

THE ORLEANS COUNTY
LOCAL DEVELOPMENT CORPORATION
Financial Statements
December 31, 2016 and 2015
(With Independent Auditors' Report Thereon)

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9
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 <u>Government Auditing Standards</u>	10 - 11

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Orleans County Local Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of The Orleans County Local Development Corporation (the Corporation), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for years then ended, and the 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 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 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 Corporation'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 Corporation'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Orleans County Local Development Corporation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2017 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including compliance with investment guidelines. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York

March 17, 2017

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash	\$ 377,389	403,808
Restricted cash	-	291
Current installments of loans receivable	44,151	64,081
Accounts receivable	<u>4,780</u>	<u>-</u>
Total current assets	426,320	468,180
Loans receivable, less current installments and allowance for doubtful loans of \$2,000 in 2015	<u>124,523</u>	<u>125,197</u>
Total assets	<u>\$ 550,843</u>	<u>593,377</u>
<u>Liabilities and Net Assets</u>		
Liabilities - funds held on behalf of others	-	291
Due to County of Orleans Industrial Development Agency	4,747	-
Temporarily restricted net assets	<u>546,096</u>	<u>593,086</u>
Total liabilities and net assets	<u>\$ 550,843</u>	<u>593,377</u>

See accompanying notes to financial statements.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Activities

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue:		
Grant revenue	\$ 92,506	-
Program income - interest and penalties on loans	6,833	5,935
Bad debt recoveries - net	2,000	14,000
Interest income	793	820
	<hr/>	<hr/>
Total revenue	102,132	20,755
Expenses:		
Grant expense	92,506	-
General and administrative - professional fees	56,616	66,953
	<hr/>	<hr/>
Total expenses	149,122	66,953
Decrease in temporarily restricted net assets	(46,990)	(46,198)
Temporarily restricted net assets at beginning of year	593,086	639,284
Temporarily restricted net assets at end of year	\$ 546,096	593,086

See accompanying notes to financial statements.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Statements of Cash Flows

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Decrease in temporarily restricted net assets	\$ (46,990)	(46,198)
Adjustment to reconcile decrease in temporarily restricted net assets to net cash used in operating activities:		
Recovery of bad debt	(2,000)	(14,000)
Change in:		
Receivables	(4,780)	-
Due to County of Orleans Industrial Development Agency	<u>4,747</u>	<u>-</u>
Net cash used in operating activities	<u>(49,023)</u>	<u>(60,198)</u>
Cash flows from investing activities:		
Issuance of loans receivable	(30,000)	(8,000)
Collections of loans receivable	<u>52,604</u>	<u>57,423</u>
Net cash provided by investing activities	<u>22,604</u>	<u>49,423</u>
Net decrease in cash	(26,419)	(10,775)
Cash at beginning of year	<u>403,808</u>	<u>414,583</u>
Cash at end of year	<u>\$ 377,389</u>	<u>403,808</u>

See accompanying notes to financial statements.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION
Notes to Financial Statements
December 31, 2016 and 2015

(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, 2016 and 2015.

(d) 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

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) Loans Receivable and Allowance for Doubtful Loans

Loans 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.

THE 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. The Corporation had no deferred revenue at December 31, 2016 and 2015.

(h) Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(3) 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.

(i) Subsequent Events

The Corporation has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(2) 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. At various times throughout the years ended December 31, 2016 and 2015, the Corporation's balance in its accounts has exceeded the federally-insured limit.

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 may exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(3) 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 \$13,959 and \$21,028 for the years ended December 31, 2016 and 2015, respectively. The amount due to COIDA amounted to \$4,747 at December 31, 2016.

(4) Loans Receivable

Loans receivable, which are considered level 3 assets at December 31, 2016 and 2015 are summarized as follows:

<u>Term</u>	<u>Borrower</u>	<u>Interest rate</u>	<u>2016</u>	<u>2015</u>
5 years	810 Meadworks LLC	2.4375%	\$ 18,930	24,770
5 years	BCA Ag Technologies	2.4375	-	1,056
5 years	Civil Warrior Collectibles	2.4375	-	1,583
5 years	Cobblestone Business Center	4.5000	-	6,796
5 years	Collective Media	2.4375	1,608	3,992
8 years	Diversified Financing	2.4375	1,929	4,193
5 years	Erie Way Tree Farm, LLC	2.4375	-	2,460
5 years	Fastfitness for Women, Inc. (2013)	2.4375	25,561	31,862
5 years	J&M Repair	2.4375	2,116	8,361
5 years	Mosier Property Development, LLC	2.4375	3,158	4,042
5 years	Outdoor Adventures	3.5625	3,315	6,708
10 years	Rachael and Rob's Wildwood Lake Family Campgrounds, Inc.	3.0000	50,538	53,957
5 years	Ridge Farm Supply	3.1900	4,397	4,946
7 years	Shirt Factory Cafe	2.4380	23,915	26,718
5 years	U Make Scents LLC	2.4375	4,145	7,192
5 years	Xpress Fitness, LLC	2.4375	-	2,642
5 years	The Frosty Bucket	2.6250	<u>29,062</u>	<u>-</u>
	Total loans		168,674	191,278
	Less allowance for doubtful loans		<u>—</u>	<u>(2,000)</u>
			168,674	189,278
	Less current installments		<u>(44,151)</u>	<u>(64,081)</u>
	Loans receivable, less current installments		\$ <u>124,523</u>	<u>125,197</u>

THE ORLEANS COUNTY LOCAL DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(4) Loans Receivable, Continued

The table below sets forth a summary of changes in the fair value of the Corporation's level 3 assets (loans receivable) for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 191,278	240,701
Add loans issued	30,000	8,000
Less amounts repaid	<u>(52,604)</u>	<u>(57,423)</u>
Balance at end of year	<u>\$ 168,674</u>	<u>191,278</u>

A summary of current, past due and nonaccrual loans as of December 31, 2016 and 2015 is as follows:

<u>Year ended</u>	<u>Current</u>	<u>30 -90 days past due</u>	<u>Nonaccrual</u>	<u>Total</u>
December 31, 2016	<u>\$ 168,674</u>	<u>_____ -</u>	<u>_____ -</u>	<u>168,674</u>
December 31, 2015	<u>\$ 187,286</u>	<u>3,992</u>	<u>_____ -</u>	<u>191,278</u>

(5) Litigation Matters

In 2005, the Corporation filed a judgment by confession against a debtor in the amount of \$22,335 with interest at the rate of 3.1875%. On January 29, 2015, a motion for summary judgment in lieu of complaint, returnable March 17, 2015, to renew the judgment in the amount of \$30,337 consisting of the original judgment amount, interest from September 1, 2005, costs and attorney fees. The motion was unopposed and an order granting a renewal judgment was filed on March 23, 2015. As of December 31, 2016, no attempt at a full or partial payment has been made, therefore, it has been treated as a gain contingency and not recorded.



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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
The Orleans County Local Development Corporation:

We have audited, 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, the financial statements of The Orleans County Local Development Corporation (the Corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of revenue, expenses and changes in net assets, and cash flows for the years then ended, and the related notes to financial statements, and have issued our report thereon dated March 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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 Corporation'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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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 Corporation'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.

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 results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
March 17, 2017