

ONTARIO COUNTY
ECONOMIC DEVELOPMENT CORPORATION
NEW YORK
FINANCIAL STATEMENTS
For Year Ended December 31, 2010

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Certified Public Accountants

Shareholders:

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Members of
American Institute of
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and
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ontario County Economic Development Corporation

We have audited the accompanying statement of financial position of the Ontario County Economic Development Corporation, New York as of December 31, 2010, and the related statement of activities and statement of cash flows for the year then ended. These financial statements are the responsibility of the Ontario County Economic Development Corporation. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2011 on our consideration of the Ontario County Economic Development Corporation, New York's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's financial statements. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. These schedules have been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

March 2, 2011



ONTARIO COUNTY ECONOMIC DEVELOPMENT CORPORATION

NEW YORK

Statement of Financial Position

December 31, 2010

ASSETS:

Current Assets -

Cash and cash equivalents	\$	66,769
Due from other governments		25,430
Loans receivable		317,409
Total Current Assets	\$	409,608

Noncurrent Assets -

Loan receivable, net	\$	2,093,719
Total Noncurrent Assets	\$	2,093,719
TOTAL ASSETS	\$	2,503,327

LIABILITIES:

Current Liabilities

Accounts payable	\$	7,535
Deferred revenues		2,454
Total Current Liabilities	\$	9,989
TOTAL LIABILITIES	\$	9,989

NET ASSETS:

Unrestricted	\$	82,205
Temporarily restricted		2,411,133
TOTAL NET ASSETS	\$	2,493,338
TOTAL LIABILITIES AND NET ASSETS	\$	2,503,327

ONTARIO COUNTY ECONOMIC DEVELOPMENT CORPORATION

NEW YORK

Statement of Activities

For Year Ended December 31, 2010

<u>REVENUES:</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Grant administrative revenue	\$ 29,119	\$ -	\$ 29,119
Program income	19,296	-	19,296
Application income	3,200	-	3,200
Contract revenue	12,289	-	12,289
Federal aid	-	2,749,103	2,749,103
Net assets released from restrictions	337,970	(337,970)	-
TOTAL REVENUES	\$ 401,874	\$ 2,411,133	\$ 2,813,007
<u>EXPENSES:</u>			
<u>Management and General -</u>			
Mileage and travel	\$ 552	\$ -	\$ 552
Office supplies	276	-	276
Ontario County services	15,372	-	15,372
Insurance	1,703	-	1,703
Training and conferences	839	-	839
Total Management and General	\$ 18,742	\$ -	\$ 18,742
<u>Program -</u>			
Miscellaneous	\$ 324	\$ -	\$ 324
Pass through grants	250,000	-	250,000
Ontario County services	16,084	-	16,084
Professional fees	16,763	-	16,763
Legal costs	17,756	-	17,756
Total Program	\$ 300,927	\$ -	\$ 300,927
TOTAL EXPENSES	\$ 319,669	\$ -	\$ 319,669
Excess (deficiency) in unrestricted net assets	\$ 82,205	\$ 2,411,133	\$ 2,493,338
NET ASSETS - BEGINNING OF YEAR	-	-	-
NET ASSETS - END OF YEAR	\$ 82,205	\$ 2,411,133	\$ 2,493,338

**ONTARIO COUNTY ECONOMIC DEVELOPMENT CORPORATION
NEW YORK**

Statement of Cash Flows

For The Year Ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from providing services	\$ 2,790,031
Cash payments contractual expenses	(312,134)
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,477,897</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Loans made to companies	\$ (2,499,103)
Payments received on loans	87,975
Net Cash Provided (Used) by Capital Financing Activities	<u>\$ (2,411,128)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Pass through grants received	\$ 250,000
Pass through grants disbursed	(250,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ -</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 66,769
BEGINNING CASH AND CASH EQUIVALENTS	<u>-</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 66,769</u></u>

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Operating Income (Loss)	\$ 2,493,338
Adjustments to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Increase/(decrease) in accounts payable	7,535
Increase/(decrease) in deferred revenues	2,454
(Increase)/decrease in due from other governments	(25,430)
Total Adjustments	<u>\$ (15,441)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 2,477,897</u></u>

**ONTARIO COUNTY ECONOMIC
DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

(Note 1)

Summary of Significant Accounting Policies:

A. Organization

The Ontario County Economic Development Corporation, New York (OCEDC) was incorporated as a nonprofit local development corporation on January 11, 2010. The purposes for which the OCEDC is to be formed and operated, are exclusively for charitable purposes within the meaning of Section 501(c) (4) of the Internal Revenue Code, to relieve and reduce unemployment, to better and maintain job opportunities, promote and provide for additional employment, to help increase the tax base of Ontario County through the attraction of private sector investment, lessen the burdens of government and otherwise act in the public interest.

The OCEDC has established a revolving loan fund from grants obtained from Federal Grants Pass-Through Ontario County. The OCEDC offers low interest loans to businesses who are located or wish to relocate to Ontario County. Loans are approved by the governing board after consideration of various criteria. As the loans are repaid to the OCEDC the program income is considered defederalized and unrestricted.

B. Basis of Presentation

The OCEDC financial statements have been prepared on the accrual basis of accounting. The OCEDC 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. In addition, the OCEDC is required to present a Statement of Cash Flows. The OCEDC reports unrestricted and temporarily restricted net assets at December 31, 2010.

C. Cash

Cash and cash equivalents are carried at cost plus accrued interest, which approximates fair value. For purposes of presenting the statement of cash flows, the OCEDC considers all highly liquid short-term investments with maturities of three months or less from the date of purchase to be cash or cash equivalents.

D. Income Taxes

The OCEDC is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. Under Accounting Standards Codification (ASC) Section 740, the tax status of tax-exempt entities is an uncertain tax position since events could potentially occur that jeopardize tax-exempt status. Management is not aware of any events that could jeopardize the Corporation's tax-exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements. A determination letter has been requested from the IRS.

E. Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on the functional basis in the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.

(Note 1) (Continued)

F. Loans Receivable

Loans receivable are stated at principal balances. Management considers all outstanding notes to be fully collectible.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Revenues

The OCEDC receives federal grants from the County of Ontario for various economic development programs in Ontario County. These grants are received by the Ontario County Economic Development Corporation then loaned to other organizations once the conditions of the grants are met.

The Corporation receives fees from organizations for the various economic deals the OCEDC participates in.

The Corporation receives interest on the loans given out the various organizations.

(Note 2)

Detail Notes on All Funds and Account Groups:

A. Assets

1. Cash and Investments

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity. The Statement of Cash Flows uses the indirect method of reporting cash flows.

Deposits at year-end were entirely covered by federal depository insurance. The investments are not currently insured or collateralized. Deposits and investments consisted of:

Deposits - All deposits including certificates of deposit are carried at cost and covered by FDIC insurance.

Bank Balance	Carrying Amount	
\$ 64,017	\$ 66,769	Insured FDIC

(Note 3) **Due From Other Governments:**

Due From Other Governments represents the administrative expenses incurred by the EDC for the Town of Naples grant and expenses incurred by the EDC that are reimbursed by Ontario County that is due to the EDC as of December 31, 2010.

As of December 31, the OCEDC had the following:

Town of Naples	\$ 3,198
Ontario County	22,232
Total	<u>\$ 25,430</u>

(Note 4) **Loans Receivable:**

The OCEDC has outstanding notes receivable from the revolving loan program that have various maturities through 2024. As of December 31st the OCEDC had the following:

Total Notes Receivable	\$ 2,411,128
Less: Current Portion	(317,409)
Long-Term Portion	<u>\$ 2,093,719</u>

Principal maturities are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 317,410
2012	528,339
2013	395,816
2014	191,709
2015	197,541
Thereafter	780,313
Total	<u>\$ 2,411,128</u>

(Note 5) **Deferred Revenues:**

Deferred revenues consist of interest on the loans received in advance of monthly payments.

(Note 6) **Temporarily Restricted Net Assets:**

Temporarily restricted net assets represents community development block grants drawn down from Ontario County and loaned to other organizations that are restricted until they are defederalized when repaid. At December 31, 2010 the outstanding balance is as follows:

Office of Community Renewal	\$ 1,211,657
HUD	1,199,476
Total	<u>\$ 2,411,133</u>

(Note 7) Master Agreement with Ontario County:

Effective January 1, 2010, the OCEDC executed an agreement that in 2010 the OCEDC will reimburse Ontario County for costs incurred relating to professional and administrative services and rental of office space. This agreement is effective until December 31, 2012 with an option to extend the agreement. A copy of the agreement can be obtained from the Ontario County Board of Supervisors Office. In accordance with this agreement, the OCEDC paid \$31,456 to Ontario County for the 2010 year.

(Note 8) Agreement with Ontario County Industrial Development Agency:

Effective February 1, 2010, the OCEDC and OCIDA entered into an agreement that in 2010 the OCIDA contracted with the OCEDC for economic development services in an amount not to exceed \$20,000. This agreement is effective for one year from the effective date of the agreement. A copy of the agreement can be obtained from the Ontario County Industrial Development Agency. In accordance with this agreement, the OCEDC was reimbursed for the specified costs in the amount of \$12,289 from OCIDA for the 2010 year.

(Note 9) Related Party:

Representation on the Board of Directors of the OCEDC consists of a certain board member of the Ontario County Industrial Development Agency, Inc. (OCIDA). In addition, a Board member has a professional relationship with a company who received a loan from OCEDC. The Board member recused himself from all correspondence, evaluations, and approvals relating to the loan.

(Note 10) Commitment and Contingencies:

As of the date of this report Management is not aware of any pending litigation.

(Note 11) Subsequent Events:

Events and transactions which have occurred from January 1, 2011 through March 2, 2011, the date of these financials, have been evaluated by the Corporation's management for the purpose of determining whether there were any events that might require disclosure in these financial statements. No such events or transactions were noted.

ONTARIO COUNTY ECONOMIC DEVELOPMENT CORPORATION
NEW YORK
Schedule of Investments
For Year Ended December 31, 2010

Operating	\$	66,769
Total Investments	\$	66,769

ONTARIO COUNTY ECONOMIC DEVELOPMENT CORPORATION
NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Indirect:</u>			
<u>Passed Through the Town of Naples -</u>			
Community development block grant	14.228	772ED71710	\$ 250,000
<u>Passed Through Ontario County -</u>			
Community development block grant	14.228	N/A	<u>2,499,103</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 2,749,103</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,749,103</u></u>

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**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***

To the Board of Directors
Ontario County Economic Development Corporation

We have audited the financial statements of the Ontario County Economic Development Corporation as of and for the year ended December 31, 2010, and have issued our report thereon dated March 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ontario County Economic Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ontario County Economic Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

We noted certain matters that we reported to the management of the Ontario County Economic Development Corporation in a separate letter dated March 2, 2011.

This report is intended solely for the information and use of the audit committee, management, Board of Directors and the Federal Awarding Agencies and is not intended to be and should not be used by anyone other than these specified parties.



March 2, 2011