# COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY AND AFFILIATES

Financial Statements and
Federal Grant Compliance Audit

December 31, 2014

(With Independent Auditors' Report Thereon)

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COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES

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TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT AUDITORS' REPORT

The Boards of Directors
County of Orleans Industrial Development
Agency and Affiliates:

## Report on the Financial Statements

We have audited the accompanying financial statements of the County of Orleans Industrial Development Agency (COIDA) and Affiliates (collectively, the Agency), as of and for the year ended December 31, 2014, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents and related notes to financial statements.

## 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

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Opinions

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 and Affiliates, as of December 31, 2014, and the respective changes in net position/assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As noted above, the accompanying financial statements include the County of Orleans Industrial Development Agency, which is a quasi-governmental agency along with its Affiliates, which are non-profit entities. COIDA and its Affiliates are viewed as one entity by grantors.

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 COIDA's 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. The management's discussion and analysis included in pages 4 through 9 does not include information related to the affiliates.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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Reports on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2015 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.

Williamsville, New York
March 31, 2015

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COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES

Management's Discussion and Analysis

December 31, 2014

## I. HISTORY OF THE AGENCY

The County of Orleans Industrial Development Agency (COIDA) a public benefit corporation established in 1971 by the Orleans County Legislature under the laws of the State of New York. Under the provisions of the New York Industrial Development Agency Act, COIDA 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.

COIDA 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 COIDA, we offer the readers of COIDA's financial statements this narrative overview and analysis of the financial activities of COIDA for the year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with COIDA'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 COIDA'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 COIDA's operating and non-operating revenues, by major source along with operating and non-operating expenses.
- Statements of cash flows - reports COIDA's cash flows from operating, investing, and non-capital financing activities.

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## II. COMPARATIVE ANALYSIS OF FINANCIAL STATEMENTS

The following is a condensed comparative financial statement analysis of COIDA, based on the audited financial statements as of December 31, 2014 and 2013.

Statements of Net Position

| | 2014 | 2013 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 873,711 | 1,905,002 |
| Restricted cash | 1,766,774 | - |
| Receivables | 95,531 | 171,151 |
| Prepaid expenses | 118 | 134 |
| Total current assets | 2,736,134 | 2,076,287 |
| Long-term receivables | 257,844 | 422,825 |
| Net capital assets | 521,427 | 521,555 |
| Total assets | 3,515,405 | 3,020,667 |
| Liabilities | | |
| Accrued expenses | 32,288 | 30,242 |
| Accrued PILOT payable | 8,393 | 1,275,613 |
| Funds held on behalf of others | 1,766,774 | - |
| Line of credit | - | 48,874 |
| Due to OLRC | 4,977 | 19,989 |
| Deferred revenue | 16,118 | - |
| Total liabilities | 1,828,550 | 1,374,718 |
| Net Position | | |
| Net investment in capital assets | 521,427 | 521,555 |
| Restricted | 1,149,983 | 1,183,135 |
| Unrestricted (deficit) | 15,445 | (58,741) |
| Net position | $ 1,686,855 | 1,645,949 |

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Cash and cash equivalents decreased by $1,031,791, which is primarily due to payments in lieu of taxes (PILOT) made in 2014 that COIDA collects on behalf of local taxing jurisdictions which had not been remitted as of December 31, 2013.

Net capital assets decreased by $128, which is due to depreciation.

Total liabilities increased by $453,832, which is primarily due to PILOT funds held on behalf of others.

Total net position increased by $40,906 for 2014 primarily due to the increase in revenue of $286,711 for the bond issuance associated with Brunner, LLC.

Statements of Revenue, Expenses and Change in Net Position

| | 2014 | 2013 |
|---|---|---|
| Operating revenue | $ 570,524 | 283,813 |
| Operating expenses | (528,950) | (342,544) |
| Income (loss) from operations | 41,574 | (58,731) |
| Non-operating expenses | (668) | (1,690) |
| Change in net position | $ 40,906 | (60,421) |

Industrial revenue bonds and notes issued by COIDA are secured by property that is leased to companies and is retired by lease payments. The bonds and notes are not obligations of COIDA or the State. COIDA 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, COIDA receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

COIDA revenues increased primarily due to administrative fee associated with the bond issuance associated with the Brunner, LLC transaction. Operating expenses increased primarily due to professional fees related to the bond issuance of the Brunner, LLC transaction.

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COIDA has one revolving loan fund with four loans outstanding.

| Company | Location | Amount of Receivable |
|---|---|---|
| Virtual Polymer Compounds, LLC | Medina | $57,132 |
| Quorum Group LLC | Medina | $86,967 |
| Evans Ace Hardware and Building Supplies, Inc. | Albion | $104,539 |
| Save-a-Lot | Holley | $46,510 |

## 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 2014, COIDA reported an overall variance in operating revenue of $242,924, 74% more than anticipated when comparing actual to budget primarily due to the administrative fee for the Brunner, LLC transaction.

Actual operating expenses were more than anticipated expenses by $199,020 or 60%. The primary component of this variance was $180,743 for professional fees relating to the bond issuance with Brunner, LLC.

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

| | Actual | Budget | Variance |
|---|---|---|---|
| Operating revenue: | | | |
| Administrative fees | $ 332,103 | 105,100 | 227,003 |
| State and local aid | 195,412 | 202,000 | (6,588) |
| Interest income from loans receivable | 11,075 | 5,000 | 6,075 |
| Rental income | 10,000 | 10,000 | - |
| Other income | 21,934 | 5,500 | 16,434 |
| Total operating revenue | 570,524 | 327,600 | 242,924 |
| Operating expenses: | | | |
| Personnel services | 189,929 | 189,192 | (737) |
| Employee benefits | 83,579 | 74,668 | (8,911) |
| Occupancy | 24,413 | 22,000 | (2,413) |
| Professional fees | 196,843 | 16,100 | (180,743) |
| Dues and subscriptions | 1,705 | 750 | (955) |
| Telephone | 6,984 | 5,000 | (1,984) |
| Repairs and maintenance | 1,449 | 3,500 | 2,051 |
| Auto and travel | 7,399 | 7,100 | (299) |
| Office supplies and expenses | 3,557 | 4,100 | 543 |
| Advertising | 12,178 | 500 | (11,678) |
| Depreciation | 128 | 6,000 | 5,872 |
| Miscellaneous | 786 | 1,020 | 234 |
| Total operating expenses | 528,950 | 329,930 | (199,020) |
| Net operating income (loss) | 41,574 | (2,330) | 43,904 |
| Non-operating expenses | (668) | - | (668) |
| Change in net position | $ 40,906 | (2,330) | 43,236 |

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## IV. CAPITAL ASSETS

COIDA has $543,701 of capital assets at December 31, 2014 and 2013. There is $22,274 and $22,146 of accumulated depreciation associated with these assets as of December 31, 2014 and 2013, respectively.

## V. FUTURE EVENTS AND OTHER CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

COIDA 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 COIDA.

**COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY**

For further information, please contact:

Orleans Economic Development Agency
121 North Main Street
Albion, New York 14411
James R. Whipple
Chief Executive Officer/Chief Financial Officer

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COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES
Statements of Net Position/Assets
December 31, 2014

| Assets | Orleans County Industrial Development Agency | Affiliates: Orleans Land Restoration Corporation | Affiliates: Orleans County Local Development Corporation |
|---|---|---|---|
| Current assets: | | | |
| Cash and equivalents: | | | |
| Operating | $ 873,711 | 302,253 | 414,583 |
| Restricted | 1,766,774 | - | 291 |
| Total cash and equivalents | 2,640,485 | 302,253 | 414,874 |
| Receivables: | | | |
| Accounts | 3,098 | - | - |
| Mortgage, current | 12,918 | 12,918 | - |
| Loans, current | 79,515 | 80,620 | 71,045 |
| Total receivables | 95,531 | 93,538 | 71,045 |
| Due from COIDA | - | 4,977 | - |
| Prepaid expenses | 118 | - | - |
| Total current assets | 2,736,134 | 400,768 | 485,919 |
| Loans receivable, less current installments and allowance for doubtful loans | 215,633 | 143,346 | 153,656 |
| Mortgage receivable, less current installments | 42,211 | 42,211 | - |
| Deposit held for land option | - | 20,000 | - |
| Capital assets: | | | |
| Land and site improvements | 521,370 | 521,370 | - |
| Furniture and equipment | 22,331 | 4,675 | - |
| Total capital assets | 543,701 | 526,045 | - |
| Less accumulated depreciation | (22,274) | (1,350) | - |
| Net capital assets | 521,427 | 524,695 | - |
| Total assets | 3,515,405 | 1,131,020 | 639,575 |

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COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES
Statements of Net Position/Assets, Continued

| | | Affiliates | |
|---|---|---|---|
| Liabilities | Orleans County Industrial Development Agency | Orleans Land Restoration Corporation | Orleans County Local Development Corporation |
| Current liabilities: | | | |
| Accounts payable | $ - | 7,826 | - |
| Funds held on behalf of others | 1,766,774 | - | 291 |
| Accrued expenses | 32,288 | - | - |
| Accrued PILOT payable | 8,393 | - | - |
| Current installments of notes payable | - | 72,226 | - |
| Total current liabilities | 1,807,455 | 80,052 | 291 |
| Due to OLRC | 4,977 | - | - |
| Notes payable, less current installments | - | 187,581 | - |
| Unearned revenue | 16,118 | 32,703 | - |
| Total liabilities | 1,828,550 | 300,336 | 291 |
| Net position/assets: | | | |
| Net investment in capital assets | 521,427 | - | - |
| Restricted | 1,149,983 | 830,684 | 639,284 |
| Unrestricted | 15,445 | - | - |
| Total net position/assets | $ 1,686,855 | 830,684 | 639,284 |

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COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES
Statements of Revenue, Expenses and Changes in Net Position/Assets
Year ended December 31, 2014

| | | Affiliates | |
|---|---|---|---|
| | Orleans County Industrial Development Agency | Orleans Land Restoration Corporation | Orleans County Local Development Corporation |
| Operating revenue: | | | |
| Administrative fees | $ 332,103 | - | - |
| State and local aid | 195,412 | - | - |
| Grant revenue | - | 362,271 | - |
| Program income - interest on loans | 11,075 | - | 6,844 |
| Bad debt recoveries, net | - | - | 19,642 |
| Rental income | 10,000 | - | - |
| Other income | 21,934 | 16,052 | 372 |
| Total operating revenue | 570,524 | 378,323 | 26,858 |
| Operating expenses: | | | |
| Personnel services | 189,929 | - | - |
| Employee benefits | 83,579 | - | - |
| Professional fees | 196,843 | 117,530 | 51,167 |
| Grant expenses | - | 11,269 | - |
| Occupancy | 24,413 | 1,166 | - |
| Auto and travel | 7,399 | - | - |
| Telephone | 6,984 | - | - |
| Office supplies and expenses | 3,557 | - | - |
| Repairs and maintenance | 1,449 | - | - |
| Provision for doubtful loans | - | 150,000 | - |
| Donated equipment | - | 5,186 | - |
| Dues and subscriptions | 1,705 | 5,000 | - |
| Advertising | 12,178 | 4,360 | - |
| Miscellaneous | 786 | 7,059 | - |
| Depreciation | 128 | 953 | - |
| Total operating expenses | 528,950 | 302,523 | 51,167 |
| Operating income (loss) | 41,574 | 75,800 | (24,309) |
| Non-operating income (expense): | | | |
| Interest income | - | 12,366 | 753 |
| Interest expense | (668) | (17,670) | - |
| Total non-operating income (expense) | (668) | (5,304) | 753 |
| Increase (decrease) in net position/assets | 40,906 | 70,496 | (23,556) |
| Net position/assets at beginning of year | 1,645,949 | 760,188 | 662,840 |
| Net position/assets at end of year | $ 1,686,855 | 830,684 | 639,284 |

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COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES
Statements of Cash Flows
Year ended December 31, 2014

| | | Affiliates | |
|---|---|---|---|
| | Orleans County Industrial Development Agency | Orleans Land Restoration Corporation | Orleans County Local Development Corporation |
| Cash flows from operating activities: | | | |
| Cash received from customers | $ 328,453 | - | 6,845 |
| Cash received from other governments | 211,530 | 380,874 | - |
| Other income received | 31,934 | 16,052 | 371 |
| Cash paid to employees | (271,462) | - | - |
| Cash paid to employees and suppliers | (255,298) | (131,508) | (51,167) |
| Grants paid to recipients | - | (11,269) | - |
| Net cash provided by (used in) operating activities | 45,157 | 254,149 | (43,951) |
| Cash flows from investing activities: | | | |
| Collection of loans receivable | 227,932 | 360,860 | 88,824 |
| Issuance of loans receivable | - | (300,000) | (52,000) |
| Interest income | - | 12,366 | 753 |
| Collection of mortgage receivable | 12,382 | 12,382 | - |
| Net cash provided by investing activities | 240,314 | 85,608 | 37,577 |
| Cash flows from capital and related financing activities: | | | |
| Interest paid | (668) | (17,670) | - |
| Receipts from PILOTs | 2,061,286 | - | - |
| Payments made for PILOTs | (3,328,506) | - | - |
| Net payments on note payable to bank | (48,874) | - | - |
| Principal payments on long-term debt | - | (74,221) | - |
| Net cash used in capital and related financing activities | (1,316,762) | (91,891) | - |
| Net change in cash and equivalents | (1,031,291) | 247,866 | (6,374) |
| Cash and equivalents at beginning of year | 1,905,002 | 54,387 | 420,957 |
| Cash and equivalents at end of year | $ 873,711 | 302,253 | 414,583 |

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

| | | Affiliates | |
|---|---|---|---|
| | Orleans County Industrial Development Agency | Orleans Land Restoration Corporation | Orleans County Local Development Corporation |
| Cash flows from operating activities: | | | |
| Operating income (loss) | $ 41,574 | 75,800 | (24,309) |
| Adjustments to reconcile operating income (loss) to net cash used in operating activities: | | | |
| Depreciation | 128 | 953 | - |
| Change in provision for uncollectible loans | - | 150,000 | (19,642) |
| Change in: | | | |
| Receivables | 287 | - | - |
| Prepaid expenses | 16 | - | - |
| Due to OLRC | (15,012) | - | - |
| Due from COIDA | - | 15,012 | - |
| Accounts payable | - | (6,219) | - |
| Accrued expenses | 2,046 | - | - |
| Deferred revenue | 16,118 | 18,603 | - |
| Net cash provided by (used in) operating activities | $ 45,157 | 254,149 | (43,951) |
| Supplemental schedule of cash flow information - cash paid for interest | $ 668 | 17,670 | - |

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## (1) Summary of Significant Accounting Policies

### (a) Nature of Activities

The County of Orleans Industrial Development Agency (COIDA) is a public benefit corporation authorized under the laws of the State of New York 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 the County of Orleans (the County). COIDA is a component unit of the County.

COIDA 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 COIDA may acquire property, enter into lease agreements, mortgage agreements and pledge agreements.

The Orleans County Local Development Corporation (OCLDC) was incorporated in September 1993 under the State of New York Not-for-Profit Law and Article 8, Title 8 of the Public Authorities Law. The OCLDC was incorporated for the purpose of encouraging the location and expansion of industrial and manufacturing facilities, the creation of new and improved job opportunities, the reduction of unemployment and the betterment of individual and community prosperity within the County.

The Orleans Land Restoration Corporation (OLRC) is a non-profit entity incorporated in February 2006 for the purpose of promoting economic development in the County. This includes combating community deterioration and blight and reducing the burden of government by promoting remediation and reuse of contaminated land.

### (b) Relationship of Entities

These financial statements include the accounts of COIDA, OCLDC and OLRC (collectively, the Agency). COIDA and OLRC share the same Board of Directors. OCLDC bylaws require six of its thirteen board members to be associated with either COIDA or the County. The same personnel manage COIDA, OCLDC and OLRC.

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(1) Summary of Significant Accounting Policies, Continued

(c) Basis of Accounting

The financial statements of COIDA have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (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 COIDA'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.
- OLRC and OCLDC prepare their financial statements on the accrual basis of accounting in conformance with accounting principles generally accepted in the United States of America as promulgated by the Financial Accounting Standards Board (FASB).

(d) Use of Estimates

The preparation of financial statements in accordance 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 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.

New York State statues govern the Agency's investment policies. Deposits are valued at cost or cost plus interest and are categorized as either: (1) insured; (2) collateralized with securities held by the Agency or by its agent in the Agency's name; (3) collateralized with securities held by the pledging financial institution's trust department in the Agency's name; or (4) uncollateralized. Cash deposits were covered by FDIC or collateralized at December 31, 2014 and 2013.

(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. Additionally, restricted cash includes funds held on behalf of others (note 3).

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(1) Summary of Significant Accounting Policies, Continued

(g) Capital Assets

Capital assets acquired by the Agency are stated at cost. Depreciation is recognized on a straight-line basis over the estimated useful life of the assets (ranging from 5 to 40 years). It is the 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) Loans Receivable and Allowance for Doubtful Loans

Loans receivable are stated at their principal amount outstanding, less an allowance for doubtful loans. Interest income on loans are accrued as earned. The allowance for doubtful loans is established through charges against current operations and is maintained at a level which management considers adequate to provide for potential loan losses based on their evaluation of past loan experience, current economic conditions and known risks in the loan portfolio. 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 the 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 respective 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/Assets - Restricted

Restrictions of net position/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 OCIDA, 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 subsequent events through the date of the report which is the date the financial statements were available to be issued.

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(1) Summary of Significant Accounting Policies, Continued

(n) Income Taxes

COIDA is a quasi-governmental organization and is not subject to federal or state income taxes, nor is it required to file federal or state income tax returns. OCLDC is exempt from income taxes under section 501(c)(4) of the Internal Revenue Code (IRC). OLRC is exempt from income taxes under section 501(c)(3) of the IRC. Therefore, no provision for income taxes is reflected in the financial statements. OCLDC and OLRC presently disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the entities have taken no uncertain tax positions that require adjustment in the financial statements. U.S. Forms 990 filed by OCLDC and OLRC are subject to examination by taxing authorities. Management believes that OCLDC and OLRC are no longer subject to tax examination for the years ended December 31, 2010 and prior.

(2) Payments in Lieu of Taxes (PILOTS)

The Agency, through established agreements with local organizations, is the conduit of PILOT receipts, which are passed through to the local governments, in lieu of the real property taxes which would have been assess had these organizations not received these tax abatements for economic purposes.

(3) Funds Held on Behalf of Others

The OCIDA maintains a bank account for payments in lieu of taxes (PILOT payments) made by Western New York Energy, LLC. This account is maintained to set aside funds to pay amounts to County of Orleans, the Town of Shelby and Medina Central School District in years 2017 through 2021. At December 31, 2014, these funds amounted to $1,766,774.

The OCLDC maintains a bank account for the Albion Main Street Alliance, which is an organization that was established to revitalize the downtown district of the Village of Albion. At December 31, 2014, these funds amounted to $291.

(4) Concentrations of Credit Risk

Financial instruments that potentially subject the Agency 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.

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(4) Concentrations of Credit Risk, Continued

The cash accounts of the Agency's at December 31, 2014 were as follows:

| | Carrying amount | Bank balance | Insured | Collateralized |
|---|---|---|---|---|
| COIDA | $ 873,711 | 882,887 | 250,000 | 651,067 |
| OCLDC | 414,583 | 415,898 | 415,898 | - |
| OLRC | 302,253 | 309,577 | 250,000 | - |
| | $ 1,590,547 | 1,608,362 | 915,898 | 651,067 |

New York State Municipal Law requires that the COIDA's bank balances be insured or collateralized. At December 31, 2014, the COIDA's and OCLDC's bank balances were fully insured or collateralized other than the Western New York Energy, LLC PILOT payment account which is held in a trust account.

OLRC is not required to collateralize its deposits with Bank's. Periodically it maintains deposits over FDIC insurance excess.

(5) 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; and
- 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.

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(5) Fair Value Measurements, Continued

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.

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.

(6) Loans Receivable

The Agency has a 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, 2014 is as follows:

| | Interest rate | Balance |
|---|---|---|
| COIDA: | | |
| Evans Ace Hardware & Building Supplies, Inc. | 3.0000% | $ 104,539 |
| Virtual Polymer Compounds, LLC | 2.4375% | 57,132 |
| Quorum Group, LLC | 3.0000% | 86,967 |
| HJP Foods, LLC | 2.4375% | 46,510 |
| Total loans receivable - COIDA | | 295,148 |
| Current installments | | (79,515) |
| Loans receivable less current installment | | $ 215,633 |
| OCLDC: | | |
| 810 Meadworks LLC | 2.4375% | 30,000 |
| BCA Ag Technologies | 2.4375% | 3,129 |
| Blue Top Management, LLC | 2.4375% | 495 |
| Civil Warrior Collectibles | 2.4375% | 4,693 |
| Cobblestone Business Center | 4.5000% | 7,109 |
| Collective Media | 2.4375% | 7,105 |
| Diversified Financing | 2.4375% | 6,403 |
| Erie Way Tree Farm, LLC | 2.4375% | 6,598 |
| Fastfitness for Women, Inc. (2013) | 2.4375% | 38,012 |
| J&M Repair | 2.4375% | 14,455 |

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(6) Loans Receivable, Continued

| | Interest rate | Balance |
|---|---|---|
| OCLDC, Continued: | | |
| Matrix Scientific, LLC | 6.1875% | $ 3,435 |
| Mosier Property Development, LLC | 2.4375% | 5,781 |
| Outdoor Adventures | 3.5625% | 10,004 |
| Rachel and Rob's Wildwood Lake Family Campgrounds, Inc. | 3.0000% | 57,277 |
| Ridge Farm Supply | 3.1900% | 5,835 |
| Shirt Factory Cafe | 2.4375% | 21,329 |
| U Make Scents LLC | 2.4375% | 10,167 |
| Xpress Fitness, LLC | 2.4375% | 8,874 |
| Total loans receivable - OCLDC | | 240,701 |
| Less allowance for doubtful loans | | (16,000) |
| | | 224,701 |
| Less current installments | | (71,045) |
| Loans receivable less current installment | | $ 153,656 |
| OLRC: | | |
| Quorum Group LLC | 2.0% | 126,029 |
| Quorum Group LLC | 0.0% | 150,000 |
| Hinspergers Poly Industries Inc. | 2.0% | 27,650 |
| Hinspergers Poly Industries Inc. | 0.0% | 100,000 |
| Intergrow Greenhouses, Inc. | 3.0% | 70,287 |
| Intergrow Greenhouses, Inc. | 0.0% | 150,000 |
| Liberty Farm Fresh, Inc. | 0.0% | 68,948 |
| Total loans receivable - OLRC | | 692,914 |
| Less allowance for doubtful loans | | (468,948) |
| | | 223,966 |
| Less current installments | | (80,620) |
| Loans receivable, less current installments | | $ 143,346 |

The table that follows presents a summary of changes in the fair value of each organizations level 3 assets (loans receivable) for the year ended December 31, 2014:

| | COIDA | COLDC | OLRC |
|---|---|---|---|
| Balance at beginning of year | $ 523,080 | 288,883 | 1,019,826 |
| Add loans issued | - | 52,000 | 300,000 |
| Less amounts paid | (227,932) | (88,824) | (360,860) |
| Less amounts written off | - | (11,358) | (266,052) |
| Balance at end of year | $ 295,148 | 240,701 | 692,914 |

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(6) Loans Receivable, Continued

| Aging | COIDA | COLDC | OLRC |
|---|---|---|---|
| Current | $ 299,418 | 208,536 | 623,966 |
| 30 - 90 days | - | 32,165 | - |
| Non accrual | - | - | 68,948 |
| Total | $ 299,418 | 240,701 | 692,914 |

(7) Acquisition of Land

In June 2007, OLRC acquired land located in the Village of Medina from MCG Intermediate Holdings, Inc. (the Seller) for $1. In consideration for assuming all liabilities associated with this property, OLRC received a charitable donation of $30,000 from the seller. Accordingly, the land is not included on the accompanying statement of net assets as it was acquired at no cost.

(8) Mortgage Receivable

OCIDA and OLRC had the following mortgage receivable, split evenly, at December 31, 2014:

| | OCIDA | OLRC |
|---|---|---|
| The Agency issued a mortgage receivable to BOMET Property's LLC on November 13, 2013 in the amount of $135,022 that will be repaid over a 5 year term and will bear interest at 4.25% mortgage. | $ 55,129 | 55,129 |
| Less current installments | (12,918) | (12,918) |
| Mortgage receivable, less current installments | $ 42,211 | 42,211 |

(9) Notes Payable

OLRC had the following debt outstanding at December 31, 2014:

| | |
|---|---|
| Note payable, issued by Statewide Zone Capital Corporation on January 11, 2012 in the amount of $500,000. The note will be repaid over a seven year term and will bear interest at 6% per year for 5 years and then be adjusted to a fixed rate based on Treasury Constant Maturities as published in Federal Reserve Statistical Release H.15 plus 400 basis points. The note is secured by a mortgage lien on the OLRC's properties. | $ 251,807 |

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(9) Notes Payable, Continued

| | |
|---|---|
| Note payable to a land owner issued to finance an option agreement to purchase 128 acres of land. The note is payable in five annual installments of $4,000 and does not bear interest | $ 8,000 |
| | 259,807 |
| Less current installments | (72,226) |
| Notes payable, less current installments | $ 187,581 |

Future payments required under the agreements are as follows:

| Year ended December 31, | |
|---|---|
| 2015 | $ 72,226 |
| 2016 | 82,891 |
| 2017 | 83,831 |
| 2018 | 20,859 |
| | $ 259,807 |

(10) Pension

COIDA 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 provide 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 12244. The COIDA is required to contribute at an actuarially determined rate.

COIDA's contributions made to the System were equal to 100 percent of the contributions required for the year ended December 31, 2014. Total contributions for the current and two preceding years were as follows:

| | |
|---|---|
| 2014 | $ 35,822 |
| 2013 | 28,575 |
| 2012 | 31,032 |

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(11) Related Party Transactions

On January 11, 2012, COIDA 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, COIDA and OLRC also entered into a loan transaction used to refinance existing mortgages on a portion of the properties and pay off a line of credit held by COIDA. This loan amounted to $500,000 (note 9). COIDA 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 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, 2014, COIDA owed OLRC $4,977 in connection with this sale.

(12) Leases

In September 2006, OCIDA entered into a lease agreement with Western New York Energy, LLC (WNY Energy) for the Rail Spur Facility (the Facility). Beginning in 2007, OCIDA began receiving $10,000 annually which will continue until 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.

| | |
|---|---|
| 2015 | $ 10,000 |

(13) Commitments

OCIDA entered into a rental lease agreement with the Village of Albion during March 2014. The lease term is for two years with an option to renew for one year with a 10% increase. OCIDA is currently paying $1,840 per month.

(14) Contingencies

Contingencies at December 31, 2014 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.

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(14) Contingencies, Continued

(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.

(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, Agency's management believes disallowances, if any, will be immaterial.

The Agency is potentially liable for environmental remediation for land acquired in June of 2007 as described in note 7. No accrued liability has been included in the accompanying combined financial statements, as work has not yet commenced. Management believes that the costs to clean up this site will be approximately equal to rental payments received from WNY Energy and grants awarded to the Agency in the amount of $135,000.

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

The Board of Directors
County of Orleans Industrial Development
Agency and Affiliates:

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 the County of Orleans Industrial Development Agency and Affiliates (the Agency), as of and for the year ended December 31, 2014, 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, 2015.

## 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 over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a 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. A significant deficiency is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We consider the deficiency described in the accompanying schedule of findings to be a material weakness (finding 2014-1).

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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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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 Agency'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williamsville, New York
March 31, 2015

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# INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Directors
County of Orleans Industrial Development
Agency and Affiliates:

## Report on Compliance for Each Major Federal Program

We have audited the County of Orleans Industrial Development Agency and Affiliates' (the Agency) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2014. The Agency's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

## Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

## Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.



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Opinion on Each Major Federal Program

In our opinion, County of Orleans Industrial Development Agency and Affiliates, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Williamsville, New York
March 31, 2015

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COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES
Federal Grant Compliance Audit
Schedule of Expenditures of Federal Awards
Year ended December 31, 2014

| Federal Grantor/Pass through grantor/Program Title | Federal CFDA Number | Pass Thru Grantor's Number | Federal Expenditures |
|---|---|---|---|
| U.S. Department of Housing and Urban Development | | | |
| Passed through New York State Governor's Office for Small Cities - passed through County of Orleans - Community Development Block Grant - Small Cities Program | 14.228 | N/A | $ 1,184,457 * |

* - Includes $832,457 of prior year loan balances.

Basis of Accounting

The Single Audit Act Amendments of 1996 (Public Law 104-156 - the Act) require recipients receiving a stipulated amount of federal financial awards to have an audit on an "entity-wide" basis, and imposes requirements relating to the testing of, and reporting on, internal controls and compliance with laws and regulations. The County of Orleans Industrial Development Agency and Affiliates are the recipients of extensive amounts of federal funds and other forms of financial awards under the federal program "Community Development Block Grant - Small Cities Program," therefore, they are required to have a "Single Audit" as defined by the Act.

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COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES

Schedule of Findings and Questioned Costs

December 31, 2014

## Part I - SUMMARY OF AUDITORS' RESULTS

### Financial Statements:

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| 1. Material weaknesses identified? | __x__ Yes _____ No |
| 2. Significant deficiencies identified not considered to be material weaknesses? | _____ Yes __x__ None reported |
| 3. Noncompliance material to financial statements noted? | _____ Yes __x__ No |

### Federal Awards:

| | |
|---|---|
| Internal control over major programs: | |
| 4. Material weaknesses identified? | __Yes __x__ No |
| 5. Significant deficiencies identified not considered to be material weaknesses? | _____ Yes __x__ None reported |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | _____ Yes __x__ No |
| 7. The major program audited is Community Development Block Grant - Small Cities Program, CFDA No. 14.228. | |
| 8. Dollar threshold used to distinguish between Type A and Type B programs? | $ 300,000 |
| 9. Auditee qualified as low-risk auditee? | _____ Yes __x__ No |

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## Part II - FINANCIAL STATEMENT FINDINGS, CONTINUED

### Finding 2014-1

### Accounting Controls

Material audit adjustments, including recording of a previously unreported escrow account, in the amount of $1,766,774, were necessary to properly report the financial position and results of operations for the year ended December 31, 2014.

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 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.

### Recommendations

We recommend that the Agency implement a policy where all transactions entered into the accounting system by the bookkeeper are approved by the Agency's local accountant to ensure that the transaction is properly recorded.

### 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.

## Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs.

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COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES

Status of Prior Audit Findings

Year ended December 31, 2014

Condition 2013-1 Accounting Controls

Status: Management paid the amounts owed to taxing jurisdictions in 2014 and the accounting has been corrected.

Condition 2013-2 Accounting Controls Over PILOT Payments

This finding has been repeated and modified for the year ended December 31, 2014.

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TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

March 31, 2015

CONFIDENTIAL

The Board of Directors
County of Orleans Industrial Development Agency
121 North Main Street
Albion, New York 14411

Dear Board Members:

We have completed our audit of the financial statements of County of Orleans Industrial Development Agency (the Agency) for the year ended December 31, 2014. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities which a test examination may not disclose. We now present for your consideration our comment and recommendation based upon our observations made during our audit.

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

## Payment in Lieu of Taxes (PILOT)

During the audit, we noted that the balances in the PILOT payable account exceeds the balance in the PILOT cash and receivable accounts by $8,393. Which taxing jurisdiction are owed this amount is not known nor is the reason that the funds owed are not available. We recommend that management discuss with its legal counsel on how to resolve this matter as soon as possible.

## Previous Recommendations

We reviewed the disposition of recommendations included in our letter dated March 31, 2014. The following is a summary of the action taken by the Agency with regard to our recommendations.

Cash Flow and Budget - In 2013, during our audit testing procedures, we noted that the Agency has sustained losses for years ended December 2014 and 2013 totaling over $85,000. We recommended that management evaluate the financial condition of the Agency and develop a strategic plan to address this matter. In 2014, we noted that management developed a financial plan and that the Agency had a net gain of nearly $41,000 for the fiscal year.

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*  *  *  *  *

We would like to take this opportunity to thank the staff of County of Orleans Industrial Development Agency for their courtesy and cooperation extended to us during the audit. If you have any questions regarding the foregoing comment or wish assistance in its implementation, please contact us at your convenience.

Very truly yours,

TOSKI & CO., CPAs, P.C.

Douglas E. Zimmerman, CPA
Managing Director

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TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

REPORT TO THE BOARD

March 31, 2015

The Board of Directors
County of Orleans Industrial Development
Agency and Affiliates

Dear Board Members:

We have audited the financial statements of County of Orleans Industrial Development Agency and Affiliates (collectively, the Agency) for the year ended December 31, 2014, and have issued our report dated March 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our correspondence to you for audit services dated October 27, 2014. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the Agency's financial statements was management's estimate of the collectability accounts receivable is based on historical trends and current aging of its accounts. We evaluated the key factors and assumptions used to develop these estimates in determining that these estimates are reasonable in relation to the financial statements taken as a whole.

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Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent and clear.

## Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were material misstatements and audit adjustments detected as a result of our audit. These were conveyed to and accepted by management and have been recorded.

## Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## Management Representations

We have requested certain representations from management that are included in the management representation letter.

## Management Consultations with Other Independent Accountants

In come cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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## Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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This information is intended solely for the use of the Audit Committee, Board of Directors and management of the County of Orleans Industrial Development Agency and Affiliates and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

TOSKI & CO., CPAs, P.C.

DRAFT