

ORLEANS COUNTY  
LOCAL DEVELOPMENT CORPORATION  
Financial Statements  
December 31, 2011 and 2010  
(With Independent Auditors' Report Thereon)

ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Orleans County Local Development Corporation:

We have audited the accompanying statements of financial position of the Orleans County Local Development Corporation as of December 31, 2011 and 2010, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orleans County Local Development Corporation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2012 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Toski & Co., CPAs, P.C.*

Williamsville, New York  
March 16, 2012

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ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Financial Position

December 31, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash	\$ 428,918	523,420
Restricted cash	2,177	12,398
Grant receivable	27,450	-
Current installments of loans receivable	<u>72,954</u>	<u>96,801</u>
Total current assets	531,499	632,619
Loans receivable, less current installments and allowance for uncollectible loans of \$84,000 in 2011 and \$65,000 in 2010	<u>218,225</u>	<u>221,781</u>
Total assets	<u>\$ 749,724</u>	<u>854,400</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable	1,070	-
Funds held on behalf of others	<u>2,177</u>	<u>12,398</u>
Total liabilities	3,247	12,398
Temporarily restricted net assets	<u>746,477</u>	<u>842,002</u>
Total liabilities and net assets	<u>\$ 749,724</u>	<u>854,400</u>

See accompanying notes to financial statements.

ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Revenue, Expenses and Changes in Net Assets

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Revenue:		
State and Federal grants	\$ 123,531	26,547
Program income - interest and penalties on loans	16,120	17,241
Interest income	1,409	1,859
Other income	450	-
	<u>141,510</u>	<u>45,647</u>
Total revenue		
Expenses:		
General and administrative	120,298	71,481
Grants	80,000	25,000
Provision for uncollectible loans	36,737	10,000
	<u>237,035</u>	<u>106,481</u>
Total expenses		
Decrease in net assets	(95,525)	(60,834)
Net assets at beginning of year	<u>842,002</u>	<u>902,836</u>
Net assets at end of year	<u>\$ 746,477</u>	<u>842,002</u>

See accompanying notes to financial statements.

ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Cash Flows

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (95,525)	(60,834)
Adjustment to reconcile decrease in net assets to net cash used in operating activities:		
Provision for uncollectible loans	36,737	10,000
Changes in:		
Grant receivable	(27,450)	-
Accounts payable	<u>1,070</u>	<u>(10,000)</u>
Net cash used in operating activities	<u>(85,168)</u>	<u>(60,834)</u>
Cash flows from investing activities:		
Issuance of loans receivable	(97,000)	(35,000)
Collections of loans receivable	<u>87,666</u>	<u>64,367</u>
Net cash provided by (used in) investing activities	<u>(9,334)</u>	<u>29,367</u>
Net decrease in cash	(94,502)	(31,467)
Cash at beginning of year	<u>523,420</u>	<u>554,887</u>
Cash at end of year	<u>\$ 428,918</u>	<u>523,420</u>

See accompanying notes to financial statements.

ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2011 and 2010

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

The Orleans County Local Development Corporation (the Corporation) 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 Corporation 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 of Orleans, New York.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Basis of Presentation

The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Corporation had only temporarily restricted net assets at December 31, 2011 and 2010.

(d) 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

For the purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(f) Notes Receivable and Allowance for Doubtful Loans

Notes receivable are stated at their principal amount outstanding, less an allowance for doubtful loans. Interest income and commitment fees 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 notes 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.

ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statements of financial position as deferred revenue.

(h) Subsequent Events

The Corporation has evaluated events after December 31, 2011, and through March 16, 2012, which is the date the 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.

(i) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The Corporation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Corporation presently discloses or recognizes 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 Corporation has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Corporation are subject to examination by taxing authorities. The Corporation is no longer subject to tax examination for the years ended December 31, 2007 and prior.

(2) Funds Held on Behalf of Others

The Corporation 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, 2011 and 2010 these funds amounted to \$2,177 and \$12,398, respectively.

(3) Concentrations of Credit Risk

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. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.



ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION  
Notes to Financial Statements, Continued

(4) Related Party Transactions

The Corporation has a related party relationship with the County of Orleans Industrial Development Agency (COIDA) and Orleans Land Restoration Corporation (OLRC). All three entities are managed by the same personnel. COIDA allocates a portion of its personnel costs to the Corporation. These costs amounted to \$15,911 and \$2,495 for the years ended December 31, 2011 and 2010, respectively.

(5) Loans Receivable

A summary of loans receivable at December 31, 2011 and 2010 is as follows:

<u>Term</u>	<u>Borrower</u>	<u>Interest rate</u>	<u>2011</u>	<u>2010</u>
5 years	BCA Ag Technologies	2.4375	\$ 8,895	-
5 years	Bindings Bookstore	2.4375	28,238	35,000
5 years	Blue Top Management, LLC	2.4375	15,956	21,868
5 years	Civil Warrior Collectibles	2.4375	13,343	-
5 years	Cobblestone Business Center	4.5000	11,083	12,395
8 years	Diversified Financing	2.4375	12,718	14,723
5 years	Elsewhere	3.7500	16,903	24,892
5 years	Erie Way Tree Farm, LLC	2.4375	18,425	-
5 years, 3 months	Fastfitness for Women, Inc.	2.4375	14,256	20,210
5 years	Leonard Oakes Estate Winery, Inc.	6.1875	1,352	17,050
5 years	Lighthouse Lawn & Landscapes, Inc.	3.3750	-	27,810
5 years	Matrix Scientific, LLC	6.1875	20,955	22,065
5 years	Millenium Roads, LLC	6.1875	9,988	26,297
5 years	Mosier Property Development, LLC	2.4375	12,874	-
10 years	Neo Technologies, Inc.	6.1875	40,313	40,313
5 years	Outdoor Adventures	3.5625	19,133	18,733
10 years	Rachael and Rob's Wildwood Lake Family Campgrounds	3.0000	66,406	69,598
5 years	Ridge Farm Supply	3.1900	7,421	9,528
5 years	The Candle Nook, LLC	2.4375	6,890	-
5 years	Total Lawn Care	6.1875	23,345	23,100
5 years	Xpress Fitness, LLC	2.4375	<u>26,685</u>	<u>-</u>
	Total loans		375,179	383,582
	Less allowance for uncollectible loans		<u>(84,000)</u>	<u>(65,000)</u>
			291,179	318,582
	Less current installments		<u>(72,954)</u>	<u>(96,801)</u>
	Loans receivable, less current installments		\$ <u>218,225</u>	<u>221,781</u>

A summary of current, past due and nonaccrual loans as of December 31, 2011 are as follows:

<u>Category</u>	<u>Current</u>	<u>30 -90 days past due</u>	<u>Nonaccrual</u>	<u>Total</u>
Commercial	\$ <u>252,928</u>	<u>18,504</u>	<u>103,747</u>	<u>375,179</u>

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

The Board of Directors  
Orleans County Local Development Corporation:

We have audited the financial statements of Orleans County Local Development Corporation (the Corporation) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 significant deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including Investment Guidelines for Public Authorities and the Corporation's Investment Policy, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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

Toski & Co., CPAs, P.C.

Williamsville, New York  
March 16, 2012