

## AUDIT COMMITTEE CHARTER

SECTION 1. PURPOSE. (A) Pursuant to the By-Laws of County of Chautauqua Industrial Development Agency (the “Agency”), the Agency approved the creation of an Audit Committee for the purpose of complying with the Public Authorities Accountability Act of 2005 and the Public Authority Reform Act of 2009 (collectively, the “PAAA”).

(B) This Audit Committee Charter was adopted pursuant to a resolution adopted by the members of the Agency on March 27, 2012.

(C) The purpose of the Audit Committee shall be to (1) assure that the members of Agency (the “Members”) fulfill their responsibility as the governing body of the Agency (the “Board”) for the Agency’s internal and external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; and (2) provide an avenue of communication between management, the independent auditors, the internal auditors, and the Agency Members.

SECTION 2. DUTIES OF THE AUDIT COMMITTEE. (A) General Duties. It shall be the responsibility of the Audit Committee to:

(1) Appoint, set the compensation, and oversee the work of any public accounting firm employed by the Agency.

(2) Conduct or authorize investigations into any matters within its scope of responsibility.

(3) Seek any information it requires from Agency employees, all of whom should be directed by the Board to cooperate with committee requests.

(4) Meet with Agency staff, independent auditors or outside counsel, as necessary.

(5) Retain, at the Agency’s expense, such outside counsel, experts and other advisors as the Audit Committee may deem appropriate.

(B) Independent Auditors and Financial Statements. The Audit Committee shall:

(1) Appoint, set the compensation, and oversee the independent auditors retained by the Agency and pre-approve all audit services provided by the independent auditor.

(2) Establish procedures for the engagement of the independent auditor to provide permitted audit services. The Agency’s independent auditor shall be prohibited from providing non-audit services unless having received previous written approval from the Audit Committee. Non-audit services include tasks that directly support the Agency’s operations, such as bookkeeping or other services related to the accounting records or financial statements of the Agency, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.

(3) Review and approve the Agency’s audited financial statements, associated management letter, report on internal controls and all other auditor communications.

(4) Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the Agency's financial statements.

(5) Meet with the independent audit firm on a regular basis to discuss any significant issues that may have surfaced during the course of the audit.

(6) Review and discuss any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.

(C) Internal Controls, Compliance and Risk Assessment. The Audit Committee shall review the report on internal controls by the independent auditor as a part of the financial audit engagement.

(D) Special Investigations. The Audit Committee shall:

(1) Ensure that the Agency has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the Members, officers or employees of the Agency or any persons having business dealings with the Agency or breaches of internal control.

(2) Develop procedures, once informed of confidential information, for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.

(3) Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation.

(E) Miscellaneous Duties. The Audit Committee shall:

(1) Obtain any information and training needed to enhance the committee members' understanding of the role of internal audits and the independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.

(2) Review this Audit Committee Charter annually, reassess its adequacy, and recommend any proposed changes to the Board of the Agency.

(G) Agency Duties. It shall be the responsibility of the Agency to ensure that the Audit Committee has sufficient resources to carry out its duties.

SECTION 3. COMPOSITION OF COMMITTEE AND SELECTION OF MEMBERS. (A) The Audit Committee shall consist of not less than three "independent members" (as defined in the PAAA) of the Board of the Agency, who shall constitute a majority on the Audit Committee. If the Board of the Agency has less than three independent members, non-independent members may be appointed to the Audit Committee provided that the independent members constitute a majority of the Audit Committee.

(B) The Agency's Board will appoint the Audit Committee members and the Audit Committee chair. Audit Committee members shall serve on the Audit Committee at the discretion of the Board of the Agency.

(C) Audit committee members shall be prohibited from being an employee of the Agency or an immediate family member of an employee of the Agency. In addition, Audit Committee members shall not engage in any private business transactions with the Agency or receive compensation from any private entity that has material business relationships with the Agency, or be an immediate family member of an individual that engages in private business transactions with the Agency or receives compensation from an entity that has material business relationships with the Agency.

(D) Ideally, all members on the Audit Committee shall possess or obtain a basic understanding of governmental financial reporting and auditing sufficient to perform the duties of the Audit Committee.

(E) The Audit Committee shall have access to the services of at least one financial expert, whose name shall be disclosed in the annual report of the Agency. The Audit Committee's financial expert should have (1) an understanding of generally accepted accounting principles and financial statements; (2) experience in preparing or auditing financial statements of comparable entities; (3) experience in applying such principles in connection with the accounting for estimates, accruals and reserves; (4) experience with internal accounting controls, and (5) an understanding of Audit Committee functions.

SECTION 4. MEETINGS. (A) The Audit Committee will meet a minimum of twice a year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in this Audit Committee Charter.

(B) The Audit Committee will meet with the Agency's independent auditor at least annually to discuss the financial statements of the Agency.

(C) Members of the Audit Committee are expected to attend each committee meeting, in person or via videoconference in accordance with the provisions of the Open Meetings Law. The Audit Committee may invite other individuals, such as members of management, auditors or other technical experts to attend meetings and provide pertinent information, as necessary. A majority of the committee members present or participating through videoconference shall constitute a quorum.

(D) Meeting agendas will be prepared for every meeting and provided to the Audit Committee members along with briefing materials whenever possible at least five (5) business days before the scheduled Audit Committee meeting. The Audit Committee may act only on the affirmative vote of a majority of the members or by unanimous consent. Minutes of these meetings shall be recorded.

(E) A report of the Audit Committee's meeting shall be prepared and presented to the Board at its next scheduled meeting following the meeting of the Audit Committee.

(F) Meetings of the Audit Committee are open to the public, and the Audit Committee shall be governed by the rules regarding public meetings set forth in the applicable provisions of the Public Authorities Law and Article 7 of the Public Officers Law that relate to public notice and the conduct of executive sessions.