

**COUNTY OF CHAUTAUQUA  
INDUSTRIAL DEVELOPMENT AGENCY**

**REPORT ON FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2010**

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**

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**INDEPENDENT AUDITORS' REPORT**

**To the Board of Directors**  
**County of Chautauqua Industrial Development Agency**  
**Jamestown, New York**

We have audited the accompanying financial statements of the **County of Chautauqua Industrial Development Agency** and its component unit, the Chautauqua Region Industrial Development Corporation, as of and for the year ended December 31, 2010, as listed in the Table of Contents. These financial statements are the responsibility of the **County of Chautauqua Industrial Development Agency** and Chautauqua Region Industrial Development 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 financial statements referred to above present fairly, in all material respects, the financial position of **County of Chautauqua Industrial Development Agency** and its component unit as of December 31, 2010, and the results of its operations and 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 9, 2011, on our consideration of the **County of Chautauqua Industrial Development Agency'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 is important in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 2 through 7, 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.

Our audit was performed for the purpose of forming an opinion on the financial statements of the **County of Chautauqua Industrial Development Agency** and its component unit taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the **County of Chautauqua Industrial Development Agency**. The accompanying schedule of expenditures of federal awards is presented as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and is also not a required part of the basic financial statements of **County of Chautauqua Industrial Development Agency**. Such information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York**  
**March 9, 2011**

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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**I. Discussion and Analysis**

The following is a discussion and analysis of the *County of Chautauqua Industrial Development Agency* and its component units' financial performance for the year ended December 31, 2010. This section is a summary of the Agency's financial activities based on currently known facts, decisions, or conditions. It is based on the financial statements. The results of the current year are discussed in the following paragraphs. This section is only an introduction and should be read in conjunction with the Agency's financial statements, which follow this section.

**II. Financial Highlights**

The following items are the financial highlights experienced by the *County of Chautauqua Industrial Development Agency* during the year ended December 31, 2010:

- Overall fund equity of the Agency decreased \$316,000 during the year ended December 31, 2010.
- The Agency's total revenue and other sources were approximately \$1,695,000 during 2010 as compared with \$2,084,000 during 2009.
- The Agency's total expenses and other uses were approximately \$2,011,000 during 2010 as compared to \$2,410,000 during 2009. This decrease was primarily the result of a decrease in bad debt expenses in the loan funds during the 2010 fiscal year.
- PILOT payments passed through to local governmental units were approximately \$11,201,000 during 2010 as compared to \$10,215,000 during 2009.

**III. Overview of the Financial Statements**

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information.

**III. Overview of the Financial Statements  
(continued)**

**A. Reporting the Agency as a Whole (Government-wide Financial Statements):**

The government-wide statements report information about the entity as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

**1. Combined Balance Sheet-All Fund Types**

The Combined Balance Sheet (page 8) shows the "assets" (what is owned), "liabilities" (what is owed) and the "fund equity" (the resources that would remain if all obligations were settled) of the Agency. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are designated for certain purposes or reserved for emergencies and cash flow purposes. Some assets are available to fund budgets of the following year.

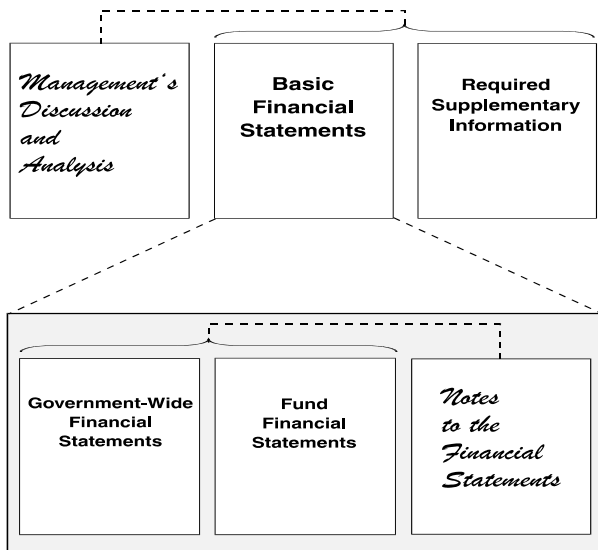
**2. Combined Statement of Revenue, Expenditures, and Changes in Fund Equity-All Fund Types**

The Combined Statement of Revenue Expenditures and Changes in Fund Equity (page 9) shows the amounts of program-specific and general Agency revenue used to support the Agency's various functions.

The two government-wide statements report the Agency's fund equity and how they have changed. Fund equity – the difference between the Agency's assets and liabilities – is one way to measure the Agency's financial health or position. Over time, increases or decreases in the Agency's fund equity are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the Agency's overall health additional non-financial factors also need to be considered.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**Figure A-2 - Required Components of the Agency's Annual Financial Report**



**Summary** ↔ **Detail**

**IV. Financial Analysis of the Agency as a Whole**

**Fund Equity**

The Agency's total entity-wide fund equity at December 31, 2010 was approximately \$12,806,000. This includes: capital assets, net of related debt of \$345,000, restricted net assets of \$12,143,000; and undesignated net assets of \$318,000.

**Revenue**

The Agency's total revenue and other sources were approximately \$1,695,000 during the year ended December 31, 2010. The Agency also received approximately \$11,241,000 of pass-through revenue during the year ended December 31, 2010. The Agency acts as an intermediary for these funds, and appropriately recognizes each pass-through amount as an expenditure upon distribution.

Figure A-4 presents the major sources of revenue of the Agency. The most significant sources of governmental revenue in the Agency are more thoroughly discussed as follows:

- Rental revenue which represents approximately 26% of the Agency's total revenue increased by \$35,000 during the year ended December 31, 2010. This increase was primarily attributable to rental revenue received from new leases in 2010.

**IV. Financial Analysis of the Agency as a Whole (continued)**

**Revenue (continued)**

- Revenue from application fees decreased \$197,000 during the year ended December 31, 2010. This decrease primarily resulted from a decrease in applications processed during the current year.
- Revenue from interest income decreased \$104,000 during the year ended December 31, 2010. This decrease was primarily related to the Chadwick Bay Spec Building Note not being paid during 2010. The note was written off in early 2010. Additionally, all new 2010 AI Tech loans are now closed at 4% rate as opposed the 5% of previous years.

**Expenses**

The total cost of all programs and services of the Agency was approximately \$2,011,000. The Agency's expenses consist primarily of grant expenses, business incentives, in-kind expenditures, depreciation, interest expense and general and administrative expenses.

The Agency's expenses are more thoroughly discussed as follows:

- The Agency's total costs were approximately \$2,011,000 during the year ended December 31, 2010 as compared with \$2,410,000 during the year ended December 31, 2009. This decrease in expenses was the primarily the result of a reduction in bad debt expense of approximately \$423,000.
- The Agency's management and administration costs were approximately \$986,000 during the year ended December 31, 2010 as compared with \$960,000 during the year ended December 31, 2009. This increase in management and administration costs was mainly the result of an increase in payroll and benefits due to increases in personnel to manage the Agency's loan funds.
- The Agency by its very design often functions as a lender of last resort. Because of this, management is constantly challenged to evaluate its loan portfolio with respect to its collectability. At December 31, 2010, the Agency has reserved against potential uncollectible loans as follows: \$98,365 for the Chautauqua Revolving Loan Fund, \$474,131 for the AI-Tech Trust Fund and \$18,934 for the CRIDC Loan Fund.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

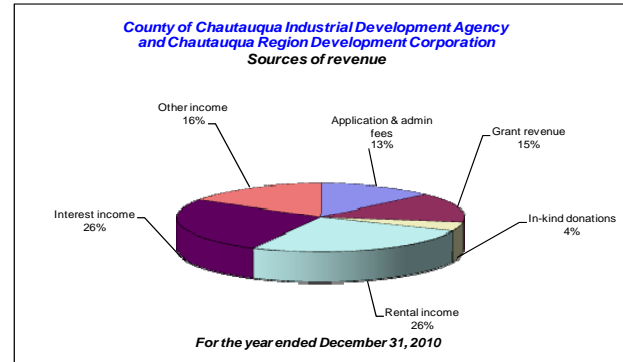
**Figure A-3 - Combined Balance Sheet**

<i>County of Chautauqua Industrial Development Agency and Chautauqua Region Industrial Development Agency Combined Balance Sheet (in thousands of dollars)</i>			
	Total Government-wide		
	2010	2009	% Change
<b>Assets</b>			
Current and other assets	\$ 5,448	\$ 10,425	-48%
Capital assets, net	2,587	2,638	-2%
Other assets	8,354	11,011	-24%
<b>Total assets</b>	<b>\$ 16,389</b>	<b>\$ 24,074</b>	<b>-32%</b>
<b>Liabilities</b>			
Current liabilities	\$ 524	\$ 6,128	-91%
Long-term liabilities	3,059	4,823	-37%
<b>Total liabilities</b>	<b>3,583</b>	<b>10,951</b>	<b>-67%</b>
<b>Net assets</b>			
Unrestricted			
Invested in capital assets, net of related debt	345	50	590%
Restricted	12,143	11,813	3%
Undesignated	318	1,260	-75%
<b>Total net assets</b>	<b>12,806</b>	<b>13,123</b>	<b>-2%</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,389</b>	<b>\$ 24,074</b>	<b>-32%</b>

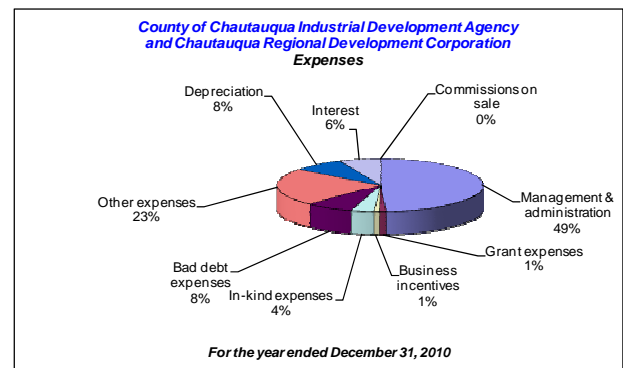
**Figure A-4 Statement of Revenue & Expenses**

<i>County of Chautauqua Industrial Development Agency and Chautauqua Region Industrial Development Agency Changes in Net Assets from Operating Results (in thousands of Dollars)</i>			
	Total Government-wide		
	2010	2009	% Change
<b>Revenue</b>			
Application & administration fees	\$ 220	\$ 417	-47%
Grant income	244	374	-35%
In-kind donations	70	102	-31%
Rental income	443	408	9%
Interest income	442	546	-19%
Other income	276	237	16%
<b>Total revenue</b>	<b>1,695</b>	<b>2,084</b>	<b>-19%</b>
<b>Expenses</b>			
General and administrative	986	960	3%
Grant expenses	23	278	-92%
Business incentives	18	48	-62%
In-kind expenditures	70	102	-31%
Bad debt expenses	150	573	-74%
Other expenses	469	165	184%
Depreciation	165	138	20%
Interest expense	130	146	-11%
<b>Total expenses</b>	<b>2,011</b>	<b>2,410</b>	<b>-17%</b>
<b>Change in net assets</b>	<b>\$ (316)</b>	<b>\$ (326)</b>	

**Figure A-5 Sources of Revenue**



**Figure A-6 - Expenses**



**V. Financial Analysis of the Agency Funds**

**Industrial Development Agency (IDA)**

**Fund Equity**

During the current year, IDA general fund total expenses exceeded total revenue by \$657,000. Total fund equity decreased to \$467,000 from \$1,124,000.

**Revenue**

During the current year, total general fund revenue and other sources were \$1,001,000 as compared with \$1,267,000 during 2009. This decrease was primarily the result of a decrease in application fees.

**Expenses**

During the current year, total general fund expenses were \$1,658,000 as compared with \$1,547,000 during 2009. This increase was primarily the result of carrying costs associated with a 300,000 square foot distribution center purchased in December 2009.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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**V. Financial Analysis of the Agency Funds**

**Chautauqua Revolving Loan Fund (CRLF)**

The IDA operates a revolving loan fund which originated from grant revenue received from the Appalachian Regional Commission for the purpose of extending loans to companies for eligible energy improvements. This fund is operated on a revolving basis and is administered by the IDA.

Fund Equity

During the current year, the CRLF's total revenue exceeded total expenses by approximately \$12,000 causing total fund equity to increase from \$661,000 to \$673,000.

Revenue

During the current year, total revenue of the CRLF was \$26,000 as compared with \$30,000 during 2009. This decrease was primarily the result of a decrease in interest earned.

Expenses

During the current year, total expenses of the CRLF were \$14,000 as compared with \$170,000 during 2009. This decrease was attributable to a decrease in bad debt expense related to loan funds.

**AI-Tech Trust Fund**

The AI Tech Trust Fund was established as a result of a \$10,000,000 grant from the U.S. Economic Development Administration (EDA) to Chautauqua and Albany Counties. Pursuant to a letter dated April 20, 2006, the EDA authorized a transfer of the AL Tech Trust Fund to the IDA, which was previously administered by the Job Development Authority (JDA).

Fund Equity

During the current year, the AI-Tech Trust Fund total revenue exceeded total expenses by approximately \$318,000 causing total fund equity to increase from \$11,152,000 to \$11,470,000 as of December 31, 2010.

Revenue

During the current year, total revenue and other sources of AI-Tech Trust Fund was \$437,000 as compared with \$474,000 during the prior year. The decrease was primarily the result of a decrease in interest earnings as compared with the prior year.

**V. Financial Analysis of the Agency Funds  
(continued)**

**AI-Tech Trust Fund**

Expenses

During the current year, total expenses of the AI-Tech Trust Fund were \$118,000, as compared with \$482,000 during the prior year. This decrease primarily resulted from a decrease in the write-off of uncollectible loans.

**Chautauqua Region Industrial Development Corporation (CRIDC)**

Chautauqua Region Industrial Development Corporation was incorporated in 1986 under the Non-profit Corporation Law for the purpose of: relieving and reducing unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, etc. The financial statements of CRIDC are treated as a blended component unit and are included in the audit report with the Industrial Development Agency.

Fund Equity

During the current year, the CRIDC's total revenue exceeded total expenses by approximately \$4,000 causing total fund equity to increase from \$150,000 to \$154,000.

Revenue

During the current year, total revenue of CRIDC was \$225,000 as compared with \$313,000 during 2009. This decrease was primarily related to a \$125,000 grant received from the CCIDA in 2009 to be utilized for future economic development.

Expenses

During the current year, total expenses of CRIDC were \$221,000 as compared with \$171,000 during 2009. This increase was primarily the result of an increase in property taxes and utility costs.

**CRIDC Economic Development Revolving Loan Fund**

In 1998, CRIDC established an economic development program using funds from the County's Economic Development Fund (EDF) for funding assistance for certain economic development opportunities that primarily are not fundable through other public financing services.

Fund Equity

During the current year, the CRIDC Economic Development Revolving Loan Fund total revenue exceeded total expenses by approximately \$6,000 and total fund equity increased from \$36,000 to \$41,000.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**V. Financial Analysis of the Agency Funds  
(continued)**

**CRIDC Economic Development Revolving Loan Fund**

Revenue

During the current and prior years, total revenue of CRIDC Economic Development Loan Fund was approximately \$6,000.

Expenses

During the current year, total expenses of the CRIDC Economic Development Revolving Loan Fund were \$284.

**VI. Capital Asset and Debt Administration**

Capital Assets

As depicted in Figure A-7, as of December 31, 2010, the Agency and its component unit had invested approximately \$2,587,000 in a broad range of capital assets, including industrial parks, buildings and furniture and equipment. Capital additions made during the year ended December 31, 2010, totaled approximately \$115,000. More detailed information about the Agency's capital assets is presented in the notes of the financial statements.

Long-term Debt

As depicted in Figure A-8, as of December 31, 2010, the Agency and its component units had approximately \$3,296,000 in bonds, notes payable and other liabilities, decrease of approximately 37% as compared with the previous year. This decrease was primarily the result of a default on a note between Lorenzo International and the CCIDA. The default on the note ultimately resulted in the property being transferred to Chautauqua County in the current year.

**VI. Capital Asset and Debt Administration (continued)**

**Figure A-7 – Capital Assets**

<i>County of Chautauqua Industrial Development Agency and Chautauqua Region Industrial Development Agency</i>			
<b>Capital Assets</b>			
	2010	2009	Change
Building	\$ 2,416	\$ 2,375	2%
SPEC Buildings	2,866	2,793	3%
Improvements	106	106	0%
Equipment	119	119	0%
Accumulated depreciation	(2,920)	(2,755)	-6%
<b>Capital Assets - net</b>	<b>\$ 2,587</b>	<b>\$ 2,638</b>	<b>-2%</b>

**Figure A-8 – Long-term Debt**

<i>County of Chautauqua Industrial Development Agency and Chautauqua Region Industrial Development Agency</i>			
<b>Long-term Debt</b>			
	2010	2009	Change
Bond - Chadwick Bay SPEC Building	\$ -	\$ 1,899	-100%
Bond - Stoneman Park SPEC Building	1,825	1,891	-3%
Bond - Allen Street	700	700	0%
Notes payable - NYSJDA	345	345	0%
Other bonds	426	436	-2%
<b>Total long-term debt</b>	<b>\$ 3,296</b>	<b>\$ 5,271</b>	<b>-37%</b>

**VII. Factors Bearing on the Agency's Future**

At the time these financial statements were prepared and audited, the Agency was aware of the following existing circumstances that could significantly affect its financial health in the future:

- On February 22, 2011, the Agency closed on the sale of the Allen Street Distribution Center for \$1,000,000. The sale resulted in an approximate gain of \$591,000.
- In future years, the Agency expects an increase in fee income due to the placement of wind farms throughout the County. Although placement of these wind farms has been delayed, management continues to project and expect an increase in fee income as a result of their placement.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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**VIII. Contacting the Agency's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the Agency and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

County of Chautauqua Industrial Development Agency  
Mr. William Daly, Administrative Director/CEO  
Mr. Richard Dixon, CFO  
200 Harrison Street  
Jamestown, New York 14701

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY  
COMBINED BALANCE SHEET - ALL FUNDS**

As of December 31, 2010

	CCIDA			CRIDC		(Memo Only) Total Reporting Entity
	Industrial Development Agency	Chautauqua Revolving Loan Fund	AI- Tech Trust Fund	CRIDC	Econ. Dev. Revolving Loan Fund	
<b>Assets</b>						
<b>Current</b>						
Cash and cash equivalents	\$ 289,148	\$ 120,355	\$ 3,422,181	\$ 113,074	\$ 29,948	\$ 3,974,706
Accounts receivable	66,000	--	--	4,003	--	70,003
Current portion, notes receivable	--	122,819	1,269,060	--	11,043	1,402,922
Total current assets	<b>355,148</b>	<b>243,174</b>	<b>4,691,241</b>	<b>117,077</b>	<b>40,991</b>	<b>5,447,631</b>
<b>Property and equipment, net</b>	<b>2,284,003</b>	<b>--</b>	<b>--</b>	<b>303,071</b>	<b>--</b>	<b>2,587,074</b>
<b>Other assets</b>						
Notes receivable, net of current portion	--	528,293	7,253,094	60,000	19,424	7,860,811
Allowance for uncollectible notes receivable	--	(98,365)	(474,131)	--	(18,934)	(591,430)
Land held for resale	1,054,712	--	--	30,488	--	1,085,200
Total other assets	<b>1,054,712</b>	<b>429,928</b>	<b>6,778,963</b>	<b>90,488</b>	<b>490</b>	<b>8,354,581</b>
	<b>\$ 3,693,863</b>	<b>\$ 673,102</b>	<b>\$ 11,470,204</b>	<b>\$ 510,636</b>	<b>\$ 41,481</b>	<b>\$ 16,389,286</b>
<b>Liabilities and Fund Equity</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 55,433	\$ --	\$ --	\$ 11,046	\$ --	\$ 66,479
Due to other governments	13,874	--	--	--	--	13,874
Accrued liabilities	2,602	--	--	--	--	2,602
Accrued interest	53,249	--	--	--	--	53,249
Deferred revenue	150,120	--	--	--	--	150,120
Current portion of long-term debt	214,915	--	--	22,286	--	237,201
Total current liabilities	<b>490,193</b>	<b>--</b>	<b>--</b>	<b>33,332</b>	<b>--</b>	<b>523,525</b>
<b>Long-term liabilities</b>						
Long-term debt, net of current portion	<b>2,736,428</b>	<b>--</b>	<b>--</b>	<b>322,924</b>	<b>--</b>	<b>3,059,352</b>
<b>Total liabilities</b>	<b>3,226,621</b>	<b>--</b>	<b>--</b>	<b>356,256</b>	<b>--</b>	<b>3,582,877</b>
<b>Fund equity</b>						
Invested in capital assets, net of related debt	387,372	--	--	(42,139)	--	345,233
Restricted	--	673,102	11,470,204	--	--	12,143,306
Undesignated	79,870	--	--	196,519	41,481	317,870
Total fund equity	<b>467,242</b>	<b>673,102</b>	<b>11,470,204</b>	<b>154,380</b>	<b>41,481</b>	<b>12,806,409</b>
	<b>\$ 3,693,863</b>	<b>\$ 673,102</b>	<b>\$ 11,470,204</b>	<b>\$ 510,636</b>	<b>\$ 41,481</b>	<b>\$ 16,389,286</b>

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY  
 COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND  
 CHANGES IN FUND EQUITY - ALL FUNDS**

Year ended December 31, 2010

	CCIDA			CRIDC		(Memo Only) Total Reporting Entity
	Industrial Development Agency	Chautauqua Revolving Loan Fund	AI- Tech Trust Fund	CRIDC	Econ. Dev. Revolving Loan Fund	
<b>Revenue</b>						
Application and administration fees	\$ 195,500	\$ 1,500	\$ 22,696	\$ 675	\$ --	\$ 220,371
Grant income	244,092	--	--	--	--	244,092
In-kind donations	70,415	--	--	--	--	70,415
Rental income	219,442	--	--	223,307	--	442,749
Interest income	2,624	24,510	414,222	677	151	442,184
Other income	268,703	--	--	1	6,066	274,770
<b>Total revenue</b>	<b>1,000,776</b>	<b>26,010</b>	<b>436,918</b>	<b>224,660</b>	<b>6,217</b>	<b>1,694,581</b>
<b>Expenditures</b>						
General and administrative	688,478	13,949	118,437	164,902	--	985,766
Grant expenses	23,468	--	--	--	--	23,468
Business incentives	18,138	--	--	--	--	18,138
Consultants	27,795	--	--	--	284	28,079
Industrial Park expenses	440,605	--	--	--	--	440,605
In-kind expenditures	70,415	--	--	--	--	70,415
Bad debt expense	149,696	297	--	--	--	149,993
Depreciation	123,219	--	--	41,826	--	165,045
<b>Total expenses</b>	<b>1,541,814</b>	<b>14,246</b>	<b>118,437</b>	<b>206,728</b>	<b>284</b>	<b>1,881,509</b>
<b>Excess (deficiency) of revenue over expenditures before financing sources and pass-throughs</b>	<b>(541,038)</b>	<b>11,764</b>	<b>318,481</b>	<b>17,932</b>	<b>5,933</b>	<b>(186,928)</b>
<b>Other financing uses</b>						
Interest expense	(115,875)	--	--	(13,808)	--	(129,683)
	<b>(115,875)</b>	<b>--</b>	<b>--</b>	<b>(13,808)</b>	<b>--</b>	<b>(129,683)</b>
<b>Pass-through transactions</b>						
State and local grant revenue	40,324	--	--	--	--	40,324
State and local grant expenditures	(40,324)	--	--	--	--	(40,324)
Revenue - PILOT	11,200,692	--	--	--	--	11,200,692
Expenditures - PILOT	(11,200,692)	--	--	--	--	(11,200,692)
	--	--	--	--	--	--
<b>Excess (deficiency) of revenue and other sources over expenditures</b>	<b>(656,913)</b>	<b>11,764</b>	<b>318,481</b>	<b>4,124</b>	<b>5,933</b>	<b>(316,611)</b>
Fund equity, beginning	1,124,155	661,338	11,151,723	150,256	35,548	13,123,020
<b>Fund equity, ending</b>	<b>\$ 467,242</b>	<b>\$ 673,102</b>	<b>\$ 11,470,204</b>	<b>\$ 154,380</b>	<b>\$ 41,481</b>	<b>\$ 12,806,409</b>

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**COMBINED STATEMENT OF CASH FLOWS - ALL FUNDS**

Year ended December 31, 2010

	CCIDA			CRIDC		(Memo Only) Total Reporting Entity
	Industrial Development Agency	Chautauqua Revolving Loan Fund	AI-Tech Trust Fund	CRIDC	Econ. Dev. Revolving Loan Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received entities assisted	\$ 195,500	\$ 1,500	\$ 22,696	\$ (3,328)	\$ --	\$ 216,368
Grant income	200,668	--	--	--	--	200,668
Rental income	389,468	--	--	216,526	--	605,994
Cash received on PILOT's	11,200,692	--	--	--	--	11,200,692
Cash paid to contractors	(805,882)	(13,949)	(118,437)	(162,940)	(284)	(1,101,492)
Cash paid to employees	(296,686)	--	--	--	--	(296,686)
Cash payments on PILOTs	(16,624,210)	--	--	--	--	(16,624,210)
Other receipts	293,703	--	--	1	--	293,704
Interest paid	(97,134)	--	--	(13,808)	--	(110,942)
Interest received	2,624	24,510	414,222	677	151	442,184
<b>Net cash provided by (used in) operating activities</b>	<b>(5,541,257)</b>	<b>12,061</b>	<b>318,481</b>	<b>37,128</b>	<b>(133)</b>	<b>(5,173,720)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Issuances of mortgages and notes receivable	--	(175,000)	(1,564,590)	(60,000)	--	(1,799,590)
Collections on mortgages and notes receivable	--	228,803	2,685,141	--	--	2,913,944
Capital expenditures	(73,531)	--	--	(41,080)	--	(114,611)
<b>Net cash provided by (used in) investing activities</b>	<b>(73,531)</b>	<b>53,803</b>	<b>1,120,551</b>	<b>(101,080)</b>	<b>--</b>	<b>999,743</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Principal payments on long-term debt	(157,596)	--	--	--	--	(157,596)
<b>Net cash used in investing activities</b>	<b>(157,596)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(157,596)</b>
<b>Net change in cash</b>	<b>(5,772,384)</b>	<b>65,864</b>	<b>1,439,032</b>	<b>(63,952)</b>	<b>(133)</b>	<b>(4,331,573)</b>
Cash, beginning of year	6,061,532	54,491	1,983,149	177,026	30,081	8,306,279
<b>Cash, end of year</b>	<b>\$ 289,148</b>	<b>\$ 120,355</b>	<b>\$ 3,422,181</b>	<b>\$ 113,074</b>	<b>\$ 29,948</b>	<b>\$ 3,974,706</b>
<b>Reconciliation of change in net assets to net cash provided by (used in) operating activities:</b>						
Change in net assets	\$ (656,913)	\$ 11,764	\$ 318,481	\$ 4,124	\$ 5,933	\$ (316,611)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Depreciation and amortization	123,219	--	--	41,826	--	165,045
Bad debt expense (recovery of bad debts)	149,696	297	--	--	(6,066)	143,927
Change in operating assets and liabilities:						
Accounts receivable	170,026	--	--	(4,003)	--	166,023
Prepaid expenses	61,656	--	--	--	--	61,656
Due to other governments	(5,426,504)	--	--	--	--	(5,426,504)
Accounts payable	36,603	--	--	1,962	--	38,565
Accrued liabilities	643	--	--	--	--	643
Accrued interest	18,741	--	--	--	--	18,741
Deferred revenue	(18,424)	--	--	(6,781)	--	(25,205)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (5,541,257)</b>	<b>\$ 12,061</b>	<b>\$ 318,481</b>	<b>\$ 37,128</b>	<b>\$ (133)</b>	<b>\$ (5,173,720)</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>						
Cash paid during the year for:						
Interest	\$ 97,134	\$ --	\$ --	\$ 13,808	\$ --	\$ 110,942

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I. Significant Accounting Policies**

The accompanying general purpose financial statements of the **County of Chautauqua Industrial Development Agency** have been prepared in conformity with accounting principles generally accepted in the United States of America for governments as prescribed by the Governmental Accounting Standards Board which is the standard setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The **County of Chautauqua Industrial Development Agency** (the "Agency") was established as a public benefit corporation under Title I, Article 18A of General Municipal Law of the State of New York and signed into law by the Governor, March 22, 1972. The purpose of the Agency is to promote, develop, encourage, and assist in the acquiring, constructing and maintaining of industrial and manufacturing facilities. The Agency is exempt from federal and state income taxes. As required by generally accepted accounting principles, these financial statements present the County of Chautauqua Industrial Development Agency (the primary government) and its component unit. The component unit discussed in Note 2 is included in the Agency's reporting entity because of the significance of its operational and financial relationship with the Agency.

**B. Basis of Accounting**

The Agency's accounts are maintained on an accrual basis whereby revenue is recognized when earned and expenses are recorded when incurred.

**C. Fund Accounting**

The Agency uses funds to report on its financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

**General Operating Fund**

The general operating fund of the Agency is used to account for all financial transactions except those required to be accounted for and reported in another fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Fund Accounting (continued)**

**AI-Tech Loan Funds**

Pursuant to a letter dated April 20, 2006, the Economic Development Authority (EDA) authorized a transfer of the AI Tech Trust Fund to the **County of Chautauqua Industrial Development Agency**, which previously served as a project packager assisting local industry in preparing the loan packages and recommending local industries for loans from the fund. Beginning in September 2006, the Agency began reviewing and approving loans from the Trust Fund, and otherwise performing all administrative functions for the Fund that had previously been performed by the Job Development Authority. The Agency reports the assets and liabilities of the AI Tech Trust Fund as a special revenue fund in its financial statements.

**Chautauqua Revolving Loan Fund**

The Chautauqua Revolving Loan Fund originated from grant revenue received from the Appalachian Regional Commission for the purpose of extending loans to companies for eligible energy improvements. This fund is now operated on a revolving basis and is administered by the **County of Chautauqua Industrial Development Agency**. As principal and interest is repaid, the proceeds are used to extend financing to other companies. The Agency has developed new standards for advancing proceeds from the fund. These standards have the broader purpose of fostering both job growth as well as the retention of existing jobs, by assisting existing business and industry or for the purpose of providing seed capital to start up ventures.

**Chautauqua Region Industrial Development Corporation and CRIDC Economic Development Revolving Loan Fund**

The Agency has a component unit, the Chautauqua Region Industrial Development Corporation (CRIDC) and its Economic Development Revolving Loan Fund which is further described in Note 2 of the financial statements.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Cash and Cash Equivalents**

The Agency includes all highly liquid investments with original maturities of 90 days or less in cash and cash equivalents on the accompanying balance sheet. Bank balances are collateralized through the Federal Deposit Insurance Corporation and with securities held by the pledging financial institution's trust department in the Agency's name. As of December 31, 2010, the Agency was fully collateralized.

**E. Investments**

Short-term investments consist of certificates of deposit with maturities greater than 90 days.

**F. Fair Value of Financial Instruments**

The Agency has a number of financial instruments, none of which are held for trading purposes. Management estimates that the fair value of all financial instruments at December 31, 2010, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

**G. Industrial Development Revenue Bonds and Civic Facility Bonds**

Industrial development revenue bonds issued by the Agency are secured by the properties which are leased to companies and are retired by lease payments. Civic facility bonds issued by the Agency include facilities owned or operated by New York State Not-for-Profit Corporations. The industrial development revenue and civic facility bonds are not obligations of the Agency, County, or State. The Agency does not record the assets or liabilities resulting from any such bond issuance in its financial statements since its primary function is to arrange the financing between the borrowing companies and the bondholders and funds arising from the issuance are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administrative fees from the borrowing companies. Such administrative fee income is recognized immediately upon receipt after issuance of the bonds.

In May 2009, the Agency formed a non-profit organization under the name of Chautauqua County Capital Resource Corporation. This entity has the ability to provide such financing to non-profit organizations in the future.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Tax Lease Program**

The Agency maintains tax lease and PILOT (payment in lieu of tax) programs. These programs are offered to companies who acquire, construct or substantially renovate facilities suitable for manufacturing, warehousing, research and development and other industrial purposes. Under the tax lease program, title to the property is conveyed to the Agency through the term of the lease agreement. Transfer of title removes the property from the tax rolls and the project assumes a tax-exempt nature, abating real property taxes, sales tax and mortgage taxes. A lease is written between the company as lessee and the **County of Chautauqua Industrial Development Agency** as lessor, which specifies that the company will retain operational control of the project. At the end of the lease term, title to the assets is returned to the company. The Agency does not record assets acquired under the lease program since the Agency's primary function is to provide state and local tax benefits to the lessee. The Agency receives lease administrative fees from the lessee for providing the service.

Both the PILOT and tax lease programs are governed by New York State statute. The Agency has the local authority to offer real property tax abatement as an inducement for industrial development projects. The Agency can affix the tax abatement discount at a rate necessary to satisfactorily complete a project. Under special circumstances defined by NYS statute, the Agency has the authority to also provide real property tax abatement to both commercial and/or retail projects located within areas designated to be of high distress. The Agency's current standard PILOT program is a real property tax abatement of 50% of the total tax liability for a period not to exceed ten years. The PILOT agreement is the instrument by which the discounted tax payments to be made are structured. All taxing jurisdictions receive payments in the same proportion as if the entire tax amount were paid.

A PILOT agreement and tax lease can run concurrently, but are not required to be used together. It is possible to structure a PILOT without an accompanying tax lease agreement.

The Agency's PILOT program generated approximately \$11,201,000 in 2010 for local municipalities.

**I. Property and Equipment**

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated on the straight-line method for buildings and an accelerated method for equipment over the estimated useful asset life which ranges from three to thirty-nine years.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Land Held for Resale**

The Agency has valued the original land in the industrial parks to approximate costs with any additions to the parks being valued at cost.

Original land, net of sales	\$ 136,588
Purchased land – Ripley, New York	78,764
Subsequent additions and improvements-IDA	839,360
Subsequent additions and improvements-CRIDC	<u>30,488</u>
Total Land Held for Resale	<u>\$ 1,085,200</u>

**K. Use of Estimates**

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenditures. Actual results could differ from those estimates.

**L. Total Columns on Financial Statements**

The columns of the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles.

**M. Income Tax Status**

CRIDC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and from New York State income taxes under Article 7-A of the Executive Law and New York Estates, Powers, and Trusts Law. Therefore, no provision has been made for federal or New York State income taxes in the accompanying financial statements. In addition, the Agency qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Agency other than a private foundation under Section 509(a)(2).

CRIDC has assessed its filing status under the sections of the Internal Revenue Code and New York State Executive Law referenced above and concluded that the Agency meets the requirements to be considered a public charity. Tax filings that remain subject to examination by taxing authorities include years 2007 and later.

**NOTE 2 - COMPONENT UNIT**

The Board of Chautauqua Region Industrial Development Corporation (CRIDC) consists of all members of the **County of Chautauqua Industrial Development Agency's** Board of Directors.

CRIDC was incorporated in 1986 under Section 402 of the Not-for-Profit Corporation Law. The purposes of the Corporation are: the relieving and reducing of unemployment, promoting and providing for additional and maximum employment, bettering and maintaining job opportunities, instructing or training individuals to improve or develop their capabilities for such jobs, carrying on scientific research for the purpose of aiding a community or geographical area by attracting new industry to the community or area, lessening the burdens of government, and acting in the public interest.

The Corporation was formed to replace the Jamestown Area Development Corporation which was created as a for-profit corporation and as such could not properly act as a conduit between the **County of Chautauqua Industrial Development Agency** and the New York Job Development Authority. The Corporation operates the incubator project located at a building it owns, also known as the Riverside Industrial Center.

In 1998, CRIDC established an economic development program using funds from the County's Economic Development Fund (EDF) for funding assistance for certain economic development opportunities that are not eligible for financing through other public financing sources. CRIDC is responsible for promoting the availability of the program to businesses and industries needing such financing assistance. Assistance will be granted to those businesses and industries who may wish to locate, expand or modernize in Chautauqua County. CRIDC encourages funding from this program as a means to improve the economy and quality of life in Chautauqua County. Applications for funding under this program are reviewed by members of the CRIDC Board of Directors.

The financial statements of CRIDC and its economic development program are treated as a blended component unit and are included in this audit report for the year ended December 31, 2010.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2010:

	<b>2009</b>				<b>2010</b>
	<b>Balance</b>	<b>Additions</b>	<b>Deletions</b>		<b>Balance</b>
IDA:					
Building	\$ 271,203	\$ --	\$ --		\$ 271,203
Furniture and equipment	118,980	--	--		118,980
SPEC building:					
Stoneman Park	2,754,210	--	--		2,754,210
Improvements	38,477	73,531	--		112,008
West End Improvements	53,848	--	--		53,848
Other improvements	52,353	--	--		52,353
	<hr/>				<hr/>
	3,289,071	73,531	--		3,362,602
Less: accumulated depreciation	(955,380)	(123,219)	--		(1,078,599)
	<hr/>	<hr/>	<hr/>		<hr/>
	2,333,691	(49,688)	--		2,284,003
	<hr/>				<hr/>
CRIDC:					
Building	2,103,929	41,080	--		2,145,009
Less: accumulated depreciation	(1,800,112)	(41,826)	--		(1,841,938)
	<hr/>	<hr/>	<hr/>		<hr/>
	303,817	(746)	--		303,071
	<hr/>				<hr/>
Total	<u>\$ 2,637,508</u>	<u>\$ (50,434)</u>	<u>\$ --</u>		<u>\$ 2,587,074</u>

The Agency is leasing the Stoneman Park Facility to a tenant who has an option to buy clause. Depreciation expense relating to property and equipment was \$123,219 for the IDA and \$41,826 for the CRIDC during the year ended December 31, 2010.

**NOTE 4 - INDUSTRIAL PARK EXPENSES**

These costs include Chadwick Bay Industrial Water District charges, South County Industrial Park real estate taxes, engineering and related development expenses of the Industrial Park. During the current year, the Agency incurred costs in the amount of approximately \$306,000 related to Allen Street Distribution Center which was purchased in December 2009. As described in Note 16, this property was sold during February 2011.

**NOTE 5 - DEFERRED REVENUE**

Deferred revenue of the *County of Chautauqua Industrial Development Agency* includes special projects grant income received but not yet disbursed and other income received but not yet earned.

During 2010, the Agency received a \$25,000 down payment from a corporation for the option to purchase property. This amount was included as deferred revenue at December 31, 2010 as it will be applied towards the purchase price of the property.

During 2007, the Agency received a grant in the amount of \$208,000 from New York State Dormitory Authority related to railroad improvements. The Agency did not incur any expenditures related to the grant until 2008, at which time, \$176,961 was expended. The Agency did not incur any expenditures related to the grant in 2010 and 2009. The unexpended amount of \$31,039 remains in deferred revenue at December 31, 2010.

**NOTE 5 - DEFERRED REVENUE (CONTINUED)**

During 2009 and 2006, the Agency received \$250,000 and \$600,000, respectively, from the County of Chautauqua for improving economic conditions in the town of Ripley, NY through the origination of programs and activities aimed at stimulating job creation and retention, and making capital improvements. During the period July 1, 2006 through December 31, 2009, the Agency expended \$715,595, related to project. Costs incurred in the current year totaled \$40,324. The agreement between the Agency and the County of Chautauqua was extended to March 31, 2012. At December 31, 2010, \$94,081 of the grant amount received remains unspent and recorded as deferred revenue.

**NOTE 6 - DUE TO OTHER GOVERNMENTS**

As of December 31, 2010 the outstanding balance in due to other governments is equal to \$13,874. Of this total, \$13,167 is related to funds held in escrow for the Ripley-Westfield project.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

**NOTE 7 - USE OF FACILITIES**

The Riverside Industrial Center, a 107,000 square foot building owned by CRIDC (component unit) is being used as an incubator facility for emerging companies and is also leased to other not-for-profit organizations. The Agency utilized office space in the Riverside Industrial Center with rent of \$1,853 per month being paid on its behalf by the County of Chautauqua.

**NOTE 8 - CONTINGENCIES**

The Agency receives funding from federal, state and local governmental sources. This funding is dependent on current economic conditions and community needs as defined by the governmental units. The contracts related to these programs could be terminated or significantly reduced with minimal notice.

Disallowances, if any, as a result of audit by a grantor may become liabilities of the Agency. Management believes that no material disallowances will result from any audits by grantor agencies.

**NOTE 9 - NOTES RECEIVABLE**

**Chautauqua Revolving Loan Fund**

Donut Connection, 4% interest bearing note receivable, \$499 per month including interest through September 1, 2017.	\$ 49,984
McHone Industries, 4% interest bearing note receivable, \$1,025 per month including interest through October 1, 2010.	1,022
MW Clark Supply, Inc., 4% interest bearing note receivable, \$645, per month including interest through May 1, 2011.	3,191
MW Clark Supply, Inc., (loan awarded during 2010), 4% interest bearing note receivable, \$460, per month including interest through April 1, 2015.	21,948
Willston Enterprises, 5% interest bearing note receivable, \$795, per month including interest through January 1, 2018.	56,841
Phoenix Metal, 5% interest bearing note receivable, \$795, per month including interest through January 1, 2018.	56,841
Genesee Outfitters, 5% interest bearing note receivable, \$1,060, per month including interest through May 1, 2015. Loan is currently non performing and the CCIDA is working with owner to complete sale of the business.	64,246
Kiebler Recreation, LLC, 5% interest bearing note receivable, \$1,415, per month including interest through July 1, 2013.	49,646

**NOTE 9 - NOTES RECEIVABLE (CONTINUED)**

**Chautauqua Revolving Loan Fund (Continued)**

East Main Complex, LLC, 5% interest bearing note receivable, \$764, per month including interest through March 1, 2018.	\$ 55,633
Jamestown Scientific, 5% interest bearing note receivable, \$793, per month including interest through March 1, 2013.	20,200
Circle Mechanical, Inc., 4% interest bearing note receivable, \$1,289 per month including interest through October 1, 2014. Entered into an interest only agreement for period from July 1, 2010 through December 1, 2010.	61,454
Dunkirk Metal Products, Inc., 4% interest bearing note receivable, \$1,917, per month including interest through November 1, 2012. Loan was in default at year end and the agency is working with lenders and new management to alleviate the situation.	65,587
Maytum Company, (loan awarded during 2010), 4% interest bearing note receivable, \$1,025, per month including interest through May 1, 2017.	69,519
SolEpoxy Inc., (loan awarded during 2010), 4% interest bearing note receivable, \$1,381, per month including interest through January 1, 2016.	<u>75,000</u>
Subtotal	651,112
Less: reserve	<u>(98,365)</u>
Subtotal	552,747
Less: current portion	<u>(122,819)</u>
Long-term portion - Chautauqua Revolving Loan Fund	<u>\$ 429,928</u>

**CRIDC Economic Development Program Revolving Loan Fund**

Donut Connection, 3% interest bearing note receivable, \$531 per month including interest through September 1, 2012.	\$ 30,467
Less: reserve	<u>(18,934)</u>
Subtotal	11,533
Less: current portion	<u>(11,043)</u>
Long-term portion- CRIDC Economic Development Program Revolving Loan Fund, net	<u>\$ 490</u>

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

**NOTE 9 - NOTES RECEIVABLE (CONTINUED)**

**AI-Tech Trust Fund**

Artone Manufacturing, 5% interest bearing note receivable, \$2,827 per month including interest through August 1, 2016.	\$ 167,088
GEI, Inc., 5% interest bearing note receivable, \$1,842 per month including interest through July 1, 2020.	173,838
CRIDC, 4% interest bearing note receivable, \$2,974 per month. Interest only through December 31, 2010, then \$2,974 per month including interest through April 1, 2023. Entered into an interest only agreement for period from January 1, 2010 through December 31, 2010.	345,210
Chautauqua Utilities, 4% note receivable, \$5,030 per month including principle, through April 1, 2022. Entered into an interest only agreement for period from November 1, 2009 through November 1, 2011.	605,038
Chautauqua Energy, Inc., 5% interest bearing note receivable, \$3,907 per month including interest through November 1, 2022.	420,230
Circle Mechanical, Inc., 5% interest bearing note receivable, \$1,415 per month including interest through November 1, 2011. Entered into an interest only agreement for period from June 1, 2010 through November 1, 2010.	23,182
Colecraft-Eminence Group, Inc., 5% interest bearing note receivable, \$3,180 per month including interest through March 1, 2011.	9,469
Countertop Solutions, 4% interest bearing note receivable, \$1,729 per month including interest through September 1, 2011.	15,328
Genesee Outfitters, 5% interest bearing note receivable, \$2,205 per month, including interest through May 1, 2015. Loan is currently non performing and the CCIDA is working with owner to complete sale of the business.	133,632
International Ordnance Technologies, Inc. 5% interest bearing note receivable, \$3,182 per month including interest through June 1, 2014. Entered into an interest only agreement for period from April 1, 2009 through May 1, 2010.	153,627
Digitell, Inc., 5% interest bearing note receivable, \$1,413 per month including interest through March 1, 2014.	50,779
Falconer Electronics, 5% interest bearing note receivable, \$1,582 per month including interest through December 1, 2013.	52,059
Falconer Enterprises, LLC, 5% interest bearing note receivable, \$3,182 per month, including interest through June 1, 2018	238,399

**NOTE 9 - NOTES RECEIVABLE (CONTINUED)**

**AI-Tech Trust Fund (continued)**

Jamestown Development Corporation, 4% interest bearing note receivable, \$7,593 per month including interest through March 1, 2015.	\$ 355,626
Jamestown Macadam, 5% interest bearing note receivable, \$3,533 per month including interest through August 1, 2014.	141,785
Jamestown Mattress Company, Inc., 4% interest bearing note receivable, \$3,029 per month including interest through February 1, 2025.	392,770
Jamestown Scientific Industries, LLC., 5% interest bearing note receivable, \$1,750 per month including interest through January 1, 2014.	59,561
Kaanam LLC, 5% interest bearing note receivable, \$4,240 per month including interest through August 1, 2015. Entered into an interest only agreement for period from December 1, 2009 through May 1, 2010.	274,123
Kiebler Recreation LLC, 5% interest bearing note receivable, \$1,887 per month including interest through July 1, 2013	66,195
Lightning Circuits International, Inc. 4% interest bearing note receivable, \$2,025 per month including interest through September 1, 2015. Entered into an interest only agreement for period from January 1, 2009 through December 31, 2010.	146,611
Lightning Circuits, Inc., 5% interest bearing note receivable, \$822 per month including interest through June 1, 2012. Entered into an interest only agreement for period from January 1, 2009 through December 31, 2010.	32,983
Lightning Circuits, Inc., 5% interest bearing note receivable, \$228 per month including interest through July 1, 2012. Entered into an interest only agreement for period from January 1, 2009 through December 31, 2010.	9,329
Lorelle and Sharon Johnson, 5% interest bearing note receivable, \$2,912 per month including interest through January 1, 2014.	97,147
Mack's Hometown Market, LLC., 4% interest bearing note receivable, \$1,397 per month including interest through August 1, 2014.	57,094
Martha and Douglas Peterson, 5% interest bearing note receivable, \$2,121 per month including interest through August 1, 2017.	144,065
Merritt Estate Winery, 5% interest bearing note receivable, \$905 per month including interest through July 1, 2014.	35,544

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

**NOTE 9 - NOTES RECEIVABLE (CONTINUED)**

**AI-Tech Trust Fund (continued)**

The Resource Center, 5% interest bearing note receivable, \$1,737 per month including interest through February 1, 2014.	\$ 60,937
Phoenix Metal, 5% interest bearing note receivable, \$4,508 per month including interest through January 1, 2018.	322,100
Raines Enterprises II, LLC, 5% interest bearing note receivable, \$1,146 per month including interest through June 1, 2017. Loan was in default at year end and the agency is working with lenders and new management to alleviate the situation.	82,893
Shaant Industries, Inc., 5% interest bearing note receivable, \$3,816 per month including interest through January 1, 2010. Entered into an interest only agreement for period from March 1, 2009 through February 1, 2010.	3,816
Star Hotels LLC, 5% interest bearing note receivable, \$2,652 per month including interest through January 1, 2014.	90,739
Superior Grinding, Inc., 5% interest bearing note receivable, \$2,442 per month including interest through September 1, 2014. Entered into an interest only agreement for period from October 1, 2009 through May 1, 2010.	115,932
Tordella and Palm, Inc., 5% interest bearing note receivable, \$1,273 per month including interest through November 1, 2017.	89,154
Ulrich Planfiling Equipment Corporation, 5% interest bearing note receivable, \$2,625 per month including interest through May 1, 2013.	71,526
Universal Stainless and Alloy Products, Inc., 5% interest bearing note receivable, \$6,303 per month including interest through February 1, 2012.	84,523
Western New York & Pennsylvania Railroad, 5% interest bearing note receivable, \$2,652 per month including interest through January 1, 2012.	33,501
Yaw Oil Company, Inc., 4% interest bearing note receivable, \$3,151 per month including interest through November 1, 2024.	403,048
Willston Enterprises, 5% interest bearing note receivable, \$5,303 per month including interest through January 1, 2018.	378,941
KMPD, LLC, 4% interest bearing note receivable, \$547 per month including interest through April 1, 2016.	31,465
Johnson Machine, 4% interest bearing note receivable, \$1,842 per month including interest through August 1, 2014.	75,254
Chautauqua Hotel, 4% interest bearing note receivable, \$4,438 per month including interest through June 1, 2024.	554,848

**NOTE 9 - NOTES RECEIVABLE (CONTINUED)**

**AI-Tech Trust Fund (continued)**

Dunkirk Metal Products, 4% interest bearing note receivable, \$2,952 per month including interest through November 1, 2012. Loan was in default at year end and the agency is working with lenders and new management to alleviate the situation.	\$ 85,028
Tube Fabrication Co., Inc., 4% interest bearing note receivable, \$1,367 per month including interest through February 1, 2017.	89,508
CALB Acquisition, 4% interest bearing note receivable, \$4,101 per month including interest through October 1, 2016.	255,638
Chautauqua Precision, (loan awarded during 2010), 4% interest bearing note receivable, \$2,146 per month including interest through September 1, 2020.	206,212
ECR International, (loan awarded during 2010), 4% interest bearing note receivable, \$9,116 per month including interest through June 1, 2015.	449,828
H&H Metals, (loan awarded during 2010), 4% interest bearing note receivable, \$9,021 per month including interest through April 1, 2015.	43,896
Harson Inc., (loan awarded during 2010), 4% interest bearing note receivable, \$847 per month including interest through June 1, 2017.	58,123
Maytum Company, (loan awarded during 2010), 4% interest bearing note receivable, \$1,367 per month including interest through May 1, 2017.	92,693
Muldowney Development Inc., (loan awarded during 2010), 4% interest bearing note receivable, \$1,367 per month including interest through October 1, 2017.	97,929
Paradise Yacht and Cruises Inc., (loan awarded during 2010), 4% interest bearing note receivable, \$1,024 per month including interest through October 1, 2015.	53,910
Robert White (Lakeside Capital), (loan awarded during 2010), 4% interest bearing note receivable, \$6,698 per month including interest through December 1, 2017.	<u>490,000</u>
Subtotal	8,522,154
Less: reserve	<u>(474,131)</u>
Subtotal	8,048,023
Less: current portion	<u>(1,269,060)</u>
Long-term portion - AI-Tech Trust Fund	<u>\$ 6,778,963</u>

As of December 31, 2010, the Agency had commitments to issue notes to six companies totaling \$1,482,000.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

**NOTE 10 – CONVERTIBLE PROMISSORY NOTES**

**CRIDC Economic Development Program**

During the year-ended December 31, 2009, CRIDC was awarded a \$125,000 grant from the Chautauqua Region Industrial Development Agency for the purposes of encouraging economic opportunities and job creation in Chautauqua County.

During the current fiscal year, the Agency utilized the funds from the grant to issue convertible promissory notes to tenants of the SUNY Incubator building located in Dunkirk, New York. Unless the promissory notes are converted into shares of each Company's capital stock pursuant to the agreement, the outstanding principal along with accrued and unpaid interest shall be due and callable on a specified date.

As of December 31, 2010, the Agency had convertible promissory notes receivable outstanding of:

Dunkirk Bio-eletric, Ltd. 4% interest bearing convertible note receivable with maturity date of December 20, 2013.	\$ 30,000
Advanced Conversion Technology, LLC. 4% interest bearing convertible note receivable with maturity date of July 27, 2013.	15,000
SellingHive Corporation. 4% interest bearing convertible note receivable with maturity date of July 27, 2013.	<u>15,000</u>
Subtotal	60,000
Less: current portion	<u>-</u>
Long-term portion	\$ <u>60,000</u>

**NOTE 11 - MORTGAGE RECEIVABLE**

**Industrial Development Agency:**

As of December 31, 2009 the Agency held a note receivable with an outstanding balance due of \$1,951,980. The mortgagee (Lorenzo International, Inc.) defaulted on the note receivable during the current fiscal year. Chautauqua County, who held the mortgage, foreclosed on the property and seized the property back from the mortgagee. At the time of the foreclosure, the mortgage receivable and related mortgage payable (See Note 12) were discharged. **County of Chautauqua Industrial Development Agency** wrote-off the excess of its note receivable over the mortgage payable balances which resulted in a loss of \$149,696 which is recorded as bad debt expense in the Combined Statement of Revenue, Expenditures, and Changes in Fund Equity during the year ended December 31, 2010.

**NOTE 12 - LONG-TERM DEBT**

**Industrial Development Agency**

Bonds payable to County of Chautauqua enabled the Agency to acquire 32 acres of land adjoining the South County Park. Non-interest bearing, payable July 1, 1997 or upon disposition of the acquired land. \$ 144,000

Bond payable to County of Chautauqua. Proceeds used for Joseph Mason Industrial Park. Non-interest bearing, payable October 1, 2003 or upon disposition of the acquired land. 100,000

Bond payable to County of Chautauqua. Proceeds used for construction of the Stoneman Industrial Park SPEC Building. Payable \$99,591 semi-annually beginning February 20, 2002, with interest at 3% - 5% accruing as of August 20, 2001, compounded semi-annually. The Agency made interest only payments during 2002 through 2004. The Agency made only one of its two scheduled principal payments during the year ended December 31, 2010. The bond matures August 20, 2021. 1,824,924

Bond payable to County of Chautauqua. Proceeds used for the purchase of Allen Street property. \$700,000 balloon payment due December 30, 2014, with annual interest only payments of 5%. 700,000

Bond payable to County of Chautauqua. Proceeds used for the construction of a new aircraft storage hangar. Payable on January 15, 2016 or upon disposition of the acquired property. 182,419

Subtotal 2,951,343

Less: current portion (214,915)

Long-term debt – IDA \$ 2,736,428

**Chautauqua Region Industrial Development Corporation**

Note payable to AI-Tech Trust Fund, payable \$2,974 per month with interest at 4% per annum, the Agency made interest only payments during 2010. The bond matures on April 1, 2023. \$ 345,210

Less: current portion (22,286)

Long-term debt – IDA \$ 322,924

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

**NOTE 12 - LONG-TERM DEBT (CONTINUED)**

**Maturities**

At December 31, 2010, debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>CCIDA:</b>			
2011	\$ 214,915	\$ 95,550	\$ 310,465
2012	152,765	90,845	243,610
2013	158,000	85,984	243,984
2014	863,582	81,028	944,610
2015	168,810	40,699	209,509
2016-2020	936,088	118,068	1,054,156
2021-2022	457,183	5,074	462,257
	<u>\$ 2,951,343</u>	<u>\$ 517,248</u>	<u>\$ 3,468,591</u>
<b>CRIDC:</b>			
2011	\$ 22,286	\$ 13,403	\$ 35,689
2012	23,194	12,495	35,689
2013	24,139	11,550	35,689
2014	25,123	10,566	35,689
2015	26,146	9,543	35,689
2016-2020	147,606	30,841	178,447
2021-2023	76,716	3,634	80,350
	<u>\$ 345,210</u>	<u>\$ 92,032</u>	<u>\$ 437,242</u>

The IDA and CRIDC incurred interest expense in the amounts of \$115,875 and \$13,808 during 2010, respectively.

**NOTE 12 - PASS-THROUGH TRANSACTIONS**

The Agency's responsibility regarding these transactions is to pass-through funds received to the primary recipients. Pass-through transactions are recorded as income or liabilities when received and expenses and reduction of liabilities when paid.

Loans from the New York Urban Development Corporation and other similar governmental units are required to be directed through an industrial development agency before reaching the intended government or private recipient. The Agency has received and disbursed the following funds resulting from this pass-through income during 2010.

<u>IDA</u>	<u>Receipts</u>	<u>Disbursements</u>
<b>State, County and Local Grants:</b>		
<b><u>County grant</u></b>		
Ripley Interstate Site Development Project	\$ 40,324	\$ 40,324
<b><u>Pilot Program</u></b>		
Pilot payments collected from businesses and remitted to local governments.	11,200,692	11,200,692
Total pass-through transactions	<u>\$ 11,241,016</u>	<u>\$ 11,241,016</u>

**NOTE 13 - DONATED SERVICES**

The employees of the County of Chautauqua Department of Economic Development provide administrative, accounting and other support services for the Agency. The value of donated services included in these financial statements as revenue and corresponding expenses for the year ended December 31, 2010 totaled \$70,415.

**NOTE 14 - INTERAGENCY TRANSACTIONS**

During the current year, the Agency's general fund charged costs to administer the loan funds which were recorded as expenditures in the applicable loan funds. These costs were allocated as follows:

Revolving Loan Fund	\$ 13,328
CRIDC Fund	19,474
AI-tech Loan Fund	<u>111,084</u>
	<u>\$ 143,886</u>

As of December 31, 2010, the AI-tech Trust Fund had an outstanding note receivable from CRIDC in the amount of \$345,210.

**NOTE 15 - RESTRICTED FUND BALANCE**

The amounts restricted as of December 31, 2010 include:

**Chautauqua Revolving Loan Fund**

Revolving Loan funds \$ 673,102

**AI Tech Trust Fund**

AI Tech funds \$ 11,470,204

**NOTE 16 - SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 9, 2011, which is the date the financial statements were available to be issued.

On February 10, 2011, tax exempt bonds with a par value of \$29,030,000 were issued on behalf of the WCA Hospital. The CCIDA received fees of \$196,125 relating to the issuance of the bonds.

On February 22, 2011, the Agency closed on the sale of the Allen Street Distribution Center for \$1,000,000. The sale resulted in an approximate gain of \$591,000.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

**NOTE 17 – FAIR VALUE MEASUREMENTS**

Certain assets and liabilities of the Agency are reported at fair value in the accompanying statements of financial position. A fair value hierarchy exists that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels. Level 1 inputs on the hierarchy consist of unadjusted quoted prices in active markets and have the highest priority. Level 2 inputs consist of quoted prices in active markets for similar assets or liabilities or quoted prices in inactive markets for identical or similar assets or liabilities. Level 3 inputs have the lowest priority. The Agency uses appropriate valuation techniques based on available inputs to measure the fair value of assets and liabilities.

When estimating the fair value of notes and mortgage receivable, while management presents the receivables for financial purposes in the aggregate, they assess them individually in the portfolio. The Agency establishes the fair market value by considering the value of the loan portfolio and establishes an allowance for doubtful accounts that is sufficient to cover any anticipated losses. Part of the evaluation is to consider historical trends of collection on loans, the quality of the loan recipients and general economic conditions in the geographic area in which the majority of the Agency's loan recipients do business in. The loans and mortgage receivable are considered to be Level 3 inputs.

The table below presents information about the changes in receivables for 2010.

	<u>Chautauqua Revolving Loan Fund</u>	<u>Al-Tech Trust Fund</u>
Beginning balance	\$ 606,847	\$ 9,168,574
New loans made	175,000	1,564,590
Principal payments received	(228,803)	(2,685,141)
Bad debt expense	(297)	--
Adjustment to allowance	--	--
Ending balance	<u>\$ 552,747</u>	<u>\$ 8,048,023</u>

	<u>CRIDC Revolving Loan Fund</u>
Beginning balance	\$ 5,467
New loans made	--
Principal payments received	--
Bad debt expense	--
Adjustment to allowance	6,066
Ending balance	<u>\$ 11,533</u>

**NOTE 17 – FAIR VALUE MEASUREMENTS (CONTINUED)**

The geographic area in which the majority of the Agency's loan recipients do business in is western New York and the economic conditions of the region could be a factor in risk of loss. Each note has a varying position on collateral held by the Agency, which includes real property, equipment, other business assets and personal guarantees. The Agency evaluates the amount of loss due to credit risk when establishing reserves for uncollectible balances.

***SUPPLEMENTARY INFORMATION***

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHEDULE OF OTHER INCOME AND GENERAL AND ADMINISTRATIVE**  
**EXPENSES - ALL FUNDS**

Year ended December 31, 2010

	CCIDA			CRIDC		(Memo Only)
	Industrial Development Agency	Chautauqua Revolving Loan Fund	AI-Tech Trust Fund	CRIDC	Econ. Dev. Revolving Loan Fund	Total Reporting Entity
<b>Other Income</b>						
Gas royalties	\$ 934	\$ --	\$ --	\$ --	\$ --	\$ 934
Community fee, BFI	68,412	--	--	--	--	68,412
Other income	199,357	--	--	1	6,066	205,424
<b>Total other income</b>	<b>\$ 268,703</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 1</b>	<b>\$ 6,066</b>	<b>\$ 274,770</b>
<b>General and Administrative Expenses</b>						
Payroll and benefits	\$ 398,398	\$ --	\$ --	\$ --	\$ --	\$ 398,398
Publicity and promotion	75,391	--	--	--	--	75,391
Rent	22,232	--	--	--	--	22,232
Insurance	17,224	--	64	16,983	--	34,271
Office and postage	12,520	75	210	--	--	12,805
Meeting expense	35,310	--	279	--	--	35,589
Professional fees	68,511	13,874	117,884	19,524	--	219,793
Repairs and maintenance	--	--	--	35,697	--	35,697
Utilities	6,599	--	--	85,050	--	91,649
Dues and subscriptions	6,247	--	--	--	--	6,247
Miscellaneous	30,732	--	--	224	--	30,956
Travel	15,107	--	--	59	--	15,166
Taxes	--	--	--	7,091	--	7,091
Other	207	--	--	274	--	481
<b>Total general and administrative</b>	<b>\$ 688,478</b>	<b>\$ 13,949</b>	<b>\$ 118,437</b>	<b>\$ 164,902</b>	<b>\$ --</b>	<b>\$ 985,766</b>

See accompanying independent auditors' report.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHEDULE OF TAX-EXEMPT BONDS**

As of December 31, 2010

	Loan ID	Original Amount	Outstanding Principal	Date of Issuance	Date of Maturity	Interest Rate
<b>Tax-exempt bonds</b>						
JCC Development Corporation	0601-07-01A	\$ 12,045,000	11,805,000	2007	2037	Variable
JCC Development Corporation	0601-07-01B	340,000	215,000	2007	2013	Variable
Jamestown Center City Development Co.	0601-01-01A	6,000,000	6,000,000	2001	2031	Variable
Jamestown Center City Development Co.	0601-00-01A	15,000,000	13,760,000	2000	2030	Variable
Jamestown Development Corporation (Dowcraft)	0601-98-01A	3,395,000	--	1998	2018	7.13%
Jamestown Development Corporation (Parking Ramp)	0601-04-02A	7,810,000	6,895,000	2004	2030	Variable
Red Wing Company	0601-82-01A	5,600,000	--	1985	2010	Variable
The Gerry Homes	0601-00-03A	15,100,000	11,340,000	2000	2032	Variable
United Cerebral Palsy	0601-02-02A	1,300,000	761,002	2002	2010	3.59%
Lutheran Social Services	0601-05-05A	300,000	191,338	2005	2016	Variable
Lutheran Social Services	0601-05-05B	5,500,000	4,704,970	2005	2026	Variable
Resource Center	0601-93-02A	5,560,000	2,802,413	1993	2019	Variable
Women's Christian Association	0601-99-01A	15,000,000	13,985,000	1999	2029	Variable
Women's Christian Association	0601-99-01A	5,000,000	2,795,000	1999	2017	Variable
JCC Foundation Inc.	0601-07-02A	3,345,000	3,050,000	2007	2027	Variable
NRG Power Corporation	0601-09-01	58,500,000	58,500,000	2009	2042	Variable

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended December 31, 2010

Project Title	Federal CFDA #	Grant Period	Federal loans outstanding	Cash and Investments	Expenditures
<b>U.S. Department of Commerce</b>					
Economic Adjustment Assistance *	11.307	1/1/10-12/31/10	\$ 8,522,154	\$ 3,422,181	\$ 118,437
<b>Total Federal Awards</b>			<b>\$ 8,522,154</b>	<b>\$ 3,422,181</b>	<b>\$ 118,437</b>

\* Designates Direct Awards

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County of Chautauqua Industrial Development Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

***SPECIAL REPORTS***



**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**  
***County of Chautauqua Industrial Development Agency***  
**Jamestown, New York**

We have audited the financial statements of *County of Chautauqua Industrial Development Agency*, as of and for the year ended December 31, 2010, and have issued our report thereon dated March 9, 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 *County of Chautauqua Industrial Development Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that that we consider to be a material weakness.

A deficiency in internal control over financial reporting 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. We consider the deficiency in the Agency's internal control described in the accompanying schedule of findings and questioned costs as item II.A.2010-1 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether *County of Chautauqua Industrial Development Agency's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

We noted other matters involving internal control over financial reporting that we have reported to management of *County of Chautauqua Industrial Development Agency* in a separate letter dated March 9, 2011.

*County of Chautauqua Industrial Development Agency's* response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit *County of Chautauqua Industrial Development Agency's* response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and grantors and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York  
March 9, 2011**



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

**To the Board of Directors**  
**County of Chautauqua Industrial Development Agency**  
**Jamestown, New York**

**Compliance**

We have audited the compliance of **County of Chautauqua Industrial Development Agency** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. **County of Chautauqua Industrial Development Agency's** major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **County of Chautauqua Industrial Development Agency's** management. Our responsibility is to express an opinion on **County of Chautauqua Industrial Development Agency's** compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 **County of Chautauqua Industrial Development 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. Our audit does not provide legal determination on **County of Chautauqua Industrial Development Agency's** compliance with those requirements.

In our opinion, the **County of Chautauqua Industrial Development Agency** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

**Internal Control Over Compliance**

The management of **County of Chautauqua Industrial Development Agency** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **County of Chautauqua Industrial Development Agency's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing our 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in the internal control over compliance that we consider to be material weaknesses, as defined above.

We noted certain matters involving the internal control structure and its operation that we have reported to the management of the Agency in a separate letter dated March 9, 2011.

This report is intended solely for the information and use of the Board of Directors, management, and grantors and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Jamestown, New York  
March 9, 2011**

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2010**

**I. SUMMARY OF CURRENT YEAR AUDIT RESULTS**

1. The independent auditors' report expresses an unqualified opinion on the financial statements of the **County of Chautauqua Industrial Development Agency** and its component unit, Chautauqua Region Industrial Development Corporation.
2. There was one deficiency relating to the audit of the financial statements as described in the 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." This deficiency is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of **County of Chautauqua Industrial Development Agency** were disclosed during the audit as described in the Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards".
4. There were no deficiencies disclosed during the audit of the major federal award programs of **County of Chautauqua Industrial Development Agency** as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for major federal award programs for **County of Chautauqua Industrial Development Agency** expresses an unqualified opinion.
6. Audit findings of major programs that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:

<u>Name</u>	<u>CFDA#</u>	<u>Program Type</u>	<u>Loan Funds Outstanding</u>
Economic Adjustment Assistance Grant	11.307	Type A	\$ 8,522,154
Total tested			<u>\$ 8,522,154</u>
Percent of total Federal award programs Tested			<u>100%</u>

8. The threshold for distinguishing Type A programs was \$300,000.
9. **County of Chautauqua Industrial Development Agency** was determined not to be a low-risk auditee.

**II. FINANCIAL STATEMENT AUDIT – FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2010-1 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements**

**Year ended December 31, 2010**

**Condition and Criteria:** During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the Agency to properly reflect the financial statements in accordance with generally accepted accounting principles. In addition, the draft of the financial statements was prepared by the auditors and approved by the Agency.

**Effect:** The American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards Number 115, entitled Communicating Internal Control Related Matters in an Audit. This standard considers the need for significant adjusting journal entries and assistance when preparing financial statements to be indicative of an internal control deficiency.

**Auditors' Recommendation:** Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the Agency should continue to review and approve both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

**Industrial Development Agency Response:** The Agency will continue to review and approve both proposed adjusting journal entries, footnote disclosures and draft financial statements proposed by our auditors. Additionally, the Agency will continue to seek routine advice from its independent certified public accounting firm in providing journal entries and in preparation of its financial statements.

**Year ended December 31, 2009**

Similar finding to current year was reported upon during the year ended December 31, 2009.

**B. COMPLIANCE AND OTHER MATTERS**

**Year ended December 31, 2010**

There were no instances of noncompliance reported upon during the year ended December 31, 2010.

**Year ended December 31, 2009**

There were no instances of noncompliance reported upon during the year ended December 31, 2009.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2010**

**III. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS**

**A. COMPLIANCE**

**Year ended December 31, 2010**

There were no instances of noncompliance reported upon during the year ended December 31, 2010.

**Year ended December 31, 2009**

There were no instances of noncompliance reported upon during the year ended December 31, 2009.

**B. INTERNAL CONTROLS OVER COMPLIANCE**

**Year ended December 31, 2010**

There were no findings related to internal control over compliance are being reported upon during the fiscal year ended June 30, 2010.

***U.S. Department of Commerce - Economic Adjustment Assistance Grant CFDA #11.307***

**2009-2 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

**Year ended December 31, 2009**

Similar finding as that reported in the current year as II.A.2010-1 was reported upon during the year ended December 31, 2009.