

**COUNTY OF ORLEANS INDUSTRIAL
DEVELOPMENT AGENCY**

**Management's Discussion and Analysis,
Financial Statements and
Supplemental Information**

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
County of Orleans Industrial Development Agency:

We have audited the accompanying statements of net assets of the County of Orleans Industrial Development Agency as of December 31, 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 Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 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 financial position of the County of Orleans Industrial Development Agency as of December 31, 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 March 15, 2011 on our consideration of the Agency'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 considered in assessing the results of our audit.

Management's Discussion and Analysis as listed in the foregoing table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williamsville, New York
March 15, 2011

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FOR DISCUSSION PURPOSES ONLY

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
December 31, 2010

I. HISTORY OF THE AGENCY

The County of Orleans Industrial Development Agency (the Agency) a not-for-profit public benefit corporation established in 1971 by the Orleans County Legislature. Under the provisions of the New York Industrial Development Agency Act, the Agency is empowered to actively attract and develop economically sound commerce and industry, thereby fostering job opportunities, general prosperity, and economic welfare for all residents of Orleans County.

The Agency utilizes its resources to plan, implement and support economic development within Orleans County by promoting the stability and growth of the County's present business base, supporting the retention and creation of jobs, establishing regional and international collaborations and attracting capital investment and new business ventures.

As management of the County of Orleans Industrial Development Agency, we offer the readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with the Agency's financial statements.

Overview of the Financial Statements

The financial statements in this annual report are those of a special-purpose government. The following statements are included:

- Statements of net assets - reports the Agency's current and long-term financial resources with capital assets and long-term debt obligations.
- Statements of revenue, expenses and changes in net assets - reports the Agency's operating and non-operating revenues, by major source along with operating and non-operating expenses.
- Statements of cash flows - reports the Agency's cash flows from operating, investing, and financing activities.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis, Continued

II. COMPARATIVE ANALYSIS OF FINANCIAL STATEMENTS

The following is a condensed comparative financial statement analysis for the Agency, based on the audited financial statements for years ended December 31, 2010 and 2009.

Statements of Net Assets

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,795,630	1,686,994
Receivables	143,215	173,356
Prepaid expenses	<u>126</u>	<u>128</u>
Total current assets	1,938,971	1,860,478
Long-term receivables	368,013	460,670
Net capital assets	<u>1,468,193</u>	<u>1,483,109</u>
Total assets	<u>\$ 3,775,177</u>	<u>3,804,257</u>

Cash and cash equivalents increased by \$108,636, which is primarily due to payments in lieu of taxes (PILOT) that the Agency collects on behalf of local taxing jurisdictions that the Agency has not yet remitted.

Net capital assets decreased by \$14,916, which is primarily due to the Agency disposals of old office equipment throughout the year. The loss due to the disposal of this equipment amounted to \$26.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis, Continued

	<u>2010</u>	<u>2009</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 64,301	28,059
Accrued expenses	20,799	10,888
Accrued PILOT payable	1,254,235	1,276,823
Line of credit	57,360	-
Loan payable, current	<u>30,400</u>	<u>3,518</u>
Total current liabilities	1,427,095	1,319,288
Loans payable, long-term	<u>430,314</u>	<u>467,419</u>
Total liabilities	<u>1,857,409</u>	<u>1,786,707</u>
Invested in capital assets, net of related debt	1,007,479	1,012,172
Restricted net assets	1,099,667	1,071,631
Unrestricted net assets (deficit)	<u>(189,378)</u>	<u>(66,253)</u>
Total net assets	<u>1,917,768</u>	<u>2,017,550</u>
Total liabilities and net assets	<u>\$3,775,177</u>	<u>3,804,257</u>

Total liabilities increased by \$70,702, which is primarily due to fees associated with property abatement that are included in accounts payable and the Agency's use of the line of credit. Accounts payable also includes the administrative services assessment imposed by the State of New York in the amounts of \$11,266 and \$28,059 at December 31, 2010 and 2009, respectively.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis, Continued

	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 321,309	413,641
General operating expenses	<u>(399,258)</u>	<u>(373,779)</u>
Income (loss) from operations	(77,949)	39,862
Non-operating expense	<u>(21,833)</u>	<u>(91,829)</u>
Net loss	<u>\$ (99,782)</u>	<u>(51,967)</u>

Agency revenues decreased primarily due to the PILOT agreement with Western New York expiring in 2009. Operating expenses increased primarily due to an increase in professional fees associated with property abatement and legal fees associated with loan collection efforts initiated by the Agency.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
 Management's Discussion and Analysis, Continued

Industrial revenue bonds and notes issued by the Agency are secured by property that is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function are to arrange financing between the borrowing companies and the bond and note holders. Funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

The Agency has one revolving loan fund with six loans outstanding.

Company	Location	Amount of Receivable
PMI Remley	Albion	\$170,141
Precision Packaging Products	Holley	\$190,327
3 Milardi Entrprise	Medina	\$24,631
Shelby Crushed Stone	Medina	\$25,016
Moss Codilis, LLP	Albion	\$150,364
McCargo Lake Associates, LLC	Holley	\$58,295

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis, Continued

IV. BUDGETARY ANALYSIS - AGENCY OPERATING FUND

Annual operating budgets are based on management's best estimate of actual revenues. Operating expenses are also based on historical prior years' expenses with a best estimate of future increases due to market conditions and/or inflation. Therefore, budgeted income/expense will vary from the actual annual income statement.

In fiscal 2010, the Agency operating fund reported an overall variance in operating revenues of \$43,451, 13% less than anticipated when comparing actual to budget.

Actual operating expenses were more than anticipated expenses by \$92,116 or 31%. The primary reasons for expenses exceeding the budgeted amount is because of the Administrative Services Assessment fee imposed by the State of New York for \$11,266, dues and subscriptions of \$16,268, which includes a \$15,000 payment to the Buffalo Niagara Enterprise, and \$39,112 due to additional professional fees for collection efforts on delinquent loans and property abatement fees.

The table on page nine details the actual revenues and expenses compared to budget for the Agency's operating fund.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis, Continued

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Operating revenues:			
Administrative fees	\$ 86,735	80,500	6,235
State and local aid	133,500	228,500	(95,000)
Rental income	10,000	10,000	-
Other	<u>49,564</u>	<u>4,250</u>	<u>45,314</u>
Total operating revenues	<u>279,799</u>	<u>323,250</u>	<u>(43,451)</u>
Operating expenses:			
Personnel services	164,535	157,000	7,535
Employee benefits	46,339	42,930	3,409
Occupancy	24,831	19,200	5,631
Administrative assessment fee	11,266	-	11,266
Professional fees	61,735	22,623	39,112
Dues and subscriptions	16,268	-	16,268
Industrial park management	13,187	9,506	3,681
Telephone	7,027	6,000	1,027
Repairs and maintenance	11,246	3,091	8,155
Auto and travel	10,216	7,821	2,395
Office supplies and expenses	2,423	5,747	(3,324)
Advertising	1,079	1,883	(804)
Real estate taxes	583	-	583
Depreciation	14,890	12,000	2,890
Miscellaneous	<u>159</u>	<u>5,867</u>	<u>(5,708)</u>
Total operating expenses	<u>385,784</u>	<u>293,668</u>	<u>92,116</u>
Net operating income (loss)	(105,985)	29,582	(135,567)
Non-operating expenses	<u>(21,833)</u>	<u>(20,100)</u>	<u>(1,733)</u>
Net income (loss)	<u>\$ (127,818)</u>	<u>9,482</u>	<u>(137,300)</u>

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis, Continued

CAPITAL ASSETS

The Agency has \$1,613,767 of capital assets. There is \$145,574 of accumulated depreciation associated with these assets. In 2010, the Agency recorded a loss from the disposal of leasehold improvements at its former location of \$26.

LOANS PAYABLE

At December 31, 2010, the Agency had three loans payable for a total of \$460,714 as further described on page 19.

**IV. FUTURE EVENTS AND OTHER CURRENTLY KNOWN FACTS,
DECISIONS OR CONDITIONS**

The Agency has major economic development tools in place including PILOTS, Empire Zones and the Revolving Loan Fund. These activities are intended to stimulate new construction, increase the local tax base, create employment opportunities for area residents, and generate new project fees to the Agency.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY

For further information, please contact the Agency at:

Orleans Economic Development Agency
121 North Main Street
Albion, New York 14411

James R. Whipple
Chief Executive Officer/Chief Financial Officer

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
 Statements of Net Assets
 December 31, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and equivalents:		
Operating	\$ 316	18,363
Restricted	<u>1,795,314</u>	<u>1,668,631</u>
Total cash and equivalents	<u>1,795,630</u>	<u>1,686,994</u>
Receivables:		
Accounts	1,098	1,506
Interest	13,357	13,357
Loans, current	<u>128,760</u>	<u>158,493</u>
Total receivables	<u>143,215</u>	<u>173,356</u>
Prepaid expenses	<u>126</u>	<u>128</u>
Total current assets	<u>1,938,971</u>	<u>1,860,478</u>
Loans receivable, less current installments and allowance for doubtful loans of \$122,001 in 2010 and 2009	368,013	460,670
Capital assets:		
Land and site improvements	1,042,740	1,042,740
Buildings	548,696	548,696
Furniture and equipment	<u>22,331</u>	<u>41,069</u>
Total capital assets	1,613,767	1,632,505
Less accumulated depreciation	<u>(145,574)</u>	<u>(149,396)</u>
Net capital assets	<u>1,468,193</u>	<u>1,483,109</u>
Total assets	<u>\$ 3,775,177</u>	<u>3,804,257</u>

See accompanying notes to financial statements.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Statements of Net Assets, Continued

<u>Liabilities and Net Assets</u>	<u>2010</u>	<u>2009</u>
Current liabilities:		
Accounts payable	\$ 64,301	28,059
Accrued expenses	20,799	10,888
Accrued PILOT payable	1,254,235	1,276,823
Note payable to bank	57,360	-
Current installments of loans payable	<u>30,400</u>	<u>3,518</u>
Total current liabilities	1,427,095	1,319,288
Loans payable, less current installments	<u>430,314</u>	<u>467,419</u>
Total liabilities	<u>1,857,409</u>	<u>1,786,707</u>
Net assets:		
Invested in capital assets, net of related debt	1,007,479	1,012,172
Restricted	1,099,667	1,071,631
Unrestricted	<u>(189,378)</u>	<u>(66,253)</u>
Total net assets	<u>1,917,768</u>	<u>2,017,550</u>
Contingencies (note 11)		
Total liabilities and net assets	<u>\$ 3,775,177</u>	<u>3,804,257</u>

See accompanying notes to financial statements.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
 Statements of Revenue, Expenses and Changes in Net Assets
 Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenue:		
Administrative fees	\$ 86,735	231,291
State and local aid	133,500	139,021
Interest income from loans receivable	21,510	26,074
Bad debt recovery	20,000	-
Rental income	10,000	10,700
Other income	49,564	6,555
Total operating revenue	<u>321,309</u>	<u>413,641</u>
Operating expenses:		
Personnel services	164,535	151,918
Employee benefits	46,339	42,791
Occupancy	24,831	28,596
Administrative services assessment	11,266	28,059
Professional fees	75,209	46,931
Dues and subscriptions	16,268	16,760
Industrial park management	13,187	8,521
Telephone	7,027	8,234
Repairs and maintenance	11,246	7,693
Auto and travel	10,216	7,507
Office supplies and expenses	2,423	3,690
Advertising	1,079	1,931
Real estate taxes	583	599
Depreciation	14,890	17,554
Miscellaneous	159	2,995
Total operating expenses	<u>399,258</u>	<u>373,779</u>
Operating income (loss)	<u>(77,949)</u>	<u>39,862</u>
Non-operating expenses:		
Interest expense	(21,807)	(23,695)
Loss on disposal of assets	(26)	(68,134)
Total non-operating expenses	<u>(21,833)</u>	<u>(91,829)</u>
Net loss	<u>(99,782)</u>	<u>(51,967)</u>
Net assets at beginning of year	<u>2,017,550</u>	<u>2,069,517</u>
Net assets at end of year	<u>\$ 1,917,768</u>	<u>2,017,550</u>

See accompanying notes to financial statements.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
 Statements of Cash Flows
 Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from customers	\$ 108,653	268,799
Cash received from other governments	133,500	139,021
Other income received	<u>79,564</u>	<u>17,255</u>
Total cash received from operating activities	<u>321,717</u>	<u>425,075</u>
Cash paid to employees	(200,963)	(205,924)
Cash paid to suppliers for goods and services	<u>(137,250)</u>	<u>(133,399)</u>
Total cash paid for operating activities	<u>(338,213)</u>	<u>(339,323)</u>
Net cash provided by (used in) operating activities	<u>(16,496)</u>	<u>85,752</u>
Cash flows from investing activities:		
Purchase of capital assets	-	(1,915)
Collection of loans receivable	122,390	141,691
Issuance of loans receivable	<u>-</u>	<u>(250,000)</u>
Net cash provided by (used in) investing activities	<u>122,390</u>	<u>(110,224)</u>
Cash flows from financing activities:		
Net proceeds from note payable to bank	57,360	-
Interest expense	(21,807)	(23,695)
Receipts from PILOT	2,126,130	2,768,786
Payments made for PILOT	(2,148,718)	(1,537,761)
Repayments of loans payable	<u>(10,223)</u>	<u>(56,762)</u>
Net cash provided by financing activities	<u>2,742</u>	<u>1,150,568</u>
Net increase in cash and equivalents	108,636	1,126,096
Cash and equivalents at beginning of year	<u>1,686,994</u>	<u>560,898</u>
Cash and equivalents at end of year	<u>\$ 1,795,630</u>	<u>1,686,994</u>

(Continued)

See accompanying notes to financial statements.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Statements of Cash Flows, Continued

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Operating income (loss)	\$ (77,949)	39,862
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	14,890	17,554
Change in:		
Accounts receivable	408	7,817
Interest receivable	-	3,617
Prepaid expenses	2	58
Accounts payable	36,242	16,724
Accrued expenses	<u>9,911</u>	<u>120</u>
Net cash provided by (used in) operating activities	<u>\$ (16,496)</u>	<u>85,752</u>
Supplemental disclosures of cash flow information - disposal of fully depreciated equipment	<u>\$ 18,713</u>	<u>-</u>

See accompanying notes to financial statements.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements

December 31, 2010 and 2009

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

County of Orleans Industrial Development Agency (the Agency) is a public benefit corporation authorized under the laws of the State of New York (the State) and, in particular, the New York State Industrial Development Agency Act, constituting Title 2 of Article 18-A of the General Municipal Law, to promote, develop, encourage and assist in the acquiring, constructing, reconstruction, importing, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial and research facilities and thereby advance the job opportunities, general prosperity and economic welfare of the people of Orleans County and to improve their prosperity and standard of living.

The Agency is empowered to issue Industrial Revenue Bonds for the purpose of constructing, acquiring, equipping and furnishing industrial manufacturing, warehousing and certain commercial research and recreational facilities. The Agency may acquire property, enter into lease agreements, mortgage agreements and pledge agreements.

(b) Financial Reporting Entity

The Agency is governed by a Board of Directors appointed by the Orleans County legislature. As required by accounting principles generally accepted in the United States of America, these financial statements present the operations of the County of Orleans Industrial Development Agency.

(c) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Agency applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Agency considers all temporary cash investments with a maturity of three months or less to be cash equivalents.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Cash and Cash Equivalents, Continued

State statutes govern the Agency's investment policies. Deposits are valued at cost or cost plus interest and are categorized as either insured or collateralized with securities held by the Agency or by its agent in the Agency's name, or collateralized with securities held by the pledging financial institution's trust department in the Agency's name, or uncollateralized. Cash deposits are covered by FDIC insurance of up to \$250,000 each on time and savings deposits. At December 31, 2010 the Agency's cash balances were fully insured for savings deposits and fully insured for demand deposits by the Temporary Liquidity Guarantee Program.

(f) Restricted Cash

Restricted cash represents amounts held for revolving loan purposes and payments in lieu of taxes (PILOT) that have not yet been paid to the appropriate taxing jurisdiction.

(g) Capital Assets

Capital assets acquired by Agency, are stated at cost. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets. It is Agency's policy not to capitalize interest on self-constructed assets.

(h) Grant Accounting

Revenue from grants is recognized as the Agency meets performance requirements of the contracts.

(i) Allowance for Uncollectible Loans and Receivables

The allowance for doubtful loans is established through a provision for bad debts charged to expense. Loans are charged against the allowance for doubtful loans when management believes that collection of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. Management believes that the allowance for doubtful loans is adequate. However, additions to the allowance may be necessary based on changes in economic conditions.

Interest is not accrued on loans receivable when management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful. In such cases, interest is recognized on a cash basis when collection occurs.

(j) Financial Instruments

The Agency makes loans to small businesses located in Orleans County. These loans are made at a favorable interest rate that varies with the prime rate. The governing board approves these loans after giving consideration to the major criteria, i.e., enhancement of the economic environment. These loans are collateralized by the businesses' assets and personal guarantees of the owners. Interest is recognized on these loans as it is paid (i.e., interest is not accrued when past due).

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Net Assets - Restricted

Restrictions of net assets are created to either satisfy legal requirements or to earmark resources unavailable for current operations.

(l) Budgetary Policies

The Agency's administration prepares a proposed budget for the operating fund, which is then approved by the Board of Directors. This budget is then submitted to the Orleans County Legislature for review. Such appropriations constitute a limitation on expenses that may be incurred. Appropriations lapse at the end of each fiscal year-end.

(2) Cash Deposits

The carrying amount of the Agency's deposits with financial institutions at December 31, 2010 and 2009 was \$1,795,630 and \$1,686,994, respectively, and the bank balance was \$1,852,871 and \$1,703,294, respectively. New York State Municipal Law requires that the Agency's bank balance be secured or collateralized. At December 31, 2010 and 2009, the status of the Agency's bank balance is as follows:

	<u>2010</u>	<u>2009</u>
Amount insured by FDIC	\$ <u>1,852,871</u>	<u>1,703,294</u>

(3) Loans Receivable

The Agency has one revolving loan fund offering low interest loans to area businesses. The governing board approves loans after giving consideration to the major criteria, i.e., enhancement of the economic environment.

A summary of the loans receivable at December 31, 2010 and 2009 is as follows:

	<u>Interest rate</u>	<u>2010</u>	<u>2009</u>
PMI Remley	4.00%	\$ 170,141	170,141
Precision Packaging Products	2.44%	190,327	238,210
3 Milardi Enterprise	6.50%	24,631	29,680
Shelby Crushed Stone, Inc.	6.19%	25,016	42,262
Moss Codilis, LLP	3.00%	150,364	195,272
McCargo Lake Associates, LLC	2.4375%	<u>58,295</u>	<u>65,599</u>
Total receivables		618,774	741,164
Less current installments		<u>(128,760)</u>	<u>(158,493)</u>
Loans receivable, less current installments		490,014	582,671
Less allowance for doubtful accounts		<u>(122,001)</u>	<u>(122,001)</u>
Net loans receivable		\$ <u>368,013</u>	<u>460,670</u>

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements, Continued

(4) Loans Payable

The Agency had the following debt outstanding at December 31, 2010 and 2009:

	<u>Date issued</u>	<u>Original amount</u>	<u>Interest rate</u>	<u>Maturity Date</u>	<u>Balance</u>	
					<u>2010</u>	<u>2009</u>
Robin Lake Farm Credit of Western New York	2002	150,000	5.00%	2017	\$ 126,128	129,645
Carlson Park	2002	487,500	6.50%	2013	328,015	328,015
	2003	75,000	10.00%	2011	<u>6,571</u>	<u>13,277</u>
Total loans payable					460,714	470,937
Less current installments					<u>(30,400)</u>	<u>(3,518)</u>
Loans payable, less current installments					\$ <u>430,314</u>	<u>467,419</u>

Future principal payments for all loans as of December 31, 2010 are as follows:

2011	\$ 30,400
2012	23,878
2013	292,087
2014	4,276
2015	4,490
Thereafter	<u>105,583</u>
	\$ <u>460,714</u>

(5) Note Payable to Bank

The Agency has a line of credit with a bank which provides for maximum borrowings of \$75,000. Outstanding borrowings are payable on demand and bear interest at the bank's prime lending rate plus 1.50% (4.75% at December 31, 2010). Borrowings under the line of credit are secured by the assets of the Agency. At December 31, 2010, there was an outstanding balance of \$57,360 on this line of credit.

(6) Operating Lease

The Agency leases office space to local businesses. Rental income amounted to \$10,000 and \$10,700 for the years ended December 31, 2010 and 2009, respectively.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements, Continued

(7) Pension

The Agency is a member of the New York State Retirement System (the System). The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law (NYSRSSL) governs obligations of employers and employees to contribute and provides benefits to employees. The System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12236. 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 the years ended December 31, 2010 and 2009.

(8) Leases

In September 2006, the Agency and the Orleans Land Restoration Corporation (the Organizations) entered in to a lease agreement with Western New York Energy, LLC (WNY Energy) to receive rent for the Rail Spur Facility (the Facility). In 2007, the Organizations began receiving \$10,000 annually which will continue through August 1, 2015. The lease is cancelable by WNY Energy between 45 and 90 days upon giving notice of its intent. Upon expiration or termination of the lease, WNY Energy must purchase the facility for \$1 plus all remaining rental payments. WNY Energy has the option to extend the lease for an additional 99 years with rental payments equaling \$1 per year.

The following is a schedule of minimum future rentals receivable under the lease.

2011	\$ 10,000
2012	10,000
2013	10,000
2014	10,000
2015	<u>10,000</u>
	\$ <u>50,000</u>

(9) Administrative Services Assessment

Through the Public Authorities Law Section 2975, the State may assess an administrative fee for industrial development agencies. The New York State Division of Budget billed the Agency for an administrative assessment fee of \$11,266. The 2009 assessment fee of \$28,059 accrued by the Agency in 2009 was rescinded by NYS in 2010. This amount is included in other income, and the \$11,266 is included in accounts payables December 31, 2010.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY

Notes to Financial Statements, Continued

(10) Commitments

The Agency entered into a rental lease agreement with the Village of Albion during March 2010. The lease term is for two years with an option to renew for one year with a 10% increase. The Agency is currently paying \$1,600 per month.

(11) Contingencies

Contingencies at December 31, 2010 and 2009 are as follows:

(a) Risk-Financing and Related Insurance

The Agency is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees, errors and omissions, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

(b) Judgments

There are several lawsuits in which the Agency has been named as defendant due to a property's title being in the name of the Agency. Management does not expect the Agency to suffer any material liability by reason of such actions, nor does it expect that such actions will have a material effect on the Agency's liquidity or operating results, other than those items accrued.

(c) Other Items

The Agency has received grants that are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, management believes disallowances, if any, will be immaterial.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS, INCLUDING COMPLIANCE
WITH INVESTMENT GUIDELINES, BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
County of Orleans Industrial Development Agency:

We have audited the basic financial statements of County of Orleans Industrial Development Agency (the Agency) for the year ended December 31, 2010, and have issued our report thereon dated March 15, 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 the 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Agency's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described below to be material weaknesses.

Accounting Controls

The Agency is without a financial accountant that can accurately initiate, authorize or review accounting transactions in the financial records or adequately prepare its financial statements in accordance with generally accepted accounting principles. Audit adjustments, approved by management, were required to correct the accounting records of the Agency for the financial statements to be prepared in accordance with generally accepted accounting standards. Significant adjustments were made to properly accrue liabilities.

We also noted substantial balances in the payments in lieu of taxes (PILOT) receivable and payable accounts. Combined, these accounts report a net PILOT payable of \$1,254,235 at December 31, 2010. The cash balance amounted to \$1,206,875 at December 31, 2010. Net PILOT payables exceed the PILOT cash balance by \$47,360. The PILOT receipts from businesses are passed through the Agency and remitted to the taxing jurisdiction. The Agency's PILOT cash balance should always equal the net PILOT payable.

Recommendation

We recommend that the Agency continue to improve their accounting records with the assistance of a consultant with adequate accounting experience and knowledge to periodically assist the Chief Financial Officer in reviewing financial transactions and financial statements.

The Agency should reconcile the PILOT transaction difference and adjust its accounting records accordingly.

We also recommend that the Agency reconcile the PILOT transactions monthly to ensure that any discrepancies are resolved timely.

Management's Response

Management plans to review in detail the deficiencies in the balance sheet accounts with the Agency's consultant accountant. After the review, management will request a plan that will eliminate any deficiencies from recurring in 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including Investment Guidelines for Public Authorities and the Agency's Investment Policy, 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 that are required to be reported under Government Auditing Standards.

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

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FOR DISCUSSION PURPOSES ONLY

Williamsville, New York
March 15, 2011

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Combining Statement of Net Assets by Fund
December 31, 2010

<u>Assets</u>	<u>Operating</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
Current assets:			
Cash and equivalents:			
Operating	\$ 316	-	316
Restricted	<u>1,206,875</u>	<u>588,439</u>	<u>1,795,314</u>
Total cash and equivalents	<u>1,207,191</u>	<u>588,439</u>	<u>1,795,630</u>
Receivables:			
Accounts	-	1,098	1,098
Interest	-	13,357	13,357
Loans, current	<u>-</u>	<u>128,760</u>	<u>128,760</u>
Total receivables	<u>-</u>	<u>143,215</u>	<u>143,215</u>
Prepaid expenses	<u>126</u>	<u>-</u>	<u>126</u>
Total current assets	<u>1,207,317</u>	<u>731,654</u>	<u>1,938,971</u>
Loans receivable, less current installments and allowance for doubtful loans of \$122,001	-	368,013	368,013
Capital assets:			
Land and site improvements	1,042,740	-	1,042,740
Buildings	548,696	-	548,696
Furniture and equipment	<u>22,331</u>	<u>-</u>	<u>22,331</u>
Total capital assets	1,613,767	-	1,613,767
Less accumulated depreciation	<u>(145,574)</u>	<u>-</u>	<u>(145,574)</u>
Net capital assets	<u>1,468,193</u>	<u>-</u>	<u>1,468,193</u>
Total assets	<u>\$ 2,675,510</u>	<u>1,099,667</u>	<u>3,775,177</u>

(Continued)

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Combining Statement of Net Assets by Fund, Continued

<u>Liabilities and Net Assets</u>	<u>Operating</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
Current liabilities:			
Accounts payable	\$ 64,301	-	64,301
Accrued expenses	20,799	-	20,799
Accrued PILOT payable	1,254,235	-	1,254,235
Note payable to bank	57,360	-	57,360
Current installments of loans payable	<u>30,400</u>	<u>-</u>	<u>30,400</u>
Total current liabilities	1,427,095	-	1,427,095
Loans payable, less current installments	<u>430,314</u>	<u>-</u>	<u>430,314</u>
Total liabilities	<u>1,857,409</u>	<u>-</u>	<u>1,857,409</u>
Net assets:			
Invested in capital assets, net of related debt	1,007,479	-	1,007,479
Restricted	-	1,099,667	1,099,667
Unrestricted	<u>(189,378)</u>	<u>-</u>	<u>(189,378)</u>
Total net assets	<u>818,101</u>	<u>1,099,667</u>	<u>1,917,768</u>
Total liabilities and net assets	<u>\$ 2,675,510</u>	<u>1,099,667</u>	<u>3,775,177</u>

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Combining Statement of Revenue, Expenses and Changes in Net Assets by Fund
Year ended December 31, 2010

	<u>Operating</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
Operating revenue:			
Administrative fees	\$ 86,735	-	86,735
State and local aid	133,500	-	133,500
Interest income from loans receivable	-	21,510	21,510
Rental income	10,000	-	10,000
Bad debt recovery	-	20,000	20,000
Other income	49,564	-	49,564
Total operating revenue	<u>279,799</u>	<u>41,510</u>	<u>321,309</u>
Operating expenses:			
Personnel services	164,535	-	164,535
Employee benefits	46,339	-	46,339
Occupancy	24,831	-	24,831
Administrative assessment fee	11,266	-	11,266
Professional fees	61,735	13,474	75,209
Dues and subscriptions	16,268	-	16,268
Industrial park management	13,187	-	13,187
Telephone	7,027	-	7,027
Repairs and maintenance	11,246	-	11,246
Auto and travel	10,216	-	10,216
Office supplies and expenses	2,423	-	2,423
Advertising	1,079	-	1,079
Real estate taxes	583	-	583
Depreciation	14,890	-	14,890
Miscellaneous	159	-	159
Total operating expenses	<u>385,784</u>	<u>13,474</u>	<u>399,258</u>
Operating income (loss)	<u>(105,985)</u>	<u>28,036</u>	<u>(77,949)</u>
Non-operating expenses:			
Interest expense	(21,807)	-	(21,807)
Loss on disposal of assets	(26)	-	(26)
Total non-operating expenses	<u>(21,833)</u>	<u>-</u>	<u>(21,833)</u>
Net income (loss)	<u>(127,818)</u>	<u>28,036</u>	<u>(99,782)</u>
Net assets at beginning of year	<u>945,919</u>	<u>1,071,631</u>	<u>2,017,550</u>
Net assets at end of year	<u>\$ 818,101</u>	<u>1,099,667</u>	<u>1,917,768</u>