

**COUNTY OF CHAUTAUQUA
INDUSTRIAL DEVELOPMENT AGENCY
AND COMPONENT UNITS**

REPORT ON FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
AND COMPONENT UNITS**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the **County of Chautauqua Industrial Development Agency** and its component units, the Chautauqua Region Industrial Development Corporation and the Chautauqua County Capital Resource Corporation, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Agency and its component units' basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **County of Chautauqua Industrial Development Agency** and its component units as of December 31, 2012, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis information on pages 3 through 8, 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.

Other Matters (continued)

Other information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the **County of Chautauqua Industrial Development Agency's** basic financial statements. The supplementary schedules listed in the table of contents are presented for the purpose 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 the 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 the **County of Chautauqua Industrial Development Agency**. The supplementary schedules listed in the table of contents and schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion the supplemental schedules listed in the table of contents and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Required Reporting by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2013, 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the **County of Chautauqua Industrial Development Agency's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
March 12, 2013**

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Page 3

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, 2012. 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, 2012:

- Overall net position of the Agency increased \$98,000 during the year ended December 31, 2012.
- The Agency's total revenue and other sources were approximately \$1,753,000 during 2012 as compared with \$2,194,000 during 2011. This decrease was primarily related to a gain recognized in the prior year from the sale of the Allen Street property.
- The Agency's total expenses and other uses were approximately \$1,655,000 during 2012 as compared to \$1,744,000 during 2011. This decrease was primarily the result of a decrease in bad debt expense. This decrease was partially offset by an increase in depreciation, interest expense and other expenses.
- PILOT payments passed through to local governmental units were approximately \$9,554,000 during 2012 as compared to \$11,316,000 during 2011. In addition, pass-through funds in the amount of \$1,008,000 were received and paid during 2012.
- In 2006, the Agency, sold a building (Chadwick Bay SPEC Building) to a Company and assumed a mortgage note receivable. At the time the Agency also had an outstanding note payable to Chautauqua County related to bonds issued for the construction of the property. In 2010, the Company defaulted on the note receivable and Chautauqua County, who held a first position on the mortgage, foreclosed on the property and took title to it. On February 22, 2012, Chautauqua County transferred title to the property back to the Agency and a note payable in the amount of \$1,816,765 was assumed by the Agency.

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.

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 Statement of Net Position-All Fund Types

The Combined Balance Sheet (page 9) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (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.

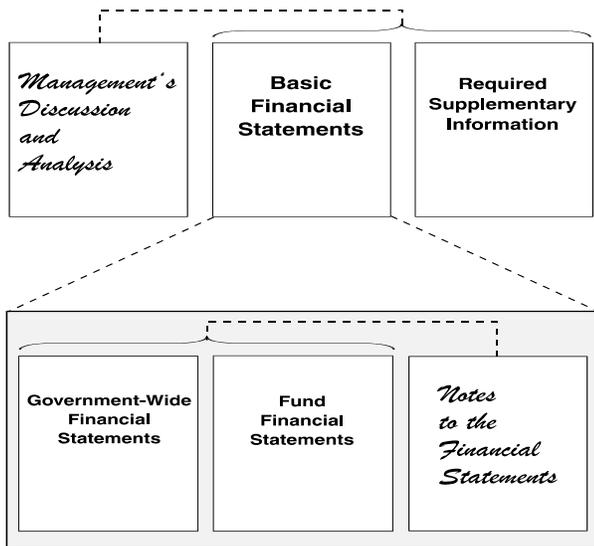
2. Combined Statement of Revenue, Expenditures, and Changes in Net Position-All Fund Types

The Combined Statement of Revenue Expenditures and Changes in Net Position (page 10) 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 net position and how they have changed. Net Position – 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 net position 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, 2012**

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



Summary ← → **Detail**

IV. Financial Analysis of the Agency as a Whole

Net Position

The Agency's total entity-wide net position at December 31, 2012 was approximately \$13,354,000. This includes: capital assets, net of related debt of \$548,000, restricted net assets of \$12,416,000; and unrestricted net assets of \$390,000.

Revenue

The Agency's total revenue and other sources were approximately \$1,753,000 during the year ended December 31, 2012. The Agency also received approximately \$10,562,000 of pass-through revenue during the year ended December 31, 2012. 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 34% of the Agency's total revenue increased by \$265,000 during the year ended December 31, 2012. This increase was primarily attributable to collections received from a tenant that was delinquent in the prior year and rent received from the Chadwick Bay SPEC Building.

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

Revenue (continued)

- Revenue from application fees decreased \$167,000 during the year ended December 31, 2012. This decrease primarily resulted from a decrease in applications processed during the current year.
- Revenue from interest income increased \$8,000 during the year ended December 31, 2012. This increase was primarily related to more timely payment related to outstanding loans and a number of new loans being issued during 2011 and 2012.
- During the year ending December 31, 2012 the IDA had a net gain from the sale of property of approximately \$18,000. In the prior year, the IDA recognized a \$439,000 net gain on the sale of property.

Expenses

The total cost of all programs and services of the Agency was approximately \$1,655,000. The Agency's expenses consist primarily of grant expenses, 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 \$1,655,000 during the year ended December 31, 2012 as compared with \$1,744,000 during the year ended December 31, 2011. This decrease in expenses was primarily the result of a reduction in the bad debt expenses from the prior year, which was partially offset by an increase in depreciation, interest and other costs.
- The Agency's management and administration costs were approximately \$1,034,000 during the year ended December 31, 2012 as compared with \$968,000 during the year ended December 31, 2011. This increase in management and administration costs was mainly the result of an increase in payroll and benefits due to increases in personnel during 2012.
- The Agency's loan funds by their very design often function 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, 2012, the Agency has reserved against potential uncollectible loans as follows: \$119,539, \$268,387 and \$45,000 for the Chautauqua Revolving Loan Fund, the AI-Tech Trust Fund and CRIDC, respectively. Bad debt expense totaled \$45,000 and \$300,000 during the years ended December 31, 2012 and 2011, respectively.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Figure A-3 - Combined Statement of Net Position

| <i>County of Chautauqua Industrial Development Agency and Component Units</i> | | | |
|---|-----------------------|------------------|------------|
| <i>Combined Statement of Net Position (in thousands of dollars)</i> | | | |
| | Total Government-wide | | |
| | 2012 | 2011 | % Change |
| Assets | | | |
| Current and other assets | \$ 5,522 | \$ 4,864 | 14% |
| Capital assets, net | 4,295 | 2,596 | 65% |
| Other assets | 8,816 | 8,505 | 4% |
| Total assets | \$ 18,633 | \$ 15,965 | 17% |
| Liabilities | | | |
| Current liabilities | \$ 1,292 | \$ 416 | 211% |
| Long-term liabilities | 3,987 | 2,292 | 74% |
| Total liabilities | 5,279 | 2,708 | 95% |
| Net Position | | | |
| Invested in capital assets, net of related debt | 548 | 620 | -12% |
| Restricted | 12,416 | 12,140 | 2% |
| Unrestricted | 390 | 497 | -22% |
| Total net position | 13,354 | 13,257 | 1% |
| Total liabilities and net position | \$ 18,633 | \$ 15,965 | 17% |

Figure A-4 Statement of Revenue & Expenses

| <i>County of Chautauqua Industrial Development Agency and Component Units</i> | | | |
|---|-----------------------|---------------|-------------|
| <i>Changes in Net Position from Operating Results (in thousands of Dollars)</i> | | | |
| | Total Government-wide | | |
| | 2012 | 2011 | % Change |
| Revenue | | | |
| Application & administration fees | \$ 200 | \$ 367 | -45% |
| Grant income | 185 | 322 | -43% |
| In-kind donations | 35 | 61 | -43% |
| Rental income | 625 | 360 | 74% |
| Interest income | 418 | 410 | 2% |
| Other income and gain on sale | 290 | 674 | -57% |
| Total revenue | 1,753 | 2,194 | -20% |
| Expenses | | | |
| General and administrative | 1,034 | 968 | 7% |
| Grant expenses | 41 | 56 | -27% |
| Business incentives | 1 | - | n/a |
| In-kind expenditures | 35 | 61 | -43% |
| Bad debt expenses | 45 | 300 | -85% |
| Other expenses | 215 | 149 | 45% |
| Depreciation | 174 | 126 | 39% |
| Interest expense | 110 | 84 | 31% |
| Total expenses | 1,655 | 1,744 | -5% |
| Change in net assets | \$ 98 | \$ 450 | |

Figure A-5 Sources of Revenue

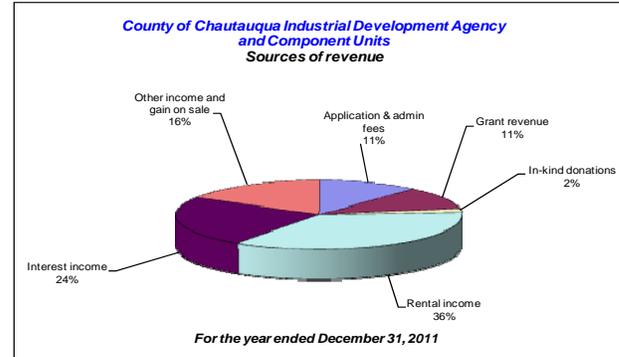
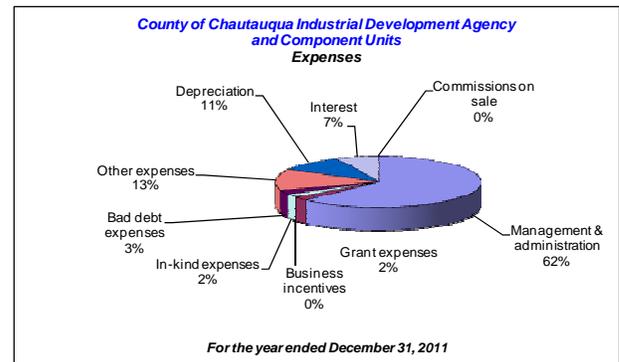


Figure A-6 – Expenses



V. Financial Analysis of the Agency Funds

Industrial Development Agency (IDA)

Net Position

During the current year, IDA general fund total expenses exceeded total revenue by \$56,000. Total net position decreased to \$667,000 from \$723,000.

Revenue

During the current year, total general fund revenue and other sources were \$1,047,000 as compared with \$769,000 during 2011. This increase was primarily the result of an increase in rental income. The increase in rental income was primarily related to collection from a lessee whose balance was in arrears.

Expenses

During the current year, total general fund expenses were \$1,103,000 as compared with \$952,000 during 2011. This increase was primarily the result of an increase in general and administrative expenses, industrial park expenses, interest expense and depreciation, which was partially related to costs associated with the Chadwick Bay SPEC building being transferred to the Agency in the current year.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Page 6

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.

Net Position

During the current year, the CRLF's total revenue exceeded total expenses by approximately \$14,000 causing total net position to increase from \$583,000 to \$597,000.

Revenue

During the current year, total revenue of the CRLF was \$25,000 as compared with \$23,000 during 2011. This increase was primarily the result of an increase in interest earned.

Expenses

During the current year, total expenses of the CRLF were \$11,000 as compared with \$113,000 during 2011. 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).

Net Position

During the current year, the AI-Tech Trust Fund total revenue exceeded total expenses by approximately \$263,000 causing total net position to increase from \$11,557,000 to \$11,819,000 as of December 31, 2012.

Revenue

During the current year, total revenue and other sources of AI-Tech Trust Fund was \$428,000 as compared with \$403,000 during the prior year. The increase was primarily the result of an increase in interest earnings as compared with the prior year.

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

AI-Tech Trust Fund (continued)

Expenses

During the current year, total expenses of the AI-Tech Trust Fund were \$165,000, as compared with \$316,000 during the prior year. This decrease primarily resulted from a decrease in bad debt due to the establishment of reserves for uncollectible loans in the prior year.

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.

Net Position

During the current year, the CRIDC's total expenses exceeded total revenue by approximately \$26,000 causing total net position to decrease from \$265,000 to \$239,000.

Revenue

During the current year, total revenue of CRIDC was \$262,000 as compared with \$365,000 during 2011. This decrease was primarily related to a \$112,000 grant received from NYSERDA for capital improvement projects in the prior year.

Expenses

During the current year, total expenses of CRIDC were \$288,000 as compared with \$253,000 during 2011. This increase related to bad debt expense recognized on promissory notes outstanding which was partially offset by a decrease in utility costs due to the energy efficiency project completed in the prior year and a mild winter.

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.

Net Position

During the current year, the CRIDC Economic Development Revolving Loan Fund total expenses exceeded total revenue by approximately \$42,000 causing total net position to decrease from \$42,000 to \$0.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

**CRIDC Economic Development Revolving Loan Fund
(continued)**

Revenue

During the current year the total revenue of CRIDC Economic Development Loan Fund was \$11.

Expenses

During the current year, total expenses of the CRIDC Economic Development Revolving Loan Fund were \$42,000.

**Chautauqua County Capital Resource Corporation
(CCRC)**

The Chautauqua County Capital Resource Corporation was incorporated in 2011. The key focus of the Corporation is to assist not for profit institutions, manufacturing and industrial businesses to obtain access to low interest tax-exempt and non tax-exempt financing for their eligible projects as well as other projects within the County for the purpose of promoting economic development and reducing unemployment.

Net Position

During the current year, total expenses of the CCRC exceeded total revenue by approximately \$55,000 causing total net position to decrease from \$87,000 to \$32,000.

Revenue

During the current year, total revenue and other sources of CCRC was \$87. This revenue was related to interest income.

Expenses

During the current year, total expenses of CCRC were approximately \$55,000. These expenditures consisted of general administrative fees and grant expense.

VI. Capital Asset and Debt Administration

Capital Assets

As depicted in Figure A-7, as of December 31, 2012, the Agency and its component unit had invested approximately \$4,295,000 in a broad range of capital assets, including industrial parks, buildings and furniture and equipment. Capital additions made during the year ended December 31, 2012, totaled approximately \$57,000. In addition, title to the Chadwick Bay SPEC Building was transferred to the IDA during the current year. More detailed information about the Agency's capital assets is presented in the notes of the financial statements.

VI. Capital Asset and Debt Administration (continued)

Long-term Debt

As depicted in Figure A-8, as of December 31, 2012, the Agency and its component units had approximately \$4,190,000 in bonds, notes payable and other liabilities, increase of approximately 66% as compared with the previous year. This increase was primarily the result of the transfer of Chadwick Bay SPEC building and the corresponding bond payable from Chautauqua County.

Figure A-7 – Capital Assets

| <i>County of Chautauqua Industrial Development Agency and Component Units Capital Assets</i> | | | | |
|--|-----------------|-----------------|------------|--|
| | 2012 | 2011 | Change | |
| Building | \$ 2,489 | \$ 2,489 | 0% | |
| SPEC Buildings | 4,655 | 2,754 | 69% | |
| Improvements | 232 | 258 | -10% | |
| Equipment | 119 | 119 | 0% | |
| Accumulated depreciation | (3,200) | (3,025) | -6% | |
| Capital Assets - net | \$ 4,295 | \$ 2,595 | 66% | |

Figure A-8 – Long-term Debt

| <i>County of Chautauqua Industrial Development Agency and Component Units Long-term Debt</i> | | | |
|--|-----------------|-----------------|------------|
| | 2012 | 2011 | Change |
| Bond - Stoneman Park SPEC Building | 1,690 | 1,825 | -7% |
| Bond - Chadwick Bay SPEC Building | 1,817 | - | n/a |
| Notes payable - NYSJDA | 300 | 323 | -7% |
| Other bonds | 383 | 383 | 0% |
| Total long-term debt | \$ 4,190 | \$ 2,531 | 66% |

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:

- 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.

III. 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 STATEMENT OF NET POSITION - ALL FUNDS**

As of December 31, 2012

| | CCIDA | | | Chautauqua County Capital Resource Corporation | CRIDC | | (Memo Only) Total Reporting Entity |
|---|-------------------------------------|--------------------------------------|------------------------|---|-------------------|--------------------------------------|--|
| | Industrial Development Agency | Chautauqua Revolving Loan Fund | AI- Tech Trust Fund | | CRIDC | Econ. Dev. Revolving Loan Fund | |
| Assets | | | | | | | |
| Current | | | | | | | |
| Cash and cash equivalents | \$ 315,536 | \$ 90,373 | \$ 2,697,040 | \$ 32,035 | \$ 33,589 | \$ -- | \$ 3,168,573 |
| Accounts receivable | 102,160 | -- | -- | -- | -- | -- | 102,160 |
| Due from other governments | 950,000 | -- | -- | -- | -- | -- | 950,000 |
| Allowance for uncollectible accounts receivable | (75,000) | -- | -- | -- | -- | -- | (75,000) |
| Current portion, notes receivable | -- | 114,562 | 1,248,281 | -- | 13,249 | -- | 1,376,092 |
| Total current assets | 1,292,696 | 204,935 | 3,945,321 | 32,035 | 46,838 | -- | 5,521,825 |
| Property and equipment, net | 3,930,259 | -- | -- | -- | 364,901 | -- | 4,295,160 |
| Other assets | | | | | | | |
| Notes receivable, net of current portion | -- | 512,381 | 8,146,107 | -- | 147,210 | -- | 8,805,698 |
| Allowance for uncollectible notes receivable | -- | (119,539) | (268,387) | -- | (45,000) | -- | (432,926) |
| Land held for resale | 412,264 | -- | -- | -- | 30,488 | -- | 442,752 |
| Total other assets | 412,264 | 392,842 | 7,877,720 | -- | 132,698 | -- | 8,815,524 |
| | \$ 5,635,219 | \$ 597,777 | \$ 11,823,041 | \$ 32,035 | \$ 544,437 | \$ -- | \$ 18,632,509 |
| Liabilities and Net Position | | | | | | | |
| Current liabilities | | | | | | | |
| Accounts payable | \$ 32,165 | \$ -- | \$ 2,489 | \$ -- | \$ 1,294 | \$ -- | \$ 35,948 |
| Due to other governments | 963,257 | -- | -- | -- | -- | -- | 963,257 |
| Accrued liabilities | 30,933 | -- | -- | -- | -- | -- | 30,933 |
| Accrued interest | 16,899 | -- | -- | -- | -- | -- | 16,899 |
| Deferred revenue | 35,015 | 870 | 1,130 | -- | 4,609 | -- | 41,624 |
| Current portion of long-term debt | 178,839 | -- | -- | -- | 24,139 | -- | 202,978 |
| Total current liabilities | 1,257,108 | 870 | 3,619 | -- | 30,042 | -- | 1,291,639 |
| Long-term liabilities | | | | | | | |
| Long-term debt, net of current portion | 3,711,112 | -- | -- | -- | 275,590 | -- | 3,986,702 |
| Total liabilities | 4,968,220 | 870 | 3,619 | -- | 305,632 | -- | 5,278,341 |
| Net position | | | | | | | |
| Invested in capital assets, net of related debt | 452,572 | -- | -- | -- | 95,660 | -- | 548,232 |
| Restricted | -- | 596,907 | 11,819,422 | -- | -- | -- | 12,416,329 |
| Unrestricted | 214,427 | -- | -- | 32,035 | 143,145 | -- | 389,607 |
| Total net position | 666,999 | 596,907 | 11,819,422 | 32,035 | 238,805 | -- | 13,354,168 |
| | \$ 5,635,219 | \$ 597,777 | \$ 11,823,041 | \$ 32,035 | \$ 544,437 | \$ -- | \$ 18,632,509 |

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

Year ended December 31, 2012

| | CCIDA | | | Chautauqua County Capital Resource Corporation | CRIDC | | (Memo Only) Total Reporting Entity |
|--|-------------------------------------|--------------------------------------|------------------------|---|-------------------|--------------------------------------|--|
| | Industrial Development Agency | Chautauqua Revolving Loan Fund | AI- Tech Trust Fund | | CRIDC | Econ. Dev. Revolving Loan Fund | |
| Revenue | | | | | | | |
| Application and administration fees | \$ 165,058 | \$ 2,797 | \$ 32,627 | \$ -- | \$ -- | \$ -- | \$ 200,482 |
| Grant income | 185,107 | -- | -- | -- | -- | -- | 185,107 |
| In-kind donations | 35,278 | -- | -- | -- | -- | -- | 35,278 |
| Rental income | 389,532 | -- | -- | -- | 235,184 | -- | 624,716 |
| Interest income | 669 | 22,092 | 395,061 | 87 | -- | 11 | 417,920 |
| Other income | 270,990 | -- | -- | -- | 387 | -- | 271,377 |
| Total revenue | 1,046,634 | 24,889 | 427,688 | 87 | 235,571 | 11 | 1,734,880 |
| Expenditures | | | | | | | |
| General and administrative | 613,639 | 10,983 | 165,160 | 55,359 | 188,619 | 667 | 1,034,427 |
| Grant expenses | -- | -- | -- | -- | -- | 41,000 | 41,000 |
| Business incentives | 874 | -- | -- | -- | -- | -- | 874 |
| Consultants | 33,023 | -- | -- | -- | -- | -- | 33,023 |
| Industrial Park expenses | 181,459 | -- | -- | -- | -- | -- | 181,459 |
| In-kind expenditures | 35,278 | -- | -- | -- | -- | -- | 35,278 |
| Bad debt expense | -- | -- | -- | -- | 45,000 | -- | 45,000 |
| Depreciation | 132,413 | -- | -- | -- | 41,901 | -- | 174,314 |
| Total expenses | 996,686 | 10,983 | 165,160 | 55,359 | 275,520 | 41,667 | 1,545,375 |
| Excess (deficiency) of revenue over expenditures before financing sources and pass-throughs | 49,948 | 13,906 | 262,528 | (55,272) | (39,949) | (41,656) | 189,505 |
| Other financing sources (uses) | | | | | | | |
| Net gain (loss) on sale of property | (8,168) | -- | -- | -- | 26,500 | -- | 18,332 |
| Interest expense | (97,811) | -- | -- | -- | (12,495) | -- | (110,306) |
| | (105,979) | -- | -- | -- | 14,005 | -- | (91,974) |
| Pass-through transactions | | | | | | | |
| State and local grant revenue | 1,008,252 | -- | -- | -- | -- | -- | 1,008,252 |
| State and local grant expenditures | (1,008,252) | -- | -- | -- | -- | -- | (1,008,252) |
| Local pass-through revenue | -- | -- | -- | -- | -- | -- | -- |
| Local pass-through expenditures | -- | -- | -- | -- | -- | -- | -- |
| Revenue - PILOT | 9,553,714 | -- | -- | -- | -- | -- | 9,553,714 |
| Expenditures - PILOT | (9,553,714) | -- | -- | -- | -- | -- | (9,553,714) |
| | -- | -- | -- | -- | -- | -- | -- |
| Excess (deficiency) of revenue and other sources over expenditures | (56,031) | 13,906 | 262,528 | (55,272) | (25,944) | (41,656) | 97,531 |
| Net position, beginning | 723,030 | 583,001 | 11,556,894 | 87,307 | 264,749 | 41,656 | 13,256,637 |
| Net position, ending | \$ 666,999 | \$ 596,907 | \$ 11,819,422 | \$ 32,035 | \$ 238,805 | \$ -- | \$ 13,354,168 |

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

Year ended December 31, 2012

| | CCIDA | | | Chautauqua County Capital Resource Corporation | CRIDC | | (Memo Only) Total Reporting Entity |
|---|-------------------------------------|--------------------------------------|-----------------------|---|------------------|--------------------------------------|--|
| | Industrial Development Agency | Chautauqua Revolving Loan Fund | AI-Tech Trust Fund | | CRIDC | Econ. Dev. Revolving Loan Fund | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | | |
| Cash received entities assisted | \$ 165,058 | \$ 2,797 | \$ 32,627 | \$ -- | \$ -- | \$ -- | \$ 200,482 |
| Grant income | 126,855 | -- | -- | -- | -- | -- | 126,855 |
| Rental income | (556,194) | -- | -- | -- | 235,184 | -- | (321,010) |
| Cash received on PILOT's | 9,553,714 | -- | -- | -- | -- | -- | 9,553,714 |
| Cash paid to contractors | 447,515 | (10,983) | (164,171) | (60,008) | (215,114) | (667) | (3,428) |
| Cash paid to employees | (280,110) | -- | -- | -- | -- | -- | (280,110) |
| Cash payments on PILOTs | (9,553,714) | -- | -- | -- | -- | -- | (9,553,714) |
| Cash payments to grantees | -- | -- | -- | -- | -- | (41,000) | (41,000) |
| Other receipts | 270,990 | 870 | 1,130 | -- | 3,537 | -- | 276,527 |
| Interest paid | (99,161) | -- | -- | -- | (12,495) | -- | (111,656) |
| Interest received | 669 | 22,092 | 395,061 | 87 | -- | 11 | 417,920 |
| Net cash provided by operating activities | 75,622 | 14,776 | 264,647 | (59,921) | 11,112 | (41,656) | 264,580 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | | |
| Issuances of mortgages and notes receivable | -- | (204,720) | (1,801,510) | -- | (20,000) | -- | (2,026,230) |
| Collections on mortgages and notes receivable | -- | 196,143 | 1,331,310 | -- | 11,041 | -- | 1,538,494 |
| Proceeds from sale of property | 78,125 | -- | -- | -- | 26,500 | -- | 104,625 |
| Capital expenditures | (57,201) | -- | -- | -- | -- | -- | (57,201) |
| Net cash provided by (used in) investing activities | 20,924 | (8,577) | (470,200) | -- | 17,541 | -- | (440,312) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | | | |
| Principal payments on long-term debt | (135,067) | -- | -- | -- | (23,195) | -- | (158,262) |
| Net cash used in investing activities | (135,067) | -- | -- | -- | (23,195) | -- | (158,262) |
| Net change in cash | (38,521) | 6,199 | (205,553) | (59,921) | 5,458 | (41,656) | (333,994) |
| Cash, beginning of year | 354,057 | 84,174 | 2,902,593 | 91,956 | 28,131 | 41,656 | 3,502,567 |
| Cash, end of year | \$ 315,536 | \$ 90,373 | \$ 2,697,040 | \$ 32,035 | \$ 33,589 | \$ -- | \$ 3,168,573 |
| Reconciliation of change in net position to net cash provided by (used in) operating activities: | | | | | | | |
| Change in net position | \$ (56,031) | \$ 13,906 | \$ 262,528 | \$ (55,272) | \$ (25,944) | \$ (41,656) | \$ 97,531 |
| Adjustments to reconcile change in net position to net cash provided by (used in) operating activities: | | | | | | | |
| Loss (gain) on sale of property, net | 8,168 | -- | -- | -- | (26,500) | -- | (18,332) |
| Depreciation and amortization | 132,413 | -- | -- | -- | 41,901 | -- | 174,314 |
| Bad debt expense | -- | -- | -- | -- | 45,000 | -- | 45,000 |
| Change in operating assets and liabilities: | | | | | | | |
| Accounts receivable | 4,274 | -- | -- | -- | -- | -- | 4,274 |
| Due from other governments | (950,000) | -- | -- | -- | -- | -- | (950,000) |
| Due to other governments | 950,000 | -- | -- | -- | -- | -- | 950,000 |
| Accounts payable | 16,114 | -- | 989 | (4,649) | (26,495) | -- | (14,041) |
| Accrued liabilities | 30,286 | -- | -- | -- | -- | -- | 30,286 |
| Accrued interest | (1,350) | -- | -- | -- | -- | -- | (1,350) |
| Deferred revenue | (58,252) | 870 | 1,130 | -- | 3,150 | -- | (53,102) |
| Net cash provided by (used in) operating activities | \$ 75,622 | \$ 14,776 | \$ 264,647 | \$ (59,921) | \$ 11,112 | \$ (41,656) | \$ 264,580 |
| Supplemental Disclosure of Cash Flow Information: | | | | | | | |
| Cash paid during the year for: | | | | | | | |
| Interest | \$ 99,161 | \$ -- | \$ -- | \$ -- | \$ 12,495 | \$ -- | \$ 111,656 |
| Noncash Transactions | | | | | | | |
| Transfer of title to Chadwick Bay SPEC building property from Chautauqua County | \$ 1,816,765 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | 1,816,765 |
| Assuming note payable related to Chadwick Bay SPEC building | (1,816,765) | -- | -- | -- | -- | -- | (1,816,765) |
| | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |

See accompanying independent auditors' report and notes to financial statements.

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

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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 County Capital Resource Corporation

This entity assists with the issuance of tax-exempt financing to qualifying organizations. The Corporation receives fees associated with the financing.

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, 2012

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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, 2012, 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, 2012, 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 (CCCRC). 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 \$9,533,714 in 2012 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, 2012

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 | \$ 555,548 |
| Subsequent additions and improvements-IDA | 6,224 |
| Subsequent disposals-IDA | <u>(119,020)</u> |
| Total Land Held for Resale | <u>\$ 442,752</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 2009 and later.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Income Tax Status (continued)

The Chautauqua Capital Resource Corporation (CCRC) is a corporation that was established to assist the County in issuing tax exempt bonds in furtherance of its purposes. The bonds issued on behalf of the County by the Corporation will be treated as tax-exempt as defined under Internal Revenue Service Code 103.

NOTE 2 - COMPONENT UNITS

Chautauqua Region Industrial Development Corporation (CRIDC)

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.

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

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NOTE 2 - COMPONENT UNITS (C ONTINUED)

Chautauqua Region Industrial Development Corporation (CRIDC) (continued)

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, 2012.

Chautauqua County Capital Resource Corporation (CCCRC)

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

The Chautauqua County Capital Resource Corporation (CCCRC) is a local development corporation formed under Section 1411 of the New York State Not-for-Profit Corporation Law. The Corporation undertakes projects either on its own behalf ("Corporation Projects"), or for the benefit of an applicant ("Applicant Projects"). According to the NFPCL and the Incorporation Certificate, the Corporation can undertake any project that promotes community and economic development and the creation of jobs in the non-profit and for-profit sectors for the citizens of Chautauqua County (the "County") by developing and providing programs for not-for profit institutions, manufacturing and industrial businesses and other entities to access low interest tax exempt and non-tax-exempt financing for their eligible projects, as well as projects and activities within the County for the purpose of relieving and reducing unemployment, bettering and maintaining job opportunities, carrying on scientific research for the purpose of aiding the County by attracting new industry to the County or by encouraging the development of, or retention of, an industry in the County, and lessening the burdens of government and acting in the public interest.

NOTE 2 - COMPONENT UNITS (CONTINUED)

Chautauqua County Capital Resource Corporation (CCCRC) (continued)

Additionally, the Corporation was created as a public instrumentality of the County. Accordingly, when the Corporation issues debt which is intended to be federally tax-exempt and which qualifies as federally tax-exempt debt, the interest payable on such Tax-Exempt Bonds is excludable from the gross income of the holders thereof for federal income tax. This exemption of interest from certain income taxation allows the Corporation to borrow at lower interest rates, thus lowering the cost of borrowing for a project.

The financial statements of CCCRC are treated as a blended component unit and are included in this audit report for the year ended December 31, 2012.

NOTE 3 - ACCOUNTS RECEIVABLE

As of December 31, 2012 the outstanding balance in accounts receivable is equal to \$102,160. Of this total, \$75,000 is related to tenant rents receivable and \$27,160 is related to administrative fees. As of December 31, 2012, the Agency has reserved \$75,000 of the rents receivable.

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2012:

| | 2011 Balance | Additions | Deletions | 2012 Balance |
|--------------------------------|-----------------|--------------|-------------|-----------------|
| IDA: | | | | |
| Building | \$ 197,672 | \$ -- | \$ -- | \$ 197,672 |
| Furniture and equipment | 118,980 | -- | -- | 118,980 |
| SPEC building: | | | | |
| Stoneman Park | 2,754,210 | 50,082 | -- | 2,804,292 |
| Chadwick Bay | -- | 1,851,061 | -- | 1,851,061 |
| Improvements | 152,483 | -- | (50,082) | 102,401 |
| West End Improvements | 53,848 | -- | -- | 53,848 |
| Other improvements | 52,353 | 22,905 | -- | 75,258 |
| | 3,329,546 | 1,924,048 | (50,082) | 5,203,512 |
| Less: accumulated depreciation | (1,140,840) | (132,413) | -- | (1,273,253) |
| | 2,188,706 | 1,791,635 | (50,082) | 3,930,259 |
| CRIDC: | | | | |
| Building | 2,291,323 | -- | -- | 2,291,323 |
| Less: accumulated depreciation | (1,884,521) | (41,901) | -- | (1,926,422) |
| | 406,802 | (41,901) | -- | 364,901 |
| Total | \$ 2,595,508 | \$ 1,749,734 | \$ (50,082) | \$ 4,295,160 |

In 2006, the CCIDA sold a building (Chadwick Bay Spec Building) to a Company and assumed a mortgage note receivable. At the time CCIDA also had an outstanding note payable to Chautauqua County related to bonds issued for the construction of the property. In 2010, the Company defaulted on the note receivable and Chautauqua County, who held a first position on the mortgage, foreclosed on the property and took title to it. On February 22, 2012, Chautauqua County transferred title to the property back to the CCIDA and a note payable in the amount of \$1,816,765 was assumed by CCIDA. The note will be paid over 31.5 years and has an annual interest rate of 3%.

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 \$132,413 for the IDA and \$41,901 for the CRIDC during the year ended December 31, 2012.

NOTE 5 - 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.

NOTE 6 - 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 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 relating to the grant in 2009 and 2010. However, the Agency incurred expenditures of \$15,845 in 2011, leaving an unexpended amount of \$15,194 which remains in deferred revenue at December 31, 2012.

NOTE 6 - 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, 2011, the Agency expended \$771,927, related to this project. Costs incurred in the current year totaled \$58,252. The agreement between the Agency and the County of Chautauqua was extended to March 31, 2012. At December 31, 2012, \$19,821 of the grant amount received remains unspent and recorded as deferred revenue.

NOTE 7 - DUE TO OTHER GOVERNMENTS

As of December 31, 2012 the outstanding balance in due to other governments is equal to \$963,257. Of this total, \$13,030 is related to funds held in escrow for the Ripley-Westfield project, while \$950,000 related to a grant from NYS Department of Transportation that was received in and passed through to Chautauqua County in January 2013.

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 8 - 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 9 - 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 10 - NOTES RECEIVABLE

Chautauqua Revolving Loan Fund

| | |
|--|-----------|
| MW Clark Supply, Inc., 4% interest bearing note receivable, \$460, per month including interest through April 1, 2015. | \$ 13,539 |
| Willston Enterprises, 5% interest bearing note receivable, \$795, per month including interest through January 1, 2018. | 42,771 |
| Phoenix Metal, 5% interest bearing note receivable, \$795, per month including interest through January 1, 2018. | 42,771 |
| Kiebler Recreation, LLC, 5% interest bearing note receivable, \$1,415, per month including interest through July 1, 2013. Loan is currently non performing and the CCIDA is working with owner to secure payments. | 49,646 |
| Jamestown Scientific, 5% interest bearing note receivable, \$793, per month including interest through March 1, 2013. | 2,358 |
| Circle Mechanical, Inc., 4% interest bearing note receivable, \$1,289 per month including interest through October 1, 2014. | 34,408 |
| 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. | 60,836 |
| SolEpoxy Inc., 4% interest bearing note receivable, \$1,381, per month including interest through January 1, 2016. | 48,005 |

NOTE 10 - NOTES RECEIVABLE (CONTINUED)

Chautauqua Revolving Loan Fund (Continued)

| | |
|--|-------------------|
| Buffalo Street Partners LLC, 4% interest bearing note receivable, \$1,025 per month including interest through November 1, 2018. Entered into interest only agreement through December 31, 2012. | \$ 73,447 |
| DigEdition, 4% interest bearing note receivable, \$1,025 per month including interest through August 1, 2018. | 62,117 |
| Shaant Industries, Inc., (loan awarded during 2012), 4% interest bearing note receivable, \$1,025 per month including interest through August 1, 2019. Entered into interest only agreement through December 31, 2012. | 71,884 |
| Muldowney Development, Inc., (loan awarded during 2012), 4% interest bearing note receivable, \$575 per month including interest through November 1, 2017. | 30,759 |
| EMC FinTech, (loan awarded during 2012), 4% interest bearing note receivable, \$888 per month including interest through December 1, 2019. | 65,000 |
| Digitell, Inc., (loan awarded during 2012), 4% interest bearing note receivable, \$617 per month including interest through April 1, 2017. | <u>29,402</u> |
| Subtotal | 626,943 |
| Less: reserve | <u>(119,539)</u> |
| Subtotal | 507,404 |
| Less: current portion | <u>(114,562)</u> |
| Long-term portion - Chautauqua Revolving Loan Fund | <u>\$ 392,842</u> |
| <u>AI-Tech Trust Fund</u> | |
| Artone Manufacturing, 5% interest bearing note receivable, \$2,827 per month including interest through August 1, 2016. | \$ 113,428 |
| GEI, Inc., 5% interest bearing note receivable, \$1,842 per month including interest through July 1, 2020. | 145,684 |
| 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. | 299,729 |
| Chautauqua Utilities, 4% note receivable, \$5,030 per month including principle, through April 1, 2022. Entered into an interest only agreements for period from November 1, 2009 through December 1, 2012. | 599,002 |
| Chautauqua Energy, Inc., 5% interest bearing note receivable, \$3,907 per month including interest through November 1, 2022. | 365,940 |

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 10 - NOTES RECEIVABLE (CONTINUED)

AI-Tech Trust Fund (continued)

| | |
|---|------------|
| 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 April 1, 2012. | \$ 122,416 |
| Digitell, Inc., 5% interest bearing note receivable, \$1,413 per month including interest through March 1, 2014. | 20,511 |
| Falconer Electronics, 5% interest bearing note receivable, \$1,582 per month including interest through December 1, 2013. | 17,688 |
| Falconer Enterprises, LLC, 5% interest bearing note receivable, \$3,182 per month, including interest through June 1, 2018 | 183,276 |
| Jamestown Development Corporation, 4% interest bearing note receivable, \$7,593 per month including interest through March 1, 2015. | 195,793 |
| Jamestown Mattress Company, Inc., 4% interest bearing note receivable, \$3,029 per month including interest through February 1, 2025. | 349,864 |
| Jamestown Scientific Industries, LLC., 5% interest bearing note receivable, \$1,750 per month including interest through January 1, 2014. | 21,734 |
| Kiebler Recreation LLC, 5% interest bearing note receivable, \$1,887 per month including interest through July 1, 2013. Loan is currently non performing and business has filed for Chapter 11 bankruptcy. | 66,195 |
| Lightning Circuits International, Inc. 4% interest bearing note receivable, \$2,025 per month including interest through September 1, 2015. Entered into interest only agreements for period from January 1, 2009 through June 1, 2012. | 143,534 |
| Lightning Circuits, Inc., 5% interest bearing note receivable, \$822 per month including interest through June 1, 2012. Entered into interest only agreements for period from January 1, 2009 through June 1, 2012. | 31,611 |
| Lightning Circuits, Inc., 5% interest bearing note receivable, \$228 per month including interest through July 1, 2012. Entered into interest only agreements for period from January 1, 2009 through June 1, 2012. | 8,950 |
| Mack's Hometown Market, LLC., 4% interest bearing note receivable, \$1,397 per month including interest through August 1, 2014. | 26,992 |
| Martha and Douglas Peterson, 5% interest bearing note receivable, \$2,121 per month including interest through August 1, 2017. | 105,757 |

NOTE 10 - NOTES RECEIVABLE (CONTINUED)

AI-Tech Trust Fund (continued)

| | |
|---|-----------|
| Merritt Estate Winery, 5% interest bearing note receivable, \$905 per month including interest through July 1, 2014. | \$ 16,491 |
| The Resource Center, 5% interest bearing note receivable, \$1,737 per month including interest through February 1, 2014. | 23,578 |
| Phoenix Metal, 5% interest bearing note receivable, \$4,508 per month including interest through January 1, 2018. | 242,369 |
| Star Hotels LLC, 5% interest bearing note receivable, \$2,652 per month including interest through January 1, 2014. | 33,477 |
| Superior Grinding, Inc., 5% interest bearing note receivable, \$2,442 per month including interest through September 1, 2014. | 66,586 |
| Tordella and Palm, Inc., 5% interest bearing note receivable, \$1,273 per month including interest through November 1, 2017. Entered into interest only agreements for period from January 1, 2011 through April 1, 2012. | 85,526 |
| Ulrich Planfiling Equipment Corporation, 5% interest bearing note receivable, \$2,625 per month including interest through May 1, 2013. | 12,929 |
| Yaw Oil Company, Inc., 4% interest bearing note receivable, \$3,151 per month including interest through November 1, 2024. | 357,961 |
| Willston Enterprises, 5% interest bearing note receivable, \$5,303 per month including interest through January 1, 2018. | 285,139 |
| KMPD, LLC, 4% interest bearing note receivable, \$547 per month including interest through April 1, 2016. | 20,443 |
| Johnson Machine, 4% interest bearing note receivable, \$1,842 per month including interest through August 1, 2014. | 35,575 |
| Chautauqua Hotel, 4% interest bearing note receivable, \$4,438 per month including interest through June 1, 2024. | 490,280 |
| 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. | 78,849 |
| Tube Fabrication Co., Inc., 4% interest bearing note receivable, \$1,367 per month including interest through February 1, 2017. | 62,856 |
| CALB Acquisition, 4% interest bearing note receivable, \$4,101 per month including interest through October 1, 2016. | 174,611 |

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 10 - NOTES RECEIVABLE (CONTINUED)

AI-Tech Trust Fund (continued)

| | |
|--|------------|
| Chautauqua Precision, 4% interest bearing note receivable, \$2,146 per month including interest through September 1, 2020. | \$ 169,820 |
| ECR International, 4% interest bearing note receivable, \$9,116 per month including interest through June 1, 2015. | 259,844 |
| Harson Inc., 4% interest bearing note receivable, \$847 per month including interest through June 1, 2017. | 41,817 |
| Muldowney Development Inc., 4% interest bearing note receivable, \$1,367 per month including interest through October 1, 2017. Entered into interest only agreement for period from January 1, 2011 through December 31, 2011. | 91,635 |
| Paradise Yacht and Cruises Inc, 4% interest bearing note receivable, \$1,024 per month including interest through October 1, 2015. | 36,032 |
| Robert White (Lakeside Capital), 4% interest bearing note receivable, \$6,698 per month including interest through December 1, 2017. | 363,680 |
| Bloomquist Landscaping Inc., 4% interest bearing note receivable, \$916 per month including interest through April 1, 2018. | 52,703 |
| Buffalo Street Partners, 4% interest bearing note receivable, \$1,367 per month including interest through April 1, 2018. Entered into an interest only agreement through December 31, 2012. | 97,929 |
| DigEdition 4% interest bearing note receivable, \$1,025 per month including interest through July 1, 2018. | 62,117 |
| EMC FinTech 4% interest bearing note receivable, \$1,367 per month including interest through July 1, 2018. | 81,953 |
| Filegar Cutting Tech, 4% interest bearing note receivable, \$1,476 per month including interest through August 1, 2015. | 44,736 |
| Hamburg Kasturi, 4% interest bearing note receivable, \$6,698 per month including interest through March 1, 2016. | 134,494 |
| Jamestown MVP, 4% interest bearing note receivable, \$3,000 per month including interest through March 1, 2031. | 465,693 |
| MW Johnson, 4% interest bearing note receivable, \$1,033 per month including interest through January 1, 2015. | 24,747 |

NOTE 10 - NOTES RECEIVABLE (CONTINUED)

AI-Tech Trust Fund (continued)

| | |
|---|---------------------|
| Rem-Tronics, 4% interest bearing note receivable, \$3,000 per month including interest through July 1, 2031. | \$ 471,435 |
| Shaant Industries, Inc., 4% interest bearing note receivable, \$1,842 per month including interest through February 1, 2016. Entered into an interest only agreement through December 31, 2012. | 84,689 |
| Weber Knapp, Inc., 4% interest bearing note receivable, \$4,050 per month including interest through September 1, 2021. | 357,760 |
| Jamestown MVP, LLC, (loan awarded during 2012), 4% interest bearing note receivable, \$3,030 per month including interest through June, 1 2032. | 491,752 |
| Container Testing Solutions, Inc., (loan awarded during 2012), 4% interest bearing note receivable, \$1,105 per month including interest through April, 1 2017. | 52,675 |
| Rainbow Parrot, Inc., (loan awarded during 2012), 4% interest bearing note receivable, \$1,295 per month including interest through February 1, 2017. | 167,781 |
| McDharmon LLC, (loan awarded during 20112), 4% interest bearing note receivable, \$6,060 per month including interest through April 1, 2032. | 977,932 |
| Digitell, Inc., (loan awarded during 2012), 4% interest bearing note receivable, \$1,225 per month including interest through April 1, 2017. | <u>58,390</u> |
| Subtotal | 9,394,388 |
| Less: reserve | <u>(268,387)</u> |
| Subtotal | 9,126,001 |
| Less: current portion | <u>(1,248,281)</u> |
| Long-term portion - AI-Tech Trust Fund | <u>\$ 7,877,720</u> |

As of December 31, 2012, the Agency had commitments to issue notes to four companies totaling approximately \$1,337,000.

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 11 – CONVERTIBLE PROMISSORY NOTES

CRIDC Economic Development Program

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

During 2010 through 2012, 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.

During 2012, the Agency issued a \$26,500 note receivable related to the sale of land.

As of December 31, 2012, the Agency had convertible promissory notes receivable outstanding of:

| | |
|--|-----------------|
| Dunkirk Bio-electric, Ltd. (note issued in 2010), 4% interest bearing convertible note receivable with maturity date of December 20, 2013. | \$ 30,000 |
| Advanced Conversion Technology, LLC. (note issued in 2010), 4% interest bearing convertible note receivable with maturity date of July 27, 2013. | 15,000 |
| SellingHive Corporation (note issued in 2010), 4% interest bearing convertible note receivable with maturity date of July 27, 2013. | 15,000 |
| SellingHive Corporation (note issued in 2011), 4% interest bearing convertible note receivable with maturity date of May 15, 2014. | 15,000 |
| Haledyne Corporation (note issued in 2011), 4% interest bearing convertible note receivable with maturity date of June 16, 2014. | 30,000 |
| Henlie, Inc. (note issued in 2011), 4% interest bearing convertible note receivable with maturity date of June 3, 2014. | 20,000 |
| Henlie, Inc. (note issued in 2012), 4% interest bearing convertible note receivable with maturity date of March 28, 2015. | <u>20,000</u> |
| Subtotal | 145,000 |
| Less: reserve | <u>(45,000)</u> |
| Long-term portion | <u>100,000</u> |

Note receivable

In February 2012, CRIDC sold land to a Company in the amount of \$26,500. CRIDC held a note on the property which calls for twenty-four monthly payments of \$1,104. The balance on the note was \$15,459 as of December 31, 2012.

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. 68,604

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 interest only payments during 2011. The bond matures August 20, 2021. 1,689,857

Bond payable to County of Chautauqua with an annual interest rate of 5%. Proceeds used for the construction of a new aircraft storage hangar. Payable on January 15, 2016 or upon disposition of the acquired property. 170,725

Bond payable to County of Chautauqua. Proceeds used for construction of the Chadwick Bay Industrial Park SPEC Building. Payable with interest only at 3% of \$4,542 monthly through July 22, 2013, The Agency made interest only payments from March 22, 2012 through the end of the year. Monthly principal and interest payments totaling \$7,660 are scheduled to begin August 22, 2013. The bond matures August 22, 2043. 1,816,765

Subtotal 3,889,951

Less: current portion (178,839)

Long-term debt – IDA \$3,711,112

Chautauqua Region Industrial Development Corporation

Note payable to AI-Tech Trust Fund, payable \$2,974 per month with interest at 4% per annum. The bond matures on April 1, 2023. \$ 299,729

Less: current portion (24,139)

Long-term debt – IDA \$ 275,590

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 12 - LONG-TERM DEBT (CONTINUED)

Maturities

At December 31, 2012, debt service requirements are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------|---------------------|---------------------|---------------------|
| CCIDA: | | | |
| 2013 | \$ 178,839 | \$ 105,409 | \$ 284,248 |
| 2014 | 195,440 | 99,536 | 294,976 |
| 2015 | 201,639 | 93,039 | 294,678 |
| 2016 | 208,887 | 86,422 | 295,309 |
| 2017 | 215,618 | 79,546 | 295,164 |
| 2018-2022 | 1,386,261 | 287,716 | 1,673,977 |
| 2023-2027 | 267,244 | 192,329 | 459,573 |
| 2028-2032 | 310,435 | 149,138 | 459,573 |
| 2033-2037 | 360,606 | 98,967 | 459,573 |
| 2038-2042 | 418,886 | 40,687 | 459,573 |
| 2043 | 146,096 | 533 | 146,629 |
| | <u>\$ 3,889,951</u> | <u>\$ 1,233,322</u> | <u>\$ 5,123,373</u> |

CRIDC:

| | | | |
|-----------|-------------------|------------------|-------------------|
| 2013 | \$ 24,139 | \$ 11,550 | \$ 35,689 |
| 2014 | 25,123 | 10,566 | 35,689 |
| 2015 | 26,146 | 9,543 | 35,689 |
| 2016 | 27,212 | 8,477 | 35,689 |
| 2017 | 28,320 | 7,369 | 35,689 |
| 2018-2022 | 159,878 | 18,567 | 178,445 |
| 2023 | 8,911 | 60 | 8,971 |
| | <u>\$ 299,729</u> | <u>\$ 66,132</u> | <u>\$ 365,861</u> |

The IDA and CRIDC incurred interest expense in the amounts of \$97,811 and \$12,495 during 2012, respectively.

NOTE 13 - 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 2012:

NOTE 13 - PASS-THROUGH TRANSACTIONS (CONTINUED)

| <u>IDA</u> | <u>Receipts</u> | <u>Disbursements</u> |
|---|----------------------|----------------------|
| State, County and Local Grants: | | |
| <u>NYS DOT</u> | | |
| Chautauqua County | \$ 950,000 | \$ 950,000 |
| <u>County grant</u> | | |
| Ripley Interstate Site Development Project | 58,252 | 58,252 |
| <u>Pilot Program</u> | | |
| Pilot payments collected from businesses and remitted to local governments. | 9,533,714 | 9,533,714 |
| Total pass-through transactions | <u>\$ 10,541,966</u> | <u>\$ 10,541,966</u> |

NOTE 14 - 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, 2012 totaled \$35,278.

NOTE 15 - 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 are included within general and administrative expenses in the combined statement of revenue, expenditures and changes in net position while the corresponding revenue was recognized by the IDA in other income. Costs were allocated as follows:

| | |
|---------------------|-------------------|
| Revolving Loan Fund | \$ 10,804 |
| CRIDC Fund | 19,167 |
| AI-tech Loan Fund | 145,699 |
| | <u>\$ 175,670</u> |

As of December 31, 2012, the AI-tech Trust Fund had an outstanding note receivable from CRIDC in the amount of \$299,729.

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

NOTE 16 - RESTRICTED NET POSITION

The amounts restricted as of December 31, 2012 include:

| <u>Chautauqua Revolving Loan Fund</u> | |
|---------------------------------------|----------------------|
| Revolving Loan funds | \$ <u>596,907</u> |
| <u>AI Tech Trust Fund</u> | |
| AI Tech funds | \$ <u>11,819,422</u> |

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events were evaluated through March 12, 2013, which is the date the financial statements were available to be issued.

NOTE 18 – 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.

NOTE 18 – FAIR VALUE MEASUREMENTS (CONTINUED)

The table below presents information about the changes in receivables for 2012.

| | <u>Chautauqua Revolving Loan Fund</u> | <u>AI-Tech Trust Fund</u> |
|-----------------------------|---------------------------------------|--|
| Beginning balance | \$ 498,828 | \$ 8,655,799 |
| New loans made | 204,720 | 1,801,510 |
| Principal payments received | (196,143) | (1,331,310) |
| Bad debt expense | -- | -- |
| Adjustment to allowance | (1) | 2 |
| Ending balance | <u>\$ 507,404</u> | <u>\$ 9,126,001</u> |
| | <u>CRIDC Revolving Loan Fund</u> | <u>CRIDC Convertible Promissory Notes & Notes Receivable</u> |
| Beginning balance | \$ -- | \$ 125,000 |
| New loans made | -- | 46,500 |
| Principal payments received | -- | (11,041) |
| Bad debt expense | -- | (45,000) |
| Adjustment to allowance | -- | -- |
| Ending balance | <u>\$ --</u> | <u>\$ 115,459</u> |

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, 2012

| | CCIDA | | | Chautauqua County Capital Resource Corporation | CRIDC | | (Memo Only) Total Reporting Entity |
|--|-------------------------------------|--------------------------------------|-----------------------|---|--------------------------------------|---------------|---|
| | Industrial Development Agency | Chautauqua Revolving Loan Fund | AI-Tech Trust Fund | | Econ. Dev. Revolving Loan Fund | CRIDC | |
| | | | | | | | |
| Other Income | | | | | | | |
| Gas royalties | \$ 643 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ 643 |
| Community fee, BFI | 64,681 | -- | -- | -- | -- | -- | 64,681 |
| Other income | 205,666 | -- | -- | -- | 387 | -- | 206,053 |
| Total other income | \$ 270,990 | \$ -- | \$ -- | \$ -- | \$ 387 | \$ -- | \$ 271,377 |
| General and Administrative Expenses | | | | | | | |
| Payroll and benefits | \$ 395,369 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ 395,369 |
| Publicity and promotion | 14,928 | -- | -- | 54,784 | -- | -- | 69,712 |
| Rent | 28,012 | -- | -- | -- | -- | -- | 28,012 |
| Insurance | 9,430 | -- | 9 | -- | 26,059 | -- | 35,498 |
| Office and postage | 7,907 | 58 | 409 | -- | 13 | -- | 8,387 |
| Meeting expense | 10,999 | -- | 810 | -- | -- | -- | 11,809 |
| Professional fees | 82,708 | 10,925 | 163,932 | 50 | 23,292 | 667 | 281,574 |
| Repairs and maintenance | -- | -- | -- | -- | 40,737 | -- | 40,737 |
| Utilities | 9,617 | -- | -- | -- | 81,706 | -- | 91,323 |
| Dues and subscriptions | 6,115 | -- | -- | 350 | -- | -- | 6,465 |
| Miscellaneous | 25,205 | -- | -- | -- | -- | -- | 25,205 |
| Travel | 22,602 | -- | -- | -- | 791 | -- | 23,393 |
| Taxes | -- | -- | -- | -- | 15,997 | -- | 15,997 |
| Other | 747 | -- | -- | 175 | 24 | -- | 946 |
| Total general and administrative | \$ 613,639 | \$ 10,983 | \$ 165,160 | \$ 55,359 | \$ 188,619 | \$ 667 | \$ 1,034,427 |

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

Schedule 2
Page 24

As of December 31, 2012

| | Loan ID | Original Amount | Outstanding Principal | Date of Issuance | Date of Maturity | Interest Rate |
|--|-------------|-----------------|-----------------------|------------------|------------------|---------------|
| Tax-exempt bonds | | | | | | |
| JCC Development Corporation | 0601-07-01A | \$ 12,045,000 | 11,755,000 | 2007 | 2037 | Variable |
| JCC Development Corporation | 0601-07-01B | 340,000 | 75,000 | 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 (Parking Ramp) | 0601-04-02A | 7,810,000 | 6,475,000 | 2004 | 2030 | Variable |
| The Gerry Homes | 0601-00-03A | 15,100,000 | 10,110,000 | 2000 | 2032 | Variable |
| United Cerebral Palsy | 0601-02-02A | 1,300,000 | 580,000 | 2002 | 2010 | Variable |
| Lutheran Social Services | 0601-05-05A | 300,000 | 129,808 | 2005 | 2016 | Variable |
| Lutheran Social Services | 0601-05-05B | 5,500,000 | 4,243,743 | 2005 | 2026 | Variable |
| Resource Center | 0601-93-02A | 5,560,000 | 2,273,514 | 1993 | 2019 | Variable |
| JCC Foundation Inc. | 0601-07-02A | 3,345,000 | 2,805,000 | 2007 | 2027 | Variable |
| NRG Power Corporation | 0601-09-01 | 58,500,000 | 58,500,000 | 2009 | 2042 | Variable |
| Women's Christian Association of Jamestown, NY | 10-881712 | 29,030,000 | 28,500,000 | 2011 | 2035 | Variable |

See accompanying independent auditors' report.

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

Year ended December 31, 2012

| Project Title | Federal CFDA # | Grant Period | Federal loans outstanding | Cash and Investments | Expenditures |
|--|-------------------|-----------------|------------------------------|-------------------------|-------------------|
| U.S. Department of Commerce | | | | | |
| Economic Adjustment Assistance * | 11.307 | 1/1/12-12/31/12 | \$ 9,394,388 | \$ 2,697,040 | \$ 165,160 |
| Total U.S. Department of Commerce | | | 9,394,388 | 2,697,040 | 165,160 |
| Total Federal Awards | | | \$ 9,394,388 | \$ 2,697,040 | \$ 165,160 |

* 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**

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ***County of Chautauqua Industrial Development Agency*** and its component units, the Chautauqua Region Industrial Development Corporation and the Chautauqua County Capital Resource Corporation, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Agency and its component units' basic financial statements and have issued our report thereon dated March 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ***County of Chautauqua Industrial Development Agency's*** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***County of Chautauqua Industrial Development Agency's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***County of Chautauqua Industrial Development Agency's*** internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls over that we consider to be material weaknesses. However, material weaknesses may exist and have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

Other Communications on Internal Control

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 12, 2013.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
March 12, 2013**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

We have audited *County of Chautauqua Industrial Development Agency* and its component units, the Chautauqua Region Industrial Development Corporation and the Chautauqua County Capital Resource Corporation, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of *County of Chautauqua Industrial Development Agency's* major federal programs for the year ended December 31, 2012. *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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of *County of Chautauqua Industrial Development Agency's* major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 on compliance for each major federal program. However, our audit does not provide legal determination on *County of Chautauqua Industrial Development Agency's* compliance.

Opinion on Each Major Federal Program

In our opinion, the *County of Chautauqua Industrial Development Agency* complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of *County of Chautauqua Industrial Development Agency* is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered *County of Chautauqua Industrial Development Agency's* internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the *County of Chautauqua Industrial Development Agency's* internal control over compliance.

Report on Internal Control Over Compliance (continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in the internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Other Communications on Internal Control

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 12, 2013.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
March 12, 2013**

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012

I. SUMMARY OF CURRENT YEAR AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the **County of Chautauqua Industrial Development Agency** and its component units, the Chautauqua Region Industrial Development Corporation and the Chautauqua County Capital Resource Corporation.
2. There were no deficiencies 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."
3. No instances of noncompliance material to the financial statements of **County of Chautauqua Industrial Development Agency** and its component units, the Chautauqua Region Industrial Development Corporation and the Chautauqua County Capital Resource Corporation, 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** and its component units, the Chautauqua Region Industrial Development Corporation and the Chautauqua County Capital Resource Corporation, as reported in the Report on Compliance with Requirements Applicable to Each Major Federal 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** and its component units, the Chautauqua Region Industrial Development Corporation and the Chautauqua County Capital Resource Corporation, 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 | \$ 9,394,388 |
| Total federal assistance | | | \$ 9,394,388 |
| Percent of total Federal award programs Tested | | | 100% |

8. The threshold for distinguishing Type A programs was \$300,000.
9. **County of Chautauqua Industrial Development Agency** and its component units, the Chautauqua Region Industrial Development Corporation and the Chautauqua County Capital Resource Corporation, was determined not to be a low-risk auditee.

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012

II. FINANCIAL STATEMENT AUDIT – FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended December 31, 2012

There are no internal control over financial reporting findings being reported upon during the fiscal year ended December 31, 2012.

Year ended December 31, 2011

There were no internal control over financial reporting findings reported upon during the fiscal year ended December 31, 2011.

B. COMPLIANCE AND OTHER MATTERS

Year ended December 31, 2012

There were no instances of noncompliance reported upon during the year ended December 31, 2012.

Year ended December 31, 2011

There were no instances of noncompliance reported upon during the year ended December 31, 2011.

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

A. COMPLIANCE

Year ended December 31, 2012

There were no instances of noncompliance reported upon during the year ended December 31, 2012.

Year ended December 31, 2011

There were no instances of noncompliance reported upon during the year ended December 31, 2011.

B. INTERNAL CONTROLS OVER COMPLIANCE

Year ended December 31, 2012

There were no findings related to internal control over compliance are being reported upon during the fiscal year ended December 31, 2012.

Year ended December 31, 2011

No findings related to internal control over compliance are being reported upon during the fiscal year ended December 31, 2011.