# COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT AGENCY AND AFFILIATES

Financial Statements and
Federal Grant Compliance Audit

December 31, 2019

(With Independent Auditors' Report Thereon)

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES

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# 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, 2019, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position/financial position of the County of Orleans Industrial Development Agency and Affiliates, as of December 31, 2019, and the respective changes in net position/financial position 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 8, Schedule of Proportionate Share of the Net Pension Liability on page 33, and Schedule of Employer Pension Contributions on page 34, be presented to supplement the basic 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 8 does not include information related to the Affiliates.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements.  The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), on page 41, and the information on pages 35 through 39 are 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.

Reports on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2020, 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 solely 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 effectiveness of the Agency's 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
April 27, 2020

## 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, 2019. 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/financial position - reports COIDA and Affiliates' current and long-term financial resources with capital assets and long-term financial position debt obligations.
- Statements of activities - reports COIDA and Affiliates' operating and non-operating revenues, by major source along with operating and non-operating expenses.
- Statements of cash flows - reports COIDA and Affiliates' cash flows from operating, investing, and non-capital financing activities.

## 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, 2019 and 2018.

### Statements of Net Position

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ - | 47,901 |
| Restricted cash | 986,584 | 1,386,552 |
| Receivables | 68,074 | 37,092 |
| Due from Affiliates | - | 593 |
| Prepaid expenses | 132 | 155 |
| Total current assets | 1,054,790 | 1,472,293 |
| Net capital assets | 693,241 | 719,058 |
| Total assets | 1,748,031 | 2,191,351 |
| **Deferred Outflows of Resources** | | |
| Pensions | 80,998 | 94,220 |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable | 10,035 | - |
| Accrued expenses | 37,732 | 31,591 |
| Funds held on behalf of others - PILOT | 931,533 | 1,386,552 |
| Funds held on behalf of others - other | 55,051 | - |
| Current installments of note payable | 75,870 | 42,536 |
| Due to Affiliates | 10,237 | - |
| Total current liabilities | 1,120,458 | 1,460,679 |
| Note payable, less current installments | 375 | 42,912 |
| Net pension liability - proportionate share - ERS | 20,661 | 10,160 |
| Total liabilities | 1,141,494 | 1,513,751 |
| **Deferred Inflows of Resources** | | |
| Pensions | 8,859 | 33,679 |
| **Net Position** | | |
| Net investment in capital assets | 693,241 | 719,058 |
| Unrestricted (deficit) | (14,565) | 19,083 |
| Net position | $ 678,676 | 738,141 |

Cash and cash equivalents decreased by $47,901, which is primarily due the Agency's not collecting receivables.

Receivables increased by $30,982, which is due to an outstanding receivable from Medina Hospitality.

Total liabilities decreased by $372,257, which is primarily due to a decrease in the funds held on behalf of others - PILOT.

Total net position decreased by $59,465 for 2019 compared to the increase of $90,028 for 2018, the decrease in revenue of $150,564 is primarily from a decrease in economic development fees.

Statements of Activities

| | 2019 | 2018 |
|---|---|---|
| Operating revenue | $ 396,788 | 547,352 |
| Operating expenses | (475,989) | (455,324) |
| Operating income (loss) | (79,201) | 92,028 |
| Non-operating income (expense) | 19,736 | (2,000) |
| Change in net position | $ (59,465) | 90,028 |

COIDA revenue decreased primarily due to a decrease in administrative fees. Operating expenses increased primarily due to an increase in personal services, employee benefits and marketing.

## 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 2019, COIDA reported an overall variance in operating revenue of $(37,062), 8.54% less than anticipated when comparing actual to budget primarily due to an increase of administrative fees.

Actual operating expenses were more than anticipated expenses by $39,806 or 9.13%. The primary component of this variance was $23,053 for employee benefits related to changes in the ERS net pension liability valuation and $12,295 for advertising.

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

| | Actual | Budget | Variance |
|---|---|---|---|
| Operating revenue: | | | |
| Administrative fees | $ 190,863 | 195,000 | (4,137) |
| State and local aid | 205,500 | 230,000 | (24,500) |
| Rental income | - | 8,600 | (8,600) |
| Other income | 425 | 250 | 175 |
| Total operating revenue | 396,788 | 433,850 | (37,062) |
| Operating expenses: | | | |
| Personnel services | 246,955 | 238,700 | 8,255 |
| Employee benefits | 91,611 | 95,335 | (3,724) |
| Professional fees | 57,553 | 34,500 | 23,053 |
| Occupancy | 22,923 | 24,348 | (1,425) |
| Industrial park management | - | 1,200 | (1,200) |
| Auto and travel | 9,884 | 5,000 | 4,884 |
| Education | 856 | 1,000 | (144) |
| Telephone | 7,447 | 7,800 | (353) |
| Office supplies and expenses | 3,930 | 2,300 | 1,630 |
| Repairs and maintenance | 5,338 | 2,000 | 3,338 |
| Dues and subscriptions | 2,040 | 2,000 | 40 |
| Advertising | 27,295 | 15,000 | 12,295 |
| Depreciation | - | 6,000 | (6,000) |
| Miscellaneous | 157 | 1,000 | (843) |
| Total operating expenses | 475,989 | 436,183 | 39,806 |
| Change in net position | $ (79,201) | (2,333) | (76,868) |

## CAPITAL ASSETS

COIDA has $693,241 and $719,058 of capital assets at December 31, 2019 and 2018, respectively. There is $22,331 of accumulated depreciation associated with these assets as of December 31, 2019 and 2018.

## 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

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES
Statements of Net Position/Financial Position
December 31, 2019

| | | Affiliates | | |
|---|---|---|---|---|
| Assets | Orleans County Industrial Development Agency | Orleans Revolving Loan Fund | Orleans Land Restoration Corporation | Orleans County Local Development Corporation |
| Current assets: | | | | |
| Cash and equivalents: | | | | |
| Operating | $ - | 2,534 | 33,616 | 121,707 |
| Restricted - PILOT | 931,533 | - | - | - |
| Restricted - other | 55,051 | - | - | - |
| Total cash and equivalents | 986,584 | 2,534 | 33,616 | 121,707 |
| Receivables: | | | | |
| Accounts | 68,074 | - | - | - |
| Mortgage | - | - | - | - |
| Loans | - | 14,232 | 173,004 | 35,568 |
| Total receivables | 68,074 | 14,232 | 173,004 | 35,568 |
| Due from Affiliates | - | 1,952 | 21,367 | - |
| Prepaid expenses | 132 | - | - | - |
| Total current assets | 1,054,790 | 18,718 | 227,987 | 157,275 |
| Noncurrent assets: | | | | |
| Loans receivable, less allowance for doubtful loans | - | 174,268 | 590,463 | 109,393 |
| Deposit held for land option | - | - | 45,000 | - |
| Capital assets, net of accumulated depreciation | 693,241 | - | 894,069 | - |
| Total noncurrent assets | 693,241 | 174,268 | 1,529,532 | 109,393 |
| Total assets | 1,748,031 | 192,986 | 1,757,519 | 266,668 |
| Deferred Outflow of Resources | | | | |
| Pensions | 80,998 | - | - | - |

(Continued)

See accompanying notes to financial statements.

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

| Liabilities | Orleans County Industrial Development Agency | Affiliates: Orleans Revolving Loan Fund | Affiliates: Orleans Land Restoration Corporation | Affiliates: Orleans County Local Development Corporation |
|---|---|---|---|---|
| Current liabilities: | | | | |
| Accounts payable | $ 10,035 | - | - | - |
| Accrued expenses | 37,732 | - | - | - |
| Funds held on behalf of others - PILOT | 931,533 | - | - | - |
| Funds held on behalf of others - other | 55,051 | - | - | - |
| Current installments of notes payable | 75,870 | - | 102,578 | - |
| Due to Affiliates | 10,237 | - | - | 13,082 |
| Total current liabilities | 1,120,458 | - | 102,578 | 13,082 |
| Noncurrent liabilities: | | | | |
| Notes payable, less current installments | 375 | - | 27,470 | - |
| Net pension liability - proportionate share - ERS | 20,661 | - | - | - |
| Total noncurrent liabilities | 21,036 | - | 27,470 | - |
| Total liabilities | 1,141,494 | - | 130,048 | 13,082 |
| Deferred Inflow of Resources | | | | |
| Pensions | 8,859 | - | - | - |
| Net Position/Net Assets | | | | |
| Net investment in capital assets | 693,241 | - | - | - |
| Net assets without donor restrictions | - | 192,986 | - | - |
| Net assets with donor restrictions | - | - | 1,627,471 | 253,586 |
| Unrestricted | (14,565) | - | - | - |
| Total net position/net assets | $ 678,676 | 192,986 | 1,627,471 | 253,586 |

See accompanying notes to financial statements.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES
Statements of Activities
Year ended December 31, 2019

| | | Affiliates | | |
|---|---|---|---|---|
| | Orleans County Industrial Development Agency | Orleans Revolving Loan Fund | Orleans Land Restoration Corporation | Orleans County Local Development Corporation |
| Operating revenue: | | | | |
| Administrative fees | $ 190,863 | - | - | - |
| State and local aid | 205,500 | - | - | - |
| Grant revenue | - | - | 610,806 | - |
| Program income - interest and penalties on loans | - | 5,698 | 14,302 | 4,824 |
| Other income | 425 | 132 | - | 1,225 |
| Settlement proceeds | - | - | - | 20,000 |
| Total operating revenue | 396,788 | 5,830 | 625,108 | 26,049 |
| Operating expenses: | | | | |
| Repayment of grant | - | 408,052 | - | 118,583 |
| Personnel services | 246,955 | - | - | - |
| Employee benefits | 91,611 | - | - | - |
| Professional fees | 57,553 | 75,383 | 69,611 | 63,971 |
| Program expenses | - | - | - | 1,199 |
| Occupancy | 22,923 | - | 946 | - |
| Auto and travel | 9,884 | - | - | 1,242 |
| Education | 856 | - | - | - |
| Telephone | 7,447 | - | - | - |
| Office supplies and expenses | 3,930 | - | - | 1,240 |
| Repairs and maintenance | 5,338 | - | - | - |
| Dues and subscriptions | 2,040 | - | 545 | - |
| Advertising | 27,295 | - | 8,205 | 9,510 |
| Forgiveness of debt | - | 61,500 | 300,000 | - |
| Miscellaneous | 157 | 1,298 | 953 | 390 |
| Total operating expenses | 475,989 | 546,233 | 380,260 | 196,135 |
| Operating income/(loss) | (79,201) | (540,403) | 244,848 | (170,086) |
| Non-operating income (expense): | | | | |
| Loss on transfer of loans | - | (234,049) | - | - |
| Gain on transfer of loans | - | - | 234,049 | - |
| Interest expense | (606) | - | (8,735) | - |
| Gain on sale of property | 20,342 | - | 20,343 | - |
| Total non-operating income (expenses) | 19,736 | (234,049) | 245,657 | - |
| Change in net position/net assets | (59,465) | (774,452) | 490,505 | (170,086) |
| Net position/net assets at beginning of year | 738,141 | 967,438 | 1,136,966 | 423,672 |
| Net position/net assets at end of year | $ 678,676 | 192,986 | 1,627,471 | 253,586 |

See accompanying notes to financial statements.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES
Statements of Cash Flows
Year ended December 31, 2019

| | | Affiliates | | |
|---|---|---|---|---|
| | Orleans County Industrial Development Agency | Orleans Revolving Loan Fund | Orleans Land Restoration Corporation | Orleans County Local Development Corporation |
| Cash flows from operating activities: | | | | |
| Cash received from grants | $ 395,500 | - | 610,806 | - |
| Cash received from customers | 190,863 | 5,698 | 14,302 | 24,824 |
| Cash received from other | - | 132 | - | - |
| Cash received from governments | - | - | - | - |
| Other income received | 425 | - | - | 1,225 |
| Cash paid to employees and benefits | (333,521) | - | - | (80,506) |
| Cash paid to vendors | (337,518) | (80,287) | (107,515) | - |
| Cash paid to related parties | - | (4,275) | (3,601) | - |
| Grants paid to recipients | - | - | - | - |
| Net cash provided by (used in) operating activities | (84,251) | (78,732) | 513,992 | (54,457) |
| Cash flows from investing activities: | | | | |
| Issuance of loans receivable | - | (250,000) | (600,000) | (15,000) |
| Collection of mortgage receivable | - | 102,685 | 170,178 | 39,319 |
| Net cash provided by (used in) investing activities | - | (147,315) | (429,822) | 24,319 |
| Cash flows from capital and related financing activities: | | | | |
| Proceed debt issuance | - | - | 205,000 | - |
| Interest paid | (606) | - | (8,735) | - |
| Proceeds from sale of assets | 46,159 | - | 46,160 | - |
| (Purchase) sale of loans | - | 194,351 | (194,351) | - |
| Receipts from PILOTs | 986,584 | - | - | - |
| Payments made for PILOTs | (986,584) | - | - | - |
| Repayment of grant | - | (408,052) | - | (118,583) |
| Principal payments on long-term debt | (9,203) | - | (118,152) | - |
| Net cash provided by (used in) capital and related financing activities | 36,350 | (213,701) | (70,078) | (118,583) |
| Net change in cash and equivalents | (47,901) | (439,748) | 14,092 | (148,721) |
| Cash and equivalents at beginning of year | 47,901 | 442,282 | 19,524 | 270,428 |
| Cash and equivalents at end of year | $ - | 2,534 | 33,616 | 121,707 |

(Continued)

See accompanying notes to financial statements.

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

| | Orleans County Industrial Development Agency | Affiliates: Orleans Revolving Loan Fund | Affiliates: Orleans Land Restoration Corporation | Affiliates: Orleans County Local Development Corporation |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Operating income (loss) | $ (79,201) | (540,403) | 244,848 | (170,086) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Repayment of grant | - | 408,052 | - | 118,583 |
| Forgiveness of debt | - | 61,500 | 300,000 | - |
| Change in: | | | | |
| Receivables | (30,982) | - | - | - |
| Due from Affiliates | 593 | - | (21,121) | - |
| Prepaid expenses | 23 | - | - | - |
| Deferred outflow of resources | 13,222 | - | - | - |
| Accounts payable | 10,035 | (3,606) | (27,255) | - |
| Accrued expenses | 6,141 | - | - | - |
| Due to Affiliates | 10,237 | (4,275) | 17,520 | (2,954) |
| Net pension liability | 10,501 | - | - | - |
| Deferred inflow of resources | (24,820) | - | - | - |
| Net cash provided by (used in) operating activities | $ (84,251) | (78,732) | 513,992 | (54,457) |
| Supplemental schedule of cash flow information - cash paid for interest | $ 606 | - | 8,735 | - |

See accompanying notes to financial statements.

## (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.

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

In addition to the COIDA's activities listed above, the COIDA has established the Orleans Revolving Loan Fund (ORLF) on behalf of the Town of Albion, Town of Shelby, Town of Yates, Village of Holley and the County of Orleans, whose purpose is to issue Industrial Revenue Bonds for the purpose of constructing, acquiring, equipping and furnishing industrial manufacturing, warehousing, and certain commercial research and recreation facilities. During 2019, the ORLF refunded the grant to the various Towns and County at the directive of New York State Office of Community Renewal. After this refunding $250,000 of funds remained, which were then loaned to Medina Hospitality.

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. In 2016, the OLRC created a new entity called the Orleans Land Holding, LLC (OLH) to hold toxic properties. The OLRC is its sole member.

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.

### (b) Relationship of Entities

These financial statements include the accounts of COIDA, ORLF, 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. There is no active board for the ORLF.

## (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.

- ORLF, OLRC and OCLDC prepare their nonprofit 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.

### (f) Restricted Cash

Restricted cash represents amounts held for Payments In Lieu Of Taxes (PILOT) that have not yet been paid to the appropriate taxing jurisdiction (note 3). Additionally, restricted cash includes funds held on behalf of a project with the Village of Medina in the amount of $55,051 at December 31, 2019.

(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) Fair Value Measurements

A framework has been established for measuring fair value of loans receivable. 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.

(1) Summary of Significant Accounting Policies, Continued

(j) Fair Value Measurements, Continued

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

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

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.

(k) Deferred Outflows and Inflows of Resources

In the Statement of Net Position/Financial Position, in addition to assets, the Agency will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency has two items that qualify for reporting in this category. The first item is related to pensions reported in the Agency's Statement of Net Position/Financial Position. This represents the effect of the net change in the Agency's proportion of the collective net pension asset or liability and difference during the measurement period between the Agency's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the Agency contributions to the pension system subsequent to the measurement date.

The Agency also records a deferred inflows of resources, representing an increase in net position that applies to future periods. The amounts recorded at December 31, 2019 and 2018 represent the changes in the proportion between the Agency's pension contributions and proportionate share of contributions and differences between expected and actual experience.

(l) 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).

## (1) Summary of Significant Accounting Policies, Continued

### (m) Net Position/Net Assets With Donor Restrictions

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

### (n) Budgetary Policies

The Agency's administration prepares a proposed budget for the COIDA, 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.

### (o) Subsequent Events

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of the COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the Agency and its future results and financial position is not presently determinable.

### (p) 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 and OLRC are exempt from income taxes under section 501(c)(3) of the Internal Revenue Code (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.

## (2) Liquidity

The Affiliates have $380,661 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of $157,857 of cash and equivalents and $222,804 of current receivables. $363,895 of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2019 statement of financial position.

Additionally, the Affiliates manage liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash inflows can easily be predicted since they are comprised mostly of loan payments. Cash outflows are planned accordingly so as not to exceed those expected inflows.

## (3) Payments in Lieu of Taxes (PILOT)

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 assessed had these organizations not received these tax abatements for economic purposes.

## (4) Funds Held on Behalf of Others

The COIDA 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 2019 through 2021. At December 31, 2019, these funds amounted to $931,533 held in a fully insured trust account.

## (5) 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.

The cash accounts of the Agency's at December 31, 2019 were as follows:

| | Carrying amount | Bank balance | Insured | Collateralized | Uncollateralized |
|---|---|---|---|---|---|
| COIDA | $ - | 10,044 | 10,044 | - | - |
| ORLF | 2,534 | 3,149 | 3,149 | - | - |
| OCLDC | 121,707 | 121,804 | 121,804 | - | - |
| OLRC | 33,616 | 71,897 | 71,897 | - | - |
| | $ 157,857 | 206,894 | 206,894 | - | - |

New York State Municipal Law requires that the COIDA and ORLF's bank balances be insured or collateralized. At December 31, 2019, the COIDA and ORLF's bank balances were fully insured or collateralized.

OLRC and OCLDC are not required to collateralize its bank deposits. Periodically it maintains deposits over FDIC insurance excess.

## (6) Loans Receivable

COIDA administers a revolving loan fund (OLRF) offering low interest loans to area businesses. OCLDC and OLRC each have a similar revolving loan fund. The respective 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, 2019 is as follows:

| | Interest rate | Balance |
|---|---|---|
| ORLF - Medina Hospitality | 4.1250% | $ 250,000 |
| Less allowance for doubtful accounts | | (61,500) |
| | | 188,500 |
| Less current installments | | (14,232) |
| Loans receivable less current installment | | $ 174,268 |
| OCLDC: | | |
| 810 Meadworks LLC | 2.4375% | 531 |
| Fastfitness for Women, Inc. (2013) | 2.4375% | 7,226 |
| Rachel and Rob's Wildwood Lake Family Campgrounds, Inc. | 3.0000% | 37,910 |
| Shirt Factory Cafe | 2.4380% | 15,085 |
| The Frosty Bucket | 2.6250% | 11,459 |
| Gallo's Hauling | 0.0% | 32,000 |
| DC Hauling | 0.0% | 28,000 |
| Laura Loxley Vintage Inspired Goods | 0.0% | 12,750 |
| Total loans receivable - OCLDC | | 144,961 |
| Less current installments | | (35,568) |
| Loans receivable less current installment | | $ 109,393 |
| OLRC: | | |
| ARG Services of WNY, Inc. | 3.3750% | 165,333 |
| BOMET | 2.2000% | 26,159 |
| Evans Ace Hardware and Building Supplies Inc. | 3.0000% | 3,684 |
| LynOaken Farms, Inc. | 1.0000% | 182,487 |
| Quorum Group, LLC - Take Form | 3.3800% | 368,924 |
| Quorum Group LLC | 0.0% | 300,000 |
| Quorum Group LLC | 0.0% | 150,000 |
| Quorum Group, LLC | 3.0000% | 16,880 |
| Total loans receivable - OLRC | | 1,213,467 |
| Less allowance for forgiven loans | | (450,000) |
| | | 763,467 |
| Less current installments | | (173,004) |
| Loans receivable, less current installments | | $ 590,463 |

## (6) Loans Receivable, Continued

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, 2019:

| | ORLF | OCLDC | OLRC |
|---|---|---|---|
| Balance at beginning of year | $ 531,085 | 169,280 | 355,245 |
| Add loans issued | 250,000 | 15,000 | 600,000 |
| Less amounts paid | (102,685) | (39,319) | (170,178) |
| Less loans forgiven | (61,500) | - | (450,000) |
| Loans transferred | (428,400) | - | 428,400 |
| Balance at end of year | $ 188,500 | 144,961 | 763,467 |

| Aging | ORLF | OCLDC | OLRC |
|---|---|---|---|
| Current | $ 127,000 | 144,961 | 313,467 |
| 30 - 90 days | - | - | - |
| Nonaccrual | 61,500 | - | 450,000 |
| Total | $ 188,500 | 144,961 | 763,467 |

## (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 position/ financial position as it was acquired at no cost.

## (8) Notes Payable

COIDA had the following note payable at December 31, 2019:

| | COIDA | OLRC |
|---|---|---|
| Note payable issued by the Cardone Family Living Trust on December 23, 2015 in the amount of $88,569 that will be repaid over a 5 year term and will bear interest at 4%. | $ 9,578 | |
| Note payable issued by the County of Orleans on August 12, 2017 in the amount of $100,000 was modified on September 1, 2017 to be repaid over a 3 year term on September 1, 2018 and will bear interest at 2%. | 66,667 | |
| | 76,245 | |
| Less current installments | (75,870) | |
| Notes payable less current installments | $ 375 | |

## (8) Notes Payable, Continued

| | COIDA | OLRC |
|---|---|---|
| OLRC had the following additional debt outstanding at December 31, 2019: | | |
| Note payable issued by the Cardone Family Living Trust on December 23, 2015 in the amount of $88,569 that will be repaid over a 5 year term and will bear interest at 4%. | | $ 9,578 |
| Note payable, issued by New York Business Development Corporation on February 25, 2019 in the amount of $205,000. The note will be repaid over a three year term and bears interest at 7.25%. The note is secured by a mortgage lien on the OLRC's properties. | | 105,470 |
| 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 $5,000 and does not bear interest. | | 15,000 |
| Total OLRC notes payable | | 130,048 |
| Less current installments | | (102,578) |
| Notes payable, less current installments | | $ 27,470 |

Future payments required under the above agreements are as follows:

| Year ending December 31, | COIDA | OLRC |
|---|---|---|
| 2020 | $ 75,870 | 102,578 |
| 2021 | 375 | 22,470 |
| 2022 | - | 5,000 |
| | $ 76,245 | 130,048 |

## (9) Capital Assets

A summary of capital assets activity during the year ended December 31, 2019 is as follows:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|---|---|---|---|---|
| OCIDA: | | | | |
| Land and site improvements | $ 719,058 | - | (25,817) | 693,241 |
| Furniture and equipment | 22,331 | - | - | 22,331 |
| | 741,389 | - | (25,817) | 715,572 |
| Less accumulated depreciation for furniture and equipment | (22,331) | - | - | (22,331) |
| Capital assets, net of accumulated depreciation | $ 719,058 | - | (25,817) | 693,241 |

| | Beginning Balance | Additions | Disposals | Ending Balance |
|---|---|---|---|---|
| OLRC: | | | | |
| Land and site improvements | $ 919,886 | - | (25,817) | 894,069 |
| Furniture and equipment | 4,675 | - | - | 4,675 |
| | 924,561 | - | (25,817) | 898,744 |
| Less accumulated depreciation for furniture and equipment | (4,675) | - | - | (4,675) |
| Capital assets, net of accumulated depreciation | $ 919,886 | - | (25,817) | 894,069 |

The OLH received property on Sanderson Road from the Town of Shelby for $0. The intention is to transfer this property to the OLRC at the start of construction to improve the land. Due to the cost of the property is $0 and no future cash flows are expected for this property, it is not reflected in the above activity.

## (10) Pension Plan

### (a) Plan Descriptions and Benefits Provided

Employees' Retirement System (ERS)

The Agency participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Authority (the Authority), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Authority and is the administrative head of the System. System benefits are established under the provision of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Agency also participates in the Public Employees; Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/inex.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

| | ERS |
|---|---|
| 2019 | $ 36,699 |
| 2018 | 34,927 |
| 2017 | 33,486 |

## (10) Pension Plan, Continued

### (b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the Agency reported the following liability for its proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Agency's proportionate share of the net pension liability was based on a projection of the Agency's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by ERS in reports provided to the Agency.

| | |
|---|---|
| Actuarial valuation date | 4/1/2018 |
| Measurement date | 3/31/2019 |
| Net pension liability | $ 20,661 |
| Agency's proportion of the Plan's net pension liability | 0.0002916% |

For the year ended December 31, 2019, the Agency recognized pension expense of $35,159 for ERS. At December 31, 2019 the Agency's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 4,069 | (1,387) |
| Changes in assumption | 5,193 | - |
| Net difference between projected and actual earnings on pension plan investments | - | (5,303) |
| Changes in proportion and differences between the Agency's contributions and proportionate share of contributions | 44,212 | (2,169) |
| Agency's contributions subsequent to the March 31, 2019 measurement date | 27,524 | - |
| Total | $ 80,998 | (8,859) |

(10) Pension Plan, Continued

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

Agency contributions subsequent to the March 31, 2019 measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending | ERS |
|---|---|
| 2020 | $ 21,502 |
| 2021 | 7,963 |
| 2022 | 7,918 |
| 2023 | 7,232 |
| 2024 | - |
| Thereafter | - |

(c) Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

| | |
|---|---|
| Measurement date | March 31, 2019 |
| Actuarial valuation date | April 1, 2018 |
| Interest rate | 7.00% |
| Salary scale | 4.2% |
| Decrement tables | April 1, 2010 - March 31, 2015 System’s Experience |
| Inflation rate | 2.5% |

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System’s experience with adjustments for mortality improvements based on MP-2014.

## (10) Pension Plan, Continued

### (c) Actuarial Assumptions, Continued

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

| Measurement date | March 31, 2019 | |
|---|---|---|
| | Target allocation | Long-term expected real rate of return* |
| Asset type: | | |
| Domestic equity | 36.00% | 4.55% |
| International equity | 14.00% | 6.35% |
| Real estate | 10.00% | 5.55% |
| Private equity | 10.00% | 7.50% |
| Absolute return strategies | 2.00% | 3.75% |
| Opportunistic portfolio | 3.00% | 5.68% |
| Real assets | 3.00% | 5.29% |
| Bonds and mortgages | 17.00% | 1.31% |
| Cash | 1.00% | (0.25%) |
| Inflation - indexed bonds | 4.00% | 1.25% |

* The real rate of return is net of the long-term inflation assumption of 2.50%.

### (d) Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(10) Pension Plan, Continued

(e) Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Agency's discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate:

| | 1% Decrease (6.0%) | Current Assumption (7.0%) | 1% Increase (8.0%) |
|---|---|---|---|
| Employer's proportionate share of the net pension (asset) liability | $ 90,335 | 20,661 | (37,869) |

(f) Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of all participating employers as of the respective valuation dates, were as follows:

| | (Dollars in Millions) |
|---|---|
| Valuation date | 3/31/2019 |
| Employers' total pension liability | $ 189,803 |
| Plan net position | (182,718) |
| Employers' net pension asset/(liability) | $ 7,085 |
| Ratio of plan net position to the Employers' total pension asset/(liability) | 96.3% |

(g) Contributions to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Retirement contributions as of December 31, 2019 represent the projected employer contribution for the period of April 1, 2019 through March 31, 2020 and April 1, 2018 through March 31, 2019, respectively based on paid ERS wages multiplied by the employer's contribution rate, by tier. This amount has been recorded as deferred outflows of resources in the accompanying financial statements.

## (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 (was paid in full during 2019). 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.

On December 23, 2015, COIDA and OLRC, was collectively issued a note payable by the Cardone Family Living Trust. OLRC received the funds.

COIDA has a related party relationship with all three Affiliates, the OLDC, OLRC, and ORLF. All three Affiliates are managed by the same personnel. COIDA allocates a portion of its personnel costs to the Affiliates. For the year ended December 31, 2019, OLDC, OLRC and ORLF incurred costs of $23,178, $15,275 and $14,909, respectively, reported as professional fees.

During 2017 and 2016, OLRC constructed a sewer system through one of the land sites. Funds were provided by both COIDA and OLRC. As of December 31, 2019, the sewer system was split between the two entities. During the year, COIDA and OLRC experienced cash flow issues resulting in the need to borrow funds from the related party affiliates listed at note 1(a). The below schedule reflects the interaffiliate receivables and payables as of December 31, 2019.

| | Interfund Affiliate | |
|---|---|---|
| | Receivable | Payable |
| COIDA | $ - | 10,237 |
| ORLF | 1,952 | - |
| OLRC | 21,367 | - |
| OCLDC | - | 13,082 |
| Total | $ 23,319 | 23,319 |

## (12) Leases

In September 2006, COIDA entered into a lease agreement with Western New York Energy, LLC (WNY Energy) for the Rail Spur Facility (the Facility). As of December 31, 2016, WNY Energy pays $1 per year to lease the facility. 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.

## (13) Commitments

COIDA entered into a rental lease agreement with the Village of Albion during March 2015. The lease term is for two years with an option to renew for one year with a 10% increase. COIDA is currently paying $1,840 per month.

## (14) Contingencies

Contingencies at December 31, 2019 are as follows:

### (a) Risk-Financing and Related Insurance

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

### (b) Judgments

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

### (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.

(14) Contingencies, Continued

(d) Events of Default

Upon default of the payment of principal or interest on the note issued by the Cardone Family Trust, the lender may declare that the entire unpaid principal balance and all accrued and unpaid interest to be immediately due and payable. This note is secured by a mortgage.

Upon default of the payment of principal or interest on the New York Business Development Corporation note, the mortgage may declare the entire indebtedness to be immediately due and payable. Mortgaged properties can be taken possession of and the mortgage has the right to exercise the power of sale.

(15) Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 87 - “Leases.” This Statement, issued in June 2017, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the Agency. This Statement is not expected to have a material effect on the financial statements of the Agency.

GASB Statement No. 89 - “Accounting for Interest Cost Incurred before the End of a Construction Period.” This Statement, issued in June 2018, establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62 - “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” which are superseded by this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, which is the fiscal year beginning January 1, 2020 for the Agency. Management is in the process of evaluating the potential impact due to the implementation of this Statement on the financial statements of the Agency.

(15) Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 91 - "Conduit Debt Obligations." This Statement, issued in May of 2019, requires a single method be used for the reporting of conduit debt obligations. The focus of the Statement is to improve financial reporting by eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, which is the fiscal year beginning January 1, 2021 for the Agency. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the Agency.

GASB Statement No. 92 - "Omnibus 2020." This Statement, issued in January 2020, clarifies implementation of GASB Statements No. 73, 74, 84 and 87, generally effective for fiscal years beginning after June 15, 2020, which is the fiscal year beginning January 1, 2021 of the Agency. Management is in the process of evaluating the potential impact of this Statement on the financial statements of the Agency.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Year ended December 31, 2019

| NYSERS Pension Plan | | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Agency's proportion of the net pension liability | 0.0002916% | 0.0003148% | 0.0003473% | 0.0003524% | 0.0003501% | 0.0003501% |
| Agency's proportionate share of the net pension liability | $ 20,661 | 10,160 | 32,638 | 55,567 | 11,831 | 15,823 |
| Agency's covered payroll | $ 233,750 | 222,470 | 211,934 | 205,991 | 191,590 | 178,763 |
| Agency's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll | 8.84% | 4.57% | 15.40% | 26.98% | 6.18% | 8.85% |
| Plan fiduciary net position as a percentage of the total pension liability | 96.30% | 98.24% | 94.70% | 90.70% | 97.95% | 97.20% |

(1) The amounts presented for each fiscal year were determined as of the March 31, 2019, 2018, 2017, 2016, 2015 and 2014 measurement dates of the plans.

(2) Data not available prior to fiscal year 2014 implementation of Governmental Accounting Standards Board Statement No. 68 - "Accounting and Financial Reporting for Pensions."

This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for those years that are available.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES
Required Supplementary Information
Schedule of Employer Pension Contributions
Year ended December 31, 2019

NYSERS Pension Plan

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 36,699 | 34,927 | 33,486 | 32,547 | 41,181 | 39,137 | 35,822 | 28,575 | 24,188 |
| Contributions in relation to the contractually required contribution | 36,699 | 34,927 | 33,486 | 32,547 | 41,181 | 39,137 | 35,822 | 28,575 | 24,188 |
| Contribution deficiency (excess) | $ - | - | - | - | - | - | - | - | - |
| Agency's covered payroll | $233,750 | 222,470 | 211,934 | 205,991 | 191,590 | 178,763 | 166,230 | 155,298 | 156,867 |
| Contributions as a percentage of covered payroll | 15.70% | 15.70% | 15.80% | 15.80% | 21.49% | 21.89% | 21.55% | 18.40% | 15.42% |

(1) Data not available prior to fiscal year 2011.

This schedule is presented to illustrate the requirement to show information for 10 years. However, information is presented for those years that are available.

# OTHER SUPPLEMENTARY INFORMATION

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES
Other Supplementary Information
Combining Schedule - Orleans Land Restoration Corporation and Orleans Land Holding, LLC
Statements of Financial Position
December 31, 2019

| Assets | Orleans Land Restoration Corporation | Orleans Land Holding LLC | Total |
|---|---|---|---|
| Current assets: | | | |
| Cash and equivalents - operating | $ 33,616 | - | 33,616 |
| Receivables - loans | 173,004 | - | 173,004 |
| Due from Affiliates | 21,367 | - | 21,367 |
| Total current assets | 227,987 | - | 227,987 |
| Loans receivable, less current installments and allowance for doubtful loans | 590,463 | - | 590,463 |
| Deposit held for land option | 45,000 | - | 45,000 |
| Capital assets: | | | |
| Land and site improvements | 894,069 | - | 894,069 |
| Furniture and equipment | 4,675 | - | 4,675 |
| Total capital assets | 898,744 | - | 898,744 |
| Less accumulated depreciation | (4,675) | - | (4,675) |
| Net capital assets | 894,069 | - | 894,069 |
| Total assets | 1,757,519 | - | 1,757,519 |
| **Liabilities** | | | |
| Current liabilities - current installments of notes payable | 102,578 | - | 102,578 |
| Notes payable, less current installments | 27,470 | - | 27,470 |
| Total liabilities | 130,048 | - | 27,470 |
| Net assets with donor restriction | $ 1,627,471 | - | 1,627,471 |

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES
Other Supplementary Information
Combining Schedule - Orleans Land Restoration Corporation and Orleans Land Holding, LLC
Statement of Activities
Year ended December 31, 2019

| | Orleans Land Restoration Corporation | Orleans Land Holding LLC | Total |
|---|---|---|---|
| Operating revenue: | | | |
| Grant revenue | $ 610,806 | - | 610,806 |
| Program income - interest and penalties on loans | 14,302 | - | 14,302 |
| Total operating revenue | 625,108 | - | 625,108 |
| Operating expenses: | | | |
| Professional fees | 69,611 | - | 69,611 |
| Occupancy | 946 | - | 946 |
| Dues and subscriptions | 545 | - | 545 |
| Advertising | 8,205 | - | 8,205 |
| Forgiveness of debt | 300,000 | - | 300,000 |
| Miscellaneous | 953 | - | 953 |
| Total operating expenses | 380,260 | - | 380,260 |
| Operating income | 244,848 | - | 244,848 |
| Non-operating income (expense): | | | |
| Gain on transfer of loan | 234,049 | - | 234,049 |
| Interest expense | (8,735) | - | (8,735) |
| Gain on sale of asset | 20,343 | - | 20,343 |
| Total non-operating income (expense) | 245,657 | - | 245,657 |
| Change in net assets with donor restrictions | 490,505 | - | 490,505 |
| Net assets with donor restrictions at beginning of year | 1,136,966 | - | 1,136,966 |
| Net assets with donor restrictions at end of year | $ 1,627,471 | - | 1,627,471 |

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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, 2019, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated April 27, 2020.

## 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 2019-001).

## 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 responses to the finding identified in our audit are included in the accompanying schedule of findings and questioned costs. 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
April 27, 2020

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2019. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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.

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 its major federal program for the year ended December 31, 2019.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
April 27, 2020

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES

Federal Grant Compliance Audit

Schedule of Expenditures of Federal Awards

Year ended December 31, 2019

| Federal Grantor/Pass through grantor/Program Title | Federal CFDA Number | Pass Thru Grantor's Number | Federal Expenditures | Expenditures to Subrecipients |
|---|---|---|---|---|
| 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 State's Program Non-Entitlement Grants in Hawaii | | | | |
| Beginning loan balance | 14.228 | N/A | $ 1,055,610 | - |
| Passed through New York State Office of Community Renewal further passed through the Village of Medina | | | | |
| Community Development Block Grant | 14.228 | | 610,806 | - |
| Total Expenditures of Federal Awards | | | $ 1,666,416 | - |

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES

Notes to Schedule of Expenditures of Federal Awards

December 31, 2019

## (1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) presents the activity of the County of Orleans Industrial Development Agency and Affiliates (the Agency), a component unit of the County of Orleans.

## (2) Basis of Accounting

The amounts reported as federal expenditures are presented on the accrual basis of accounting and were derived from the Agency's general ledger.

## (3) Indirect Costs

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal reports used as the source for the data presented. The Corporation does not use the 10% de minimis selection.

## (4) Loan Programs

The Agency has included $1,055,610 in loans funded with CDBG funds in the schedule of expenditures of federal awards. Loan activity for the year ended December 31, 2019 is as follows:

| | | |
|---|---|---|
| Balance at December 31, 2018 | $ | 1,055,610 |
| Reductions | | (1,055,610) |
| Balance at December 31, 2019 | $ | - |

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES

Schedule of Findings and Questioned Costs

December 31, 2019

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

| | |
|---|---|
| Type of auditors' report issued on whether the basic financial statement audited were prepared in accordance with GAAP: | 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 the Uniform Guidance (section 200.516(a))? | _____ Yes __x__ No |
| 7. The major program audited is Community Development Block Grant State's Program and Non-Entitlement Grants in Hawaii, CFDA No. 14.228. | |
| 8. Dollar threshold used to distinguish between Type A and Type B programs. | $ 750,000 |
| 9. Auditee qualified as low-risk auditee? | _____ Yes __x__ No |

## Part II - FINANCIAL STATEMENT FINDINGS, CONTINUED

### Finding 2019-001

### Accounting Controls

Material audit adjustments were necessary to properly report the financial position and results of operations for the year ended December 31, 2019.

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. We recommend that the Agency continues to review and improve its accounting records.

### 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.

COUNTY OF ORLEANS INDUSTRIAL DEVELOPMENT
AGENCY AND AFFILIATES

Status of Prior Audit Findings

Year ended December 31, 2019

Condition 2018-001 Accounting Controls

This finding has been repeated as finding 2019-001 and modified for the year ended December 31, 2019.