opportunities for investment of its resources in furthering this mission.

CONTACTING ADMINISTRATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Corporation's finances and to show the accountability for the money received. If you have questions about this report or need additional financial information, contact the Broome County Local Development Corporation's Board at the Edwin L. Crawford County Office Building, P.O. Box 1776 Binghamton New York, 13902.

BROOME COUNTY LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Broome, New York)

STATEMENT OF NET POSITION
DECEMBER 31, 2013

	<u>Business Type</u> <u>Activities</u>
ASSETS	
Cash	\$ <u>180,554</u>
	<u>180,554</u>
NET POSITION	
Unrestricted	<u>180,554</u>
	<u>\$ 180,554</u>

The accompanying notes are an integral part of these statements.

BROOME COUNTY LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Broome, New York)

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

OPERATING REVENUE:	
Fee income	\$ 182,000
Interest income	<u>150</u>
Total revenue	<u>182,150</u>
OPERATING EXPENSES:	
Bond issuance fees	<u>1,596</u>
Total expenses	<u>1,596</u>
CHANGE IN NET POSITION	<u>180,554</u>
NET POSITION - beginning of year	<u>-</u>
NET POSITION - end of year	<u>\$ 180,554</u>

The accompanying notes are an integral part of these statements.

BROOME COUNTY LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Broome, New York)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 182,000
Interest income	150
Payments to vendors	<u>(1,596)</u>
Net Cash from Operating Activities	180,554
Net Change in Cash	180,554
Cash, Beginning of Year	<u>-</u>
Cash, End of Year	<u>\$ 180,554</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH	
USED BY OPERATING ACTIVITIES:	
Change in net position	<u>180,554</u>
Net Cash Received from Operating Activities	<u>\$ 180,554</u>

The accompanying notes are an integral part of these statements.

BROOME COUNTY LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Broome, New York)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Broome County Local Development Corporation (Corporation) was established in 2011 and is governed by its Articles of Incorporation, bylaws and general laws of the State of New York. The Corporation is a discretely presented component unit of the County's basic financial statements due to the County's ability to influence the decisions of the Corporation. The Corporation's board of directors is comprised of individuals appointed by the County.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Corporation's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for accounting and financial reporting principles. The Corporation's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as business-type activities are required to be reported. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash

Credit Risk

The Corporation'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 Corporation's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Obligations of the United States of America;
- Obligations of the State of New York;
- Certificates of Deposit;

As of December 31, 2013, the Corporation did not have any investments.

Custodial Credit Risk - Deposits

Custodial credit risk - deposits 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 Corporation's investment policy, all deposits of the Corporation including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits.

Custodial Credit Risk - Investments

Custodial credit risk - investments is the risk that an entity will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The Corporation's investment and deposit policy requires that all custodial investments be registered or insured in the Corporation's name and held in the custody of the bank or the bank's trust department.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Concentration of Credit Risk

The Corporation places no limit on the amount that may be invested in any one issuer. At December 31, 2013, all cash balances were held in one bank.

Net Position Classifications

In the financial statements, there are three classes of net position:

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Corporation does not have this classification at December 31, 2013.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or the liability will be liquidated with the restricted assets reported. The Corporation does not have this classification at December 31, 2013.

The unrestricted component of net position is the net amounts of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

Fee Income

The Corporation charges a service fee for each qualified project tax-exempt bond financing it issues, which is intended to be used for the Corporation's expenses and to fund continuing operations.

Income Taxes

The Corporation is a not-for-profit local development corporation under Section 1411 of New York State not-for-profit corporation law and is exempt from federal income taxes and New York State taxes. Accordingly, no income tax provision has been made.

Tax-Exempt Bond Transactions

The Corporation is an issuer of tax-exempt bond financing for qualified projects. These bonds are the obligations of the borrower. Since the Corporation has no obligation to repay the principal and interest of such bonds, they are not reflected as liabilities in the accompanying financial statements. The Corporation receives bond issuance fees from the borrower for providing this service. Bond issuance fees are recognized immediately upon issuance of the related bond. The original value of the tax-exempt bonds issued by the Corporation is \$18,200,000 in 2013.

2. CASH

The Corporation's bank deposits were insured and collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash	\$ 180,554	\$ 180,554
Collateralized with securities held by pledging financial institution trust department or agent in the Corporation's name	\$	
Covered by FDIC insurance	<u>180,554</u>	
Total	<u>\$ 180,554</u>	

3. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET IMPLEMENTED

In June 2012, the GASB issued Statements No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of Statement No. 67 is to improve financial reporting by state and local governmental pension plans. Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. The Corporation is required to adopt the provisions of these Statements for the year ending December 31, 2015, with early adoption encouraged.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Corporation is required to adopt the provisions of this Statement for the year ending December 31, 2014. A prospective basis should be applied and early adoption is encouraged. The Corporation has not yet assessed the impact of these statements on its future financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government. As issued in this Statement, a nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. The Corporation is required to adopt the provisions of this Statement for the year ending December 31, 2014.

3. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET IMPLEMENTED
(Continued)

In November 2013, the GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Corporation is required to adopt the provisions of this Statement in conjunction with GASB Statement No. 68, for the year ending December 31, 2015, with early adoption encouraged.

The Corporation has not assessed the impact of these statements on its future financial statements.

BROOME COUNTY LOCAL DEVELOPMENT CORPORATION
(A Discretely Presented Component Unit of the County of Broome, New York)

SCHEDULE OF BONDS AND NOTES RELATED TO PROJECT
DECEMBER 31, 2013

Type of Debt	Revenue Bond
Date of Issue:	June 7, 2013
Interest Rate	Bank Interest Rate Mode
Outstanding Beginning of Fiscal Year	\$ -
Issued During Fiscal Year:	\$ 18,200,000
Paid During Fiscal Year	\$ -
Outstanding End of Fiscal Year	\$ <u>18,200,000</u>
Final Maturity Date	June 1, 2043

The accompanying notes are an integral part of this schedule.