

**WYOMING COUNTY
BUSINESS ASSISTANCE CORPORATION
(A COMPONENT UNIT OF WYOMING COUNTY
INDUSTRIAL DEVELOPMENT AGENCY)
FINANCIAL STATEMENTS
DECEMBER 31, 2010**

WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION

TABLE OF CONTENTS

Page

SECTION A
FINANCIAL SECTION

Independent Auditor's Report

Financial Statements

Statement of Net Assets	A1
Statement of Revenues, Expenses and Changes in Net Assets.....	A2
Statement of Cash Flows	A3
Notes to Financial Statements.....	A4-A13

SECTION B
INTERNAL CONTROL AND COMPLIANCE

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	B1-B2
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SECTION A
FINANCIAL SECTION



Freed Maxick & Battaglia, CPAs, PC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Wyoming County Business Assistance Corporation
Perry, New York 14530

We have audited the accompanying financial statements of the Wyoming County Business Assistance Corporation, (the Loan Corporation), a blended component unit of the Wyoming County Industrial Development Agency, as of and for the year ended December 31, 2010. These financial statements are the responsibility of the Loan Corporation's management. 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Loan Corporation as of December 31, 2010, and the respective changes in financial position and cash flows thereof 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 28, 2011 on our consideration of the Loan Corporation's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The Loan Corporation has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
March 28, 2011



WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
(A COMPONENT UNIT OF THE WYOMING COUNTY INDUSTRIAL DEVELOPMENT AGENCY)
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

ASSETS

Current assets:	
Cash	\$ 457,852
Accrued interest receivable	6,108
Notes receivable, net	<u>417,773</u>
Total current assets	<u>881,733</u>
Noncurrent assets:	
Notes receivable	<u>2,829,644</u>
Total assets	<u>\$ 3,711,377</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Deferred revenue - CDBG	\$ 124,200
Noncurrent liabilities:	
Deferred revenue - CDBG	<u>662,994</u>
Total liabilities	<u>787,194</u>
Net assets:	
Restricted	742,256
Unrestricted	<u>2,181,927</u>
Total net assets	<u>2,924,183</u>
Total liabilities and net assets	<u>\$ 3,711,377</u>

See notes to financial statements.

WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
(A COMPONENT UNIT OF THE WYOMING COUNTY INDUSTRIAL DEVELOPMENT AGENCY)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

Operating revenues:	
Fees and penalties	\$ 11,686
Grant revenue	206,187
Interest income on notes receivable	52,306
Recovery of bad debt	21,949
Total operating revenues	292,128
Operating expenses:	
Administration fee	40,000
Bad debt expense	17,452
Grant expense	111,667
Total operating expenses	169,119
Operating income	123,009
Nonoperating revenues:	
Interest income	1,055
Transfer from Wyoming County Industrial Development Agency	578,927
Total nonoperating revenues	579,982
Change in net assets	702,991
Transfer of net assets from the Wyoming County Industrial Development Agency	2,221,192
Net assets - beginning of year	-
Net assets - end of year	\$ 2,924,183

See notes to financial statements.

WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
(A COMPONENT UNIT OF THE WYOMING COUNTY INDUSTRIAL DEVELOPMENT AGENCY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from grants	\$ 206,187
Receipts from providing services	11,686
Interest income on notes receivable	50,626
Repayments of notes receivable	378,497
Issuance of notes receivable	(1,258,494)
Payments of grants	(111,667)
Payments to service providers and suppliers	(40,000)
Net cash used by operating activities	(763,165)

CASH FLOWS FROM FINANCING ACTIVITIES:

Receipts from Wyoming County Industrial Development Agency	1,219,962
Net cash provided by financing activities	1,219,962

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest income	1,055
Net cash provided by investing activities	1,055

Net increase in cash	457,852
Cash - beginning of year	-
Cash - end of year	\$ 457,852

Reconciliation of income from operations to net cash used by operating activities:	
Income from operations	\$ 123,009
Adjustment to reconcile income from operations to net cash used by operating activities:	
Bad debt expense	17,452
Change in assets and liabilities:	
Increase in:	
Notes receivable	(1,030,759)
Accrued interest	(1,680)
Increase in:	
Deferred revenue	128,813
Net cash used by operating activities	\$ (763,165)

SUPPLEMENTAL NONCASH INFORMATION:

The Wyoming County Industrial Development Agency transferred notes less allowance for uncollectable notes of \$2,234,110, interest receivable of \$4,428 and deferred revenue of \$658,381 to the Loan Corporation during the fiscal year ending 2010.

See notes to financial statements.

WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Wyoming County Business Assistance Corporation (the Loan Corporation) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

On May 14, 2009 the Wyoming County Business Assistance Corporation, a not-for-profit, local development corporation was formed under Section 1411 of the Not-For-Profit Corporation Law of the State of New York. The Loan Corporation was formed for the sole purpose of managing business loan funds on behalf of the Wyoming County Industrial Development Agency (Agency) and is a corporation as defined in subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation Law of the State of New York. It is the policy of the Loan Corporation to comply at all times with the provisions of New York State General Municipal Law section 18A, New York State Public Authorities Accountability Act and all local laws duly established by the County of Wyoming and any town or village within Wyoming County. No activity related to the Loan Corporation occurred until the fiscal year ended December 31, 2010.

During the year ended December 31, 2010 the Agency transferred a majority of their loan activity as well as start up cash to the Loan Corporation. The remaining loans with the Agency are expected to be transferred during 2011. For financial reporting purposes the Loan Corporation is considered by management to be a blended component unit of the Agency.

The Wyoming County Industrial Development Agency (the Agency) provides certain administrative services to the Loan Corporation. In the fiscal year 2010, the Loan Corporation made a payment of \$40,000 for these services to the Agency.

B. BASIS OF PRESENTATION

The Loan Corporation's basic financial statements consist of three statements that provide information about the Loan Corporation's activities. The first statement is the statement of net assets which lists all of the Loan Corporation's assets and liabilities, with the difference reported as net assets. The net assets are classified as restricted and unrestricted net assets.

The second statement is the statement of revenues, expenses and changes in net assets which details how the Loan Corporation's net assets changed during the current year based on the reporting of the revenues and expenses recognized by the Loan Corporation. The third statement is the statement of cash flows, which reports the activities that provide or use the cash and cash equivalents of the Loan Corporation.

WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Loan Corporation are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Loan Corporation gives or receives value without directly receiving or giving equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Loan Corporation has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

D. INCOME TAXES

The Loan Corporation is exempt from federal income tax under Internal Revenue Code Section 501(C)3 and the income realized will not be subject to New York state corporate franchise tax.

E. INSURANCE

The Loan Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks have not yet exceeded commercial insurance coverage.

F. DEFERRED REVENUE

The Loan Corporation reports deferred revenue on its balance sheet. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the Loan Corporation before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the Loan Corporation has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

G. STATEMENT OF CASH FLOWS

For the purposes of the statement of cash flows the Loan Corporation considers cash to be all unrestricted and restricted cash accounts including demand accounts and certificates of deposit with an original maturity of generally three months or less.

WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

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. This affects the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

I. NET ASSETS

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets - Consists of net assets with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted".

J. SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after March 28, 2011 which is the date these financial statements were available to be issued.

NOTE 2 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. ASSETS

1. CASH AND INVESTMENTS

The Loan Corporation's investment policies are governed by State statutes. In addition, the Loan Corporation has its own written investment policy. Loan Corporation monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Loan Corporation Director is authorized to use interest bearing demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of the State of New York and its localities.

WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

Collateral is required for demand deposits and certificates of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Investment and Deposit Policy

The Loan Corporation implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

The Loan Corporation follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Executive Director of the Wyoming County Industrial Development Agency.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Loan Corporation's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Loan Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Loan Corporation's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Loan Corporation's investment and deposit policy, all deposits of the Loan Corporation including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. The Loan Corporation restricts the securities to the following eligible items:

WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

2. NOTES RECEIVABLE

The Loan Corporation provides low interest notes to businesses located in Wyoming County in order to encourage economic development. Notes receivable consisted of the following at December 31, 2010:

		<u>2010</u>
Action Enterprises, Inc.	Monthly installments of principal and interest over five years commencing once funding is received from HUD. Annual interest rate of 3.25%. This loan is being renegotiated at this time.	\$ 125,000
ACO Acquisitions, LLC	Monthly installments of principal and interest over five years commencing 03/28/08. Annual interest rate of 6.0%.	287,500
Arcade REHC I, LLC	Annual installments of principal and interest commencing 10/03/08 with balloon payment on 9/3/18. Annual interest rate of 1.0%.	490,000
Athletica, Inc.	Monthly installments of principal and interest over seven years commencing 02/29/08. Annual interest rate of 6.0%.	118,170

WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

	<u>2010</u>
Attica Millworks, Inc. Monthly installments of principal and interest over six years commencing 10/23/10. Annual interest rate of 5.25%.	144,645
Bert Heinrich, Inc. Monthly installments of principal and interest over five years commencing 09/22/05. Annual interest rate of 5.5%.	19,581
Caring Harts Transport, Inc. Monthly installments of principal and interest over five years commencing on 02/26/10. Annual interest rate of 5.0%.	23,076
Caring Harts Transport, Inc. Monthly installments of principal and interest over 15 years commencing on 11/20/10. Annual interest rate of 5.25%.	66,508
Drasgow, Inc. Monthly installments of principal and interest over twelve years commencing 01/07/07. Annual interest rate of 7.0%.	113,020
Drasgow, Inc. Monthly installments of principal over five years commencing 05/24/10. Interest rate of 5.25% was paid at closing.	25,382
Ed's Woodworks Monthly installments of principal and interest over six years commencing 01/01/06. Annual interest rate of 5%.	13,604

WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

		<u>2010</u>
Hidden Valley Animal Adventure	Six months of interest only commencing 12/12/10 and monthly installments of principal and interest over 15 years commencing 6/12/11. Annual interest rate of 5.25%	250,000
Hilec, LLC	Monthly installments of principal and interest over ten years commencing 12/07/07. Interest rate of 3.0% was paid at closing.	193,667
Hillcrest Industries, Inc.	Monthly installments of principal and interest over 10 years commencing 3/01/10. Annual interest rate of 5.25%.	187,039
In-Site Enterprises, LLC	Monthly installments of principal and interest over 15 years commencing 05/04/10. Annual interest rate of 5.25%.	98,152
M&T Trucking, Inc.	Monthly installments of principal and interest over ten years commencing 10/22/05. Annual interest rate of 3%.	174,838
M&T Trucking, Inc.	Monthly installments of principal over ten years commencing 08/01/06. Interest rate of 3% was paid at closing	137,500
Marquart Bros, LLC	Monthly installments of principal over ten years commencing on 12/31/10. Annual interest rate of 3.0% was paid at closing.	160,000

WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

		<u>2010</u>
McCormick Farms, Inc.	Annual installments of principal over ten years commencing 06/01/07. Interest rate of 3% was paid at closing	156,000
Mille Fabricators	Monthly installments of principal over ten years commencing 08/12/07. Interest rate of 3% was paid at closing. This business ceased operations and the Loan Corporation is attempting to collect on this note.	79,861
Ray Sciarrino	Monthly installments of principal and interest over five years commencing 09/01/04. Annual interest rate of 4%.	64,421
Perry NY, LLC	Monthly installments of principal and interest over fifteen years commencing 12/20/07. Annual interest rate of 6.0%.	93,018
Perry NY, LLC	Monthly installments of principal and interest over 20 years commencing 12/16/10. Annual interest rate of 6.0%.	99,764
Perry NY, LLC	Grant anticipation note. Grant funding to be provided by the Perry Area Chamber of Commerce as pass through funds from NYS Main Street Grant Program. Interest of 3% was paid at closing. Note is expected to be repaid by 08/01/2011.	60,000

WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

		<u>2010</u>
R.S. Maher & Son, Inc.	Grant anticipation note. Grant funding to be provided by Wyoming County as pass through funds from NYS OCR. Non-interest bearing loan Note repaid on 01/25/2011.	80,000
Sarah Schafer	Monthly installments of principal and interest over seven years commencing 05/08/08. Annual interest rate of 7.0%.	25,516
Sregnuoy Farms, LLC	Monthly installments of principal over ten years commencing on 7/25/10. Interest rate of 3% was paid at closing.	60,166
William G. Mest Packing Co., Inc.	Monthly installments of principal and interest over ten years commencing 10/22/05. Annual interest rate of 6.0%.	56,989
Total notes receivable		3,403,417
Less: allowance for uncollectible notes		<u>156,000</u>
Notes receivable, net		3,247,417
Less: current maturities, net		<u>417,773</u>
Notes receivable - long-term		<u>\$ 2,829,644</u>

WYOMING COUNTY BUSINESS ASSISTANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

The Loan Corporation's policy is to present notes receivable net of an allowance for uncollectible notes. At December 31, 2010, the allowance for doubtful accounts was \$156,000. During the fiscal year ended December 31, 2010, the Loan Corporation wrote-off \$39,503 of notes receivables.

All notes receivable are collateralized by assets of the respective companies.

SECTION B

INTERNAL CONTROL AND COMPLIANCE



Freed Maxick & Battaglia, CPAs, PC

INDEPENDENT AUDITOR'S 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 of the
Wyoming County Business Assistance Corporation

We have audited the financial statements of the Wyoming County Business Assistance Corporation (the Loan Corporation), a blended component unit of the Wyoming County Industrial Development Agency, as of and for the year ended December 31, 2010, and have issued our report thereon dated March 28, 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 Loan 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 Loan Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Loan Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 Loan 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 that are required to be reported under *Government Auditing Standards*.

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

Freed Maxick & Battaglia, CPAs, PC

Batavia, New York
March 28, 2011