COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY

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

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY

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TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AN EFP ROTENBERG COMPANY

INDEPENDENT AUDITORS' REPORT

The Board of Directors
County of Orleans Industrial Development Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the County of Orleans Industrial Development Agency (the Agency), as of and for the years ended December 31, 2013 and 2012, and the related notes to financial statements, which collectively comprise the Agency'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 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 audits 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 Agency'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 Agency'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.

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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, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in note 2 to the financial statements, an overstatement of administrative fees previously reported in 2012 was discovered by management during 2013. Accordingly, the 2012 financial statements have been restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 23 through 25 is presented for purposes of additional analysis and is not a required party of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare these financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2014, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 31, 2014

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
December 31, 2013

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, 2013. 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 position - 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 position - 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 non-capital financing activities.

II. COMPARATIVE ANALYSIS OF FINANCIAL STATEMENTS

The following is a condensed comparative financial statement analysis of the Agency, based on the audited financial statements as of December 31, 2013 and 2012.

Statements of Net Position

	2013	2012 (Restated)
Assets		
Cash and cash equivalents	$ 1,905,002	1,851,493
Receivables	171,151	170,123
Prepaid expenses	134	136
Total current assets	2,076,287	2,021,752
Long-term receivables	422,825	394,327
Net capital assets	521,555	609,438
Total assets	3,020,667	3,025,517
Liabilities		
Accrued expenses	30,242	30,639
Accrued PILOT payable	1,275,613	1,284,853
Line of credit	48,874	3,655
Due to OLRC	19,989	-
Total liabilities	1,374,718	1,319,147
Net Position		
Net investment in capital assets	521,555	609,438
Restricted	1,183,135	1,181,972
Unrestricted (deficit)	(58,741)	(85,040)
Net position	$ 1,645,949	1,706,370

Cash and cash equivalents increased by $53,509, which is primarily due to payments in lieu of taxes (PILOT) that the Agency collects on behalf of local taxing jurisdictions which have not yet been remitted and a small increase in cash.

Net capital assets decreased by $87,883, which is due to the sale of one of the Agency's properties in 2013.

Total liabilities increased by $55,571, which is primarily due to the use of an in place line of credit in 2013.

Total net position decreased by $60,421 for 2013 primarily due to the reduction in revenue of $31,953 and expenses holding flat as compared to 2012.

Statements of Revenue, Expenses and Change in Net Position

	2013	2012 (Restated)
Operating revenue	$ 283,813	315,766
Operating expenses	(342,544)	(344,563)
Income (loss) from operations	(58,731)	(28,797)
Non-operating expenses	(1,690)	(126,747)
Transfers	-	(226,396)
Change in net position	$ (60,421)	(381,940)

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.

Agency revenues generally decreased in 2013 across the board as project activity slowed. Operating expenses increased primarily due to bad debt expense.

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

Company	Location	Amount of Receivable
Virtual Polymer Compounds, LLC	Medina	$87,235
Precision Packaging Products	Holley	$39,470
3 Milardi Enterprise	Medina	$6,553
Quorum Group LLC	Medina	$100,000
Evans Ace Hardware and Building Supplies, Inc.	Albion	$124,832
Save-a-Lot	Holley	$66,376
Liberty Fresh Farm	Albion	$98,614

III. BUDGETARY ANALYSIS - AGENCY OPERATING FUND

Annual operating budgets are based on management's best estimate of actual revenue. 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 statement of revenue, expenses and changes in net assets.

In fiscal 2013, the Agency reported an overall variance in operating revenue of $(32,687), 10.4% more than anticipated when comparing actual to budget.

Actual operating expenses were more than anticipated expenses by $21,323 or 6.7%. The primary component of this variance was $27,829 for professional fees.

The table below details the actual revenue and expenses compared to budget for the Agency:

	Actual	Budget	Variance
Operating revenue:			
Administrative fees	$ 52,823	86,000	(33,177)
State and local aid	162,619	202,500	(39,881)
Interest income from loans receivable	14,405	-	14,405
Rental income	10,000	10,000	-
Federal aid	14,500	-	14,500
Other income	29,466	18,000	11,466
Total operating revenue	283,813	316,500	(32,687)
Operating expenses:			
Personnel services	180,370	199,476	19,106
Employee benefits	69,682	46,575	(23,107)
Occupancy	24,836	21,120	(3,716)
Professional fees	47,829	20,000	(27,829)
Dues and subscriptions	1,339	-	(1,339)
Telephone	6,659	6,000	(659)
Repairs and maintenance	2,419	4,300	1,881
Auto and travel	5,841	7,500	1,659
Office supplies and expenses	2,050	7,400	5,350
Advertising	866	-	(866)
Depreciation	383	6,000	5,617
Miscellaneous	270	2,850	2,580
Total operating expenses	342,544	321,221	(21,323)
Net operating loss	(58,731)	(4,721)	(54,010)
Non-operating expenses	(1,690)	-	(1,690)
Change in net position	$ (60,421)	(4,721)	(55,700)

IV. CAPITAL ASSETS

The Agency has $543,701 of capital assets at December 31, 2013 and $631,201 at December 31, 2012. There is $22,146 and $21,763 of accumulated depreciation associated with these assets as of December 31, 2013 and 2012, respectively. The decrease in 2013 relates to the sale of the property that occurred in 2013.

V. 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 Position
December 31, 2013 and 2012

Assets	2013	2012 (Restated)
Current assets:		
Cash and equivalents:		
Operating	$ 23,813	359
Restricted	1,881,189	1,851,134
Total cash and equivalents	1,905,002	1,851,493
Receivables:		
Accounts	3,385	7,020
Mortgage, current	12,382	-
Loans, current	155,384	163,103
Total receivables	171,151	170,123
Prepaid expenses	134	136
Total current assets	2,076,287	2,021,752
Loans receivable, less current installments	367,696	394,327
Mortgage receivable, less current installments	55,129	-
Capital assets:		
Land and site improvements	521,370	521,370
Property held for sale	-	87,500
Furniture and equipment	22,331	22,331
Total capital assets	543,701	631,201
Less accumulated depreciation	(22,146)	(21,763)
Net capital assets	521,555	609,438
Total assets	3,020,667	3,025,517

(Continued)

See accompanying notes to financial statements.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY

Statements of Net Position, Continued

Liabilities	2013	2012 (Restated)
Current liabilities:		
Accrued expenses	$ 30,242	30,639
Accrued PILOT payable	1,275,613	1,284,853
Note payable to bank	48,874	3,655
Total current liabilities	1,354,729	1,319,147
Due to OLRC	19,989	-
Contingencies (note 13)		
Total liabilities	1,374,718	1,319,147
Net Position		
Net position:		
Net investment in capital assets	521,555	609,438
Restricted	1,183,135	1,181,972
Unrestricted	(58,741)	(85,040)
Total net position	$ 1,645,949	1,706,370

See accompanying notes to financial statements.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Statements of Revenue, Expenses and Changes in Net Position
Years ended December 31, 2013 and 2012

	2013	2012 (Restated)
Operating revenue:		
Administrative fees	$ 52,823	66,377
State and local aid	162,619	173,144
Federal aid	14,500	3,124
Interest income from loans receivable	14,405	20,645
Bad debt recovery	-	7,500
Rental income	10,000	10,000
Other income	29,466	34,976
Total operating revenue	283,813	315,766
Operating expenses:		
Personnel services	180,370	168,609
Employee benefits	69,682	68,657
Professional fees	47,829	56,148
Occupancy	24,836	24,593
Auto and travel	5,841	9,933
Telephone	6,659	6,957
Office supplies and expenses	2,050	3,514
Repairs and maintenance	2,419	3,462
Dues and subscriptions	1,339	1,326
Advertising	866	545
Miscellaneous	270	437
Depreciation	383	382
Total operating expenses	342,544	344,563
Operating loss	(58,731)	(28,797)
Non-operating expenses:		
Interest expense	(1,690)	(9,222)
Loss on impairment	-	(117,525)
Total non-operating expenses	(1,690)	(126,747)
Changes in net position	(60,421)	(155,544)
Net position at beginning of year	1,706,370	2,088,310
Transfers, net (note 10)	-	(226,396)
Net position at end of year	$ 1,645,949	1,706,370

See accompanying notes to financial statements.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Statements of Cash Flows
Years ended December 31, 2013 and 2012

	2013	2012 (Restated)
Cash flows from operating activities:		
Cash received from customers	$ 70,863	83,630
Cash received from other governments	177,119	176,268
Other income received	39,466	52,476
Cash paid to employees	(250,449)	(232,081)
Cash paid to suppliers for goods and services	(92,129)	(106,895)
Net cash used in operating activities	(55,130)	(26,602)
Cash flows from investing activities:		
Collection of loans receivable	274,350	143,487
Issuance of loans receivable	(240,000)	(245,000)
Sales of capital asset	40,000	-
Transfer received from Orleans Land Restoration Corporation	-	500,000
Net cash provided by investing activities	74,350	398,487
Cash flows from non-capital financing activities:		
Net proceeds from note payable to bank	45,219	(57,069)
Interest expense	(1,690)	(9,222)
Receipts from PILOT	2,157,801	2,026,326
Payments made for PILOT	(2,167,041)	(2,016,777)
Repayments of loans payable	-	(434,143)
Net cash provided by (used in) non-capital financing activities	34,289	(490,885)
Net increase (decrease) in cash and equivalents	53,509	(119,000)
Cash and equivalents at beginning of year	1,851,493	1,970,493
Cash and equivalents at end of year	$ 1,905,002	1,851,493

(Continued)

See accompanying notes to financial statements.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY

Statements of Cash Flows, Continued

	2013	2012 (Restated)
Cash flows from operating activities:		
Operating loss	$ (58,731)	(2,660)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	383	382
Costs of sale of capital asset	(22)	-
Change in:		
Receivables	3,635	(29,529)
Prepaid expenses	2	20
Accrued expenses	(397)	5,185
Net cash used in operating activities	$ (55,130)	(26,602)
Supplemental schedule of cash flow information:		
Non-cash investing and financing activities - transfer of property and equipment, net of accumulated depreciation to Orleans Land Restoration Corporation	$ -	(726,396)
Cash paid for interest	$ 1,690	9,222
Due to Orleans Land Restoration Corporation	$ 19,989	-
Mortgage receivable from BOMET	$ 67,511	-

See accompanying notes to financial statements.

(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, reconstructing, 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.

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 financial reporting entity includes organizations, functions, and activities over which appointed officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing Agency, designation of management, ability to significantly influence operations and accountability for fiscal matters. No other organizations have been included or excluded from the reporting entity.

(c) Basis of Accounting

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature. The more significant accounting policies are described below:

- The Agency's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, deferred outflows of resources, deferred inflows of resources, net position, revenues, and expenses are accounted for through enterprise funds with revenue recorded when earned and expenses recorded at the time liabilities are incurred.

(1) Summary of Significant Accounting Policies, Continued

(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.

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. The Agency's cash balances were fully insured by the FDIC or collateralized at December 31, 2013 and 2012.

(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.

(h) Grant Accounting

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

(i) Allowance for Doubtful Loans

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 collectability 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.

(1) Summary of Significant Accounting Policies, Continued

(i) Allowance for Doubtful Loans, Continued

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.

Management believes that all loans are fully collectable and has made no provision for doubtful loans at either December 31, 2013 or 2012.

(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).

(k) Net Position - 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.

(m) Subsequent Events

The Agency has evaluated events after December 31, 2013, and through March 31, 2014, which is the date these financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(n) Income Taxes

The Agency is a quasi-governmental organization. The Agency is not subject to federal or state income taxes, nor is it required to file federal or state income tax returns; therefore, no provision for income taxes is reflected in these financial statements.

(2) Restatement

In 2012, the Agency recognized approximately $29,087 in administrative fee revenue associated with interest and penalties on PILOT's. In 2013, the Agency determined that approximately $26,137 of this was allocable to and owed to other governments. Accordingly, the prior year financial statements have been restated.

(3) Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to credit risk include cash on deposit with a financial institution, which was insured for up to $250,000 by the U.S. Federal Deposit Insurance Corporation.

The carrying amounts of the Agency's deposits with financial institutions at December 31, 2013 and 2012 was $1,905,002 and $1,851,493, respectively, and the bank balances were $1,911,064 and $1,850,667, respectively. New York State Municipal Law requires that the Agency's bank balance be insured or collateralized. At December 31, 2013 and 2012, the Agency's bank balance were fully insured or collateralized.

The Corporation provides funds under a revolving loan program to businesses located within the boundaries of the municipality of the County of Orleans, New York. The Corporation performs ongoing credit evaluations of its loans.

(4) Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

(4) Fair Value Measurements, Continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(5) Loans Receivable

The Agency has one revolving loan fund offering low interest loans to area businesses. The loans are considered level 3 assets as described in note 4. The governing board approves loans after giving consideration to the major criteria, i.e., enhancement of the economic environment. There were no delinquent loans as of December 31, 2013 and 2012. A summary of the loans receivable at December 31, 2013 and 2012 is as follows:

	Interest rate	2013	2012
Liberty Fresh Farms, Inc.	2.44%	$ 98,614	126,671
Precision Packaging Products	2.44%	39,470	90,986
3 Milardi Enterprise	6.50%	6,553	13,496
HJP Foods, LLP/Save-A-Lot	2.44%	66,376	85,765
McCargo Lake Associates, LLC	2.44%	-	44,884
Black North Associates	5.00%	-	79,012
Virtual Polymer Compounds, LLC	2.44%	87,235	116,616
Evans Ace Hardware & Building Supplies, Inc.	3.00%	124,832	-
Quorum Group, LLC	3.00%	100,000	-
Total loans receivable		523,080	557,430
Less current installments		(155,384)	(163,103)
Loans receivable, less current installments		$ 367,696	394,327

The table below sets for a summary of changes in the fair value of the Agency's level 3 assets (loans receivable) for the years ended December 3, 2013 and 2012:

	2013	2012
Balance at beginning of year	$ 557,430	455,917
Add loans issued	246,000	245,000
Less amounts repaid	(274,350)	(143,487)
Balance at end of year	$ 523,080	557,430

(6) Mortgage Receivable

The Agency had the following mortgage receivable at December 31, 2013:

The Agency issued a mortgage receivable to BOMET Property's LLC on November 13, 2013 in the amount of $67,511 that will be repaid over a 5 year term and will bear interest at 4.25% mortgage.	$ 67,511
Less current installments	(12,382)
Mortgage receivable, less current installments	$ 55,129

(7) 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, 2013). Borrowings under the line of credit are secured by the assets of the Agency. At December 31, 2013 and 2012, there were outstanding balances of $48,784 and $3,655, respectively, on this line of credit.

(8) Pension

The Agency is a member of the New York State and Local Employees' Retirement System (the System). The 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, 2013 and 2012. Total contributions for the years ended December 31, 2013 and 2012 were $22,017 and $23,274, respectively.

(9) 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.

(9) Leases, Continued

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

2014	$ 10,000
2015	10,000
	$ 20,000

(10) Related Party Transactions

The Agency has a related party relationship with Orleans Land Restoration Corporation (OLRC) and The Orleans County Local Development Corporation (OCLDC). All three entities are managed by the same personnel.

The Agency allocates a portion of its personnel costs to OLRC. These costs amounted to $8,005 and $12,036 for the years ended December 31, 2013 and 2012, respectively.

On January 11, 2012, the Agency and OLRC entered a property ownership agreement with both entities having a 50% interest in properties previously owned by COIDA. As part of the agreement, the Agency and OLRC also entered into a loan transaction used by the Agency to refinance existing mortgages on a portion of the properties and pay off the Agency line of credit. This loan amounted to $500,000. The Agency will provide staffing to monitor and manage the properties and shall provide in-kind services. OLRC will be responsible for routine and recurring costs associated with ownership of the properties and will pay debt service with respect to financing on the properties. The net assets transferred from the Agency to OLRC with respect to his agreement were as follows:

Land and site improvements	$ (521,370)
Property held for sale, net	(205,026)
Cash	500,000
Transfers, net	$ (226,396)

The property was sold on November 15, 2013 for $175,000. COIDA and OLRC each received a mortgage receivable for $67,511 and COIDA received the cash payment of $40,000. At December 31, 2013, COIDA owed OLRC $19,989 in connection with this sale.

(11) Loss on Impairment

Accounting Standards Codification (ACS) No. 360 - "Accounting for the Impairment or Disposal of Long-Lived Assets" requires that impaired assets be recorded at the lower of carrying value or fair value, less costs to sell. In accordance with this statement, certain long-lived assets of the Agency, which consist primarily of a warehouse building and land, have been recorded at fair value which is the lower of carrying value or fair value, less costs to sell. The fair value for the property was determined at the amount of a counter offer made to a prospective buyer by OLRC in negotiations for the sale of the property in November 2012. In connection with this valuation, a loss on impairment has been recognized amounting to $117,525 for the year ended December 31, 2012.

These assets were sold in 2013, at the amount of the November 2012 counter offer. As these assets were written down to the impaired value in 2012, no gain or loss is recognized in the financial statements from the sale in 2013.

(12) 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.

(13) Contingencies

Contingencies at December 31, 2013 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.

Schedule 1

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Combining Statement of Net Position by Fund
December 31, 2013

Assets	Operating	Revolving Loan Fund	Total
Current assets:			
Cash and equivalents:			
Operating	$ 23,813	-	23,813
Restricted	1,221,421	659,768	1,881,189
Total cash and equivalents	1,245,234	659,768	1,905,002
Receivables:			
Accounts	3,098	287	3,385
Mortgage, current	12,382	-	12,382
Loans, current	-	155,384	155,384
Total receivables	15,480	155,671	171,151
Prepaid expenses	134	-	134
Total current assets	1,260,848	815,439	2,076,287
Mortgage receivable, less current installments	55,129	-	55,129
Loans receivable, less current installments	-	367,696	367,696
Capital assets:			
Land and site improvements	521,370	-	521,370
Property held for sale	-	-	-
Furniture and equipment	22,331	-	22,331
Total capital assets	543,701	-	543,701
Less accumulated depreciation	(22,146)	-	(22,146)
Net capital assets	521,555	-	521,555
Total assets	1,837,532	1,183,135	3,020,667

(Continued)

Schedule 1, Cont.

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

Liabilities	Operating	Revolving Loan Fund	Total
Current liabilities:			
Accrued expenses	$ 30,242	-	30,242
Accrued PILOT payable	1,275,613	-	1,275,613
Note payable to bank	48,874	-	48,874
Due to OLRC	19,989	-	19,989
Total current liabilities	1,374,718	-	1,374,718
Contingencies			
Net Position			
Net position:			
Net investment in capital assets	521,555	-	521,555
Restricted	-	1,183,135	1,183,135
Unrestricted	(58,741)	-	(58,741)
Total net position	$ 462,814	1,183,135	1,645,949

Schedule 2

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Combining Statement of Revenue, Expenses and Changes in Net Position by Fund
Year ended December 31, 2013

	Operating	Revolving Loan Fund	Total
Operating revenue:			
Administrative fees	$ 52,823	-	52,823
State and local aid	162,619	-	162,619
Federal aid	14,500	-	14,500
Interest income from loans receivable	-	14,405	14,405
Rental income	10,000	-	10,000
Other income	28,066	1,400	29,466
Total operating revenue	268,008	15,805	283,813
Operating expenses:			
Personnel services	180,370	-	180,370
Employee benefits	69,682	-	69,682
Professional fees	33,187	14,642	47,829
Occupancy	24,836	-	24,836
Auto and travel	5,841	-	5,841
Telephone	6,659	-	6,659
Office supplies and expenses	2,050	-	2,050
Repairs and maintenance	2,419	-	2,419
Dues and subscriptions	1,339	-	1,339
Advertising	866	-	866
Miscellaneous	270	-	270
Depreciation	383	-	383
Total operating expenses	327,902	14,642	342,544
Operating income (loss)	(59,894)	1,163	(58,731)
Non-operating expenses - interest expense	(1,690)	-	(1,690)
Changes in net position	(61,584)	1,163	(60,421)
Net position at beginning of year, as restated	524,398	1,181,972	1,706,370
Net position at end of year	$ 462,814	1,183,135	1,645,949

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AN EFP ROTENBERG COMPANY

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

The Board of Directors
County of Orleans Industrial Development Agency:

We have audited in accordance with the 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, the financial statements of County of Orleans Industrial Development Agency (the Agency) as of and for the year ended December 31, 2013, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses (findings 2013-1 and 2013-2).

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as item 2013-1.

The Agency's Response to Findings

The Agency's response to the finding identified in our audit is included in the accompanying schedule of findings. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York
March 31, 2014

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY
Schedule of Findings
Year ended December 31, 2013

Finding 2013-1

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 accounting principles generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America. Significant adjustments to the financial statements were required for the year ended December 31, 2013.

The Agency has substantial balances in the Payments In Lieu Of Taxes (PILOT) cash and payable accounts at December 31, 2013. In addition, net PILOT payables ($1,275,613) exceed the PILOT cash balance ($1,221,421) by $54,192. As PILOT receipts from businesses are to be passed through the Agency and remitted to the taxing jurisdiction, the Agency's PILOT cash balance should always equal the net PILOT payable.

Recommendations

We recommend that the Agency continue to review and improve its 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 accounts to determine the cause of the variance, and adjust its accounting records accordingly. This process should be done routinely to ensure that any discrepancies are resolved in a timely manner.

Management's Response

Management plans to review in detail the deficiencies in the balance sheet accounts with the Agency's consultant. After the review, management will request a plan that will eliminate any deficiencies from recurring in 2013.

Finding 2013-2

Accounting Controls

The Agency's internal controls do not clearly define the responsibilities for the functions of the bookkeeper and the Agency's local accountant. We noted instances where incorrect information that was entered into the Agency's accounting system. Clearly defined roles of the bookkeeper and the Agency's local accountant covering responsibilities for preparing, approving, posting and reviewing transaction are needed.

A well defined internal control system where transactions are approved and postings are reviewed, with accounts analyzed and reconciled periodically, produces reliable financial reports for management with little modification. The matters identified by audit process could have been corrected much sooner had the accounts been reviewed and reconciled on a timely basis by the appropriate personnel.

Recommendations

We recommend that the Agency implement a policy where all transactions are entered into the accounting system by the bookkeeper by reviewed by the Agency's local accountant to ensure that accounts are properly stated.

Management's Response

Management of the Agency has reviewed the comments and will implement procedures and policies to correct weaknesses as outlined in this report.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY

Status of Prior Year Audit Findings

Year ended December 31, 2013

Audit finding is repeated at 2013-1.