

**COUNTY OF CHAUTAUQUA
INDUSTRIAL DEVELOPMENT AGENCY**

REPORT ON FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

County of Chautauqua Industrial Development Agency
Jamestown, New York

We have audited the accompanying financial statements of the ***County of Chautauqua Industrial Development Agency*** and its component units, the Chautauqua Region Industrial Development Corporation and the Chautauqua County Capital Resource Corporation, as of and for the year ended December 31, 2011, as listed in the Table of Contents. These financial statements are the responsibility of the ***County of Chautauqua Industrial Development Agency***, Chautauqua Region Industrial Development Corporation, and Chautauqua County Capital Resource Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***County of Chautauqua Industrial Development Agency*** and its component units as of December 31, 2011, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2012, on our consideration of the ***County of Chautauqua Industrial Development Agency's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 2 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise ***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 ***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 ***County of Chautauqua Industrial Development Agency***. The 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 financial statements themselves, and other additional procedures in accordance with accounting standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

Jamestown, New York
March 14, 2012

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Page 2

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, 2011. 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, 2011:

- Overall fund equity of the Agency increased \$450,000 during the year ended December 31, 2011.
- The Agency's total revenue and other sources were approximately \$2,194,000 during 2011 as compared with \$1,695,000 during 2010.
- The Agency's total expenses and other uses were approximately \$1,744,000 during 2011 as compared to \$2,011,000 during 2010. This decrease was primarily the result of a decrease in industrial park expenses during the 2011 fiscal year.
- PILOT payments passed through to local governmental units were approximately \$11,316,000 during 2011 as compared to \$11,201,000 during 2010.

III. Overview of the Financial Statements

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

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

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

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

1. Combined Balance Sheet-All Fund Types

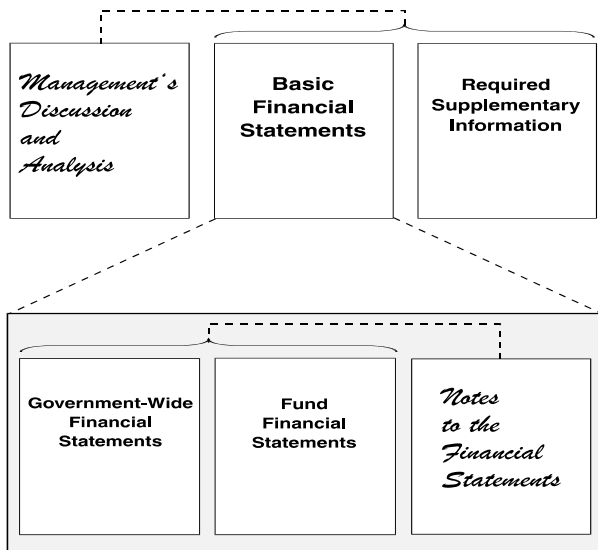
The Combined Balance Sheet (page 8) shows the "assets" (what is owned), "liabilities" (what is owed) and the "fund equity" (the resources that would remain if all obligations were settled) of the Agency. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash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

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

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

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

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



Summary ↔ **Detail**

IV. Financial Analysis of the Agency as a Whole

Fund Equity

The Agency's total entity-wide fund equity at December 31, 2011 was approximately \$13,257,000. This includes: capital assets, net of related debt of \$620,000, restricted net assets of \$12,140,000; and undesignated net assets of \$497,000.

Revenue

The Agency's total revenue and other sources were approximately \$2,194,000 during the year ended December 31, 2011. The Agency also received approximately \$11,593,000 of pass-through revenue during the year ended December 31, 2011. 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 16% of the Agency's total revenue decreased by \$83,000 during the year ended December 31, 2011. This decrease was primarily attributable to lack of collections from a delinquent tenant.

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

Revenue (continued)

- Revenue from application fees increased \$147,000 during the year ended December 31, 2011. This increase primarily resulted from an increase in applications processed during the current year.
- Revenue from interest income decreased \$32,000 during the year ended December 31, 2011. This decrease was primarily related to a lack of payment on outstanding notes during the current fiscal year. Bad debt reserves were established for these notes. Additionally, all new 2011 AI Tech loans are now closed at 4% rate as opposed the 5% of previous years.
- During the year ending December 31, 2011 the IDA had a net gain from the sale of property of \$439,162 which consisted of a \$580,708 gain from sale from the sale of the Allen Street property offset by net losses of \$141,546 from the sale of land held for resale.

Expenses

The total cost of all programs and services of the Agency was approximately \$1,744,000. The Agency's expenses consist primarily of grant expenses, business incentives, in-kind expenditures, depreciation, interest expense and general and administrative expenses.

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

- The Agency's total costs were approximately \$1,744,000 during the year ended December 31, 2011 as compared with \$2,011,000 during the year ended December 31, 2010. This decrease in expenses was the primarily the result of a reduction in industrial park expenses. The IDA was incurring significant utility costs on the Allen Street Property during the 2010 fiscal year. This property was sold in early February 2011.
- The Agency's management and administration costs were approximately \$968,000 during the year ended December 31, 2011 as compared with \$986,000 during the year ended December 31, 2010. This decrease in management and administration costs was mainly the result of a decrease in payroll and benefits due to decreases in personnel during 2011.
- The Agency by its very design often functions as a lender of last resort. Because of this, management is constantly challenged to evaluate its loan portfolio with respect to its collectability. At December 31, 2011, the Agency has reserved against potential uncollectible loans as follows: \$167,302 for the Chautauqua Revolving Loan Fund and \$674,132 for the AI-Tech Trust Fund.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Figure A-3 - Combined Balance Sheet

<i>County of Chautauqua Industrial Development Agency and Chautauqua Region Industrial Development Agency Combined Balance Sheet (in thousands of dollars)</i>			
	Total Government-wide		
	2011	2010	% Change
Assets			
Current and other assets	\$ 4,864	\$ 5,448	-11%
Capital assets, net	2,596	2,587	0%
Other assets	8,505	8,354	2%
Total assets	\$ 15,965	\$ 16,389	-3%
Liabilities			
Current liabilities	\$ 416	\$ 524	-21%
Long-term liabilities	2,292	3,059	-25%
Total liabilities	2,708	3,583	-24%
Net assets			
Unrestricted			
Invested in capital assets, net of related debt	620	345	80%
Restricted	12,140	12,143	0%
Undesignated	497	318	56%
Total net assets	13,257	12,806	4%
Total liabilities and net assets	\$ 15,965	\$ 16,389	-3%

Figure A-4 Statement of Revenue & Expenses

<i>County of Chautauqua Industrial Development Agency and Chautauqua Region Industrial Development Agency Changes in Net Assets from Operating Results (in thousands of Dollars)</i>			
	Total Government-wide		
	2011	2010	% Change
Revenue			
Application & administration fees	\$ 367	\$ 220	67%
Grant income	322	244	32%
In-kind donations	61	70	-12%
Rental income	360	443	-19%
Interest income	410	442	-7%
Other income and gain on sale	674	276	144%
Total revenue	2,194	1,695	29%
Expenses			
General and administrative	968	986	-2%
Grant expenses	56	23	143%
Business incentives	-	18	-100%
In-kind expenditures	61	70	-12%
Bad debt expenses	300	150	100%
Other expenses	149	469	-68%
Depreciation	126	166	-24%
Interest expense	84	130	-35%
Total expenses	1,744	2,011	-13%
Change in net assets	\$ 450	\$ (316)	

Figure A-5 Sources of Revenue

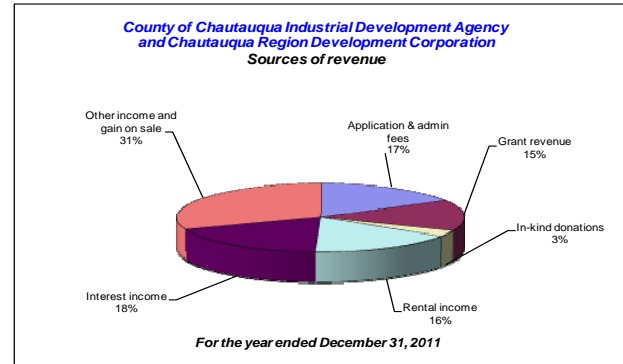
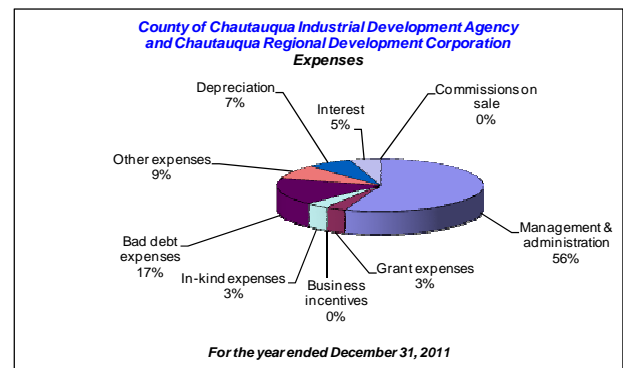


Figure A-6 - Expenses



V. Financial Analysis of the Agency Funds

Industrial Development Agency (IDA)

Fund Equity

During the current year, IDA general fund total revenue exceeded total expenses by \$256,000. Total fund equity increased to \$723,000 from \$467,000.

Revenue

During the current year, total general fund revenue and other sources were \$1,208,000 as compared with \$1,001,000 during 2010. This increase was primarily the result of an increase in grant income, application fees and a net gain on the sale of property.

Expenses

During the current year, total general fund expenses were \$952,000 as compared with \$1,658,000 during 2010. This decrease was primarily the result of carrying costs associated with a 300,000 square foot distribution center that was sold in February 2011.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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V. Financial Analysis of the Agency Funds

Chautauqua Revolving Loan Fund (CRLF)

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

Fund Equity

During the current year, the CRLF's total expenses exceeded total revenue by approximately \$90,000 causing total fund equity to decrease from \$673,000 to \$583,000.

Revenue

During the current year, total revenue of the CRLF was \$23,000 as compared with \$26,000 during 2010. This decrease was primarily the result of a decrease in interest earned.

Expenses

During the current year, total expenses of the CRLF were \$113,000 as compared with \$14,000 during 2010. This increase was attributable to an increase in bad debt expense related to loan funds.

AI-Tech Trust Fund

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

Fund Equity

During the current year, the AI-Tech Trust Fund total revenue exceeded total expenses by approximately \$87,000 causing total fund equity to increase from \$11,470,000 to \$11,557,000 as of December 31, 2011.

Revenue

During the current year, total revenue and other sources of AI-Tech Trust Fund was \$403,000 as compared with \$437,000 during the prior year. The decrease was primarily the result of a decrease in interest earnings as compared with the prior year.

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

AI-Tech Trust Fund (continued)

Expenses

During the current year, total expenses of the AI-Tech Trust Fund were \$316,000, as compared with \$118,000 during the prior year. This increase primarily resulted from an increase in bad debt due to the establishment of reserves for uncollectible loans.

Chautauqua Region Industrial Development Corporation (CRIDC)

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

Fund Equity

During the current year, the CRIDC's total revenue exceeded total expenses by approximately \$110,000 causing total fund equity to increase from \$154,000 to \$265,000.

Revenue

During the current year, total revenue of CRIDC was \$365,000 as compared with \$225,000 during 2010. This increase was primarily related to a \$112,000 grant received from NYSERDA for capital improvement projects.

Expenses

During the current year, total expenses of CRIDC were \$253,000 as compared with \$207,000 during 2010. This increase was primarily the result of an increase in property taxes and utility costs.

CRIDC Economic Development Revolving Loan Fund

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

Fund Equity

During the current year, the CRIDC Economic Development Revolving Loan Fund total revenue exceeded total expenses by approximately \$200 and total fund equity increased from \$41,500 to \$41,700.

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

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

Revenue

During the current and prior years, total revenue of CRIDC Economic Development Loan Fund was approximately \$200.

Expenses

During the current year the CRIDC Economic Development Revolving Loan Fund had no expenses.

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

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.

Fund Equity

During the current year, total revenue of the CCCRC exceeded total expenses by approximately \$87,000 creating fund equity of \$87,000.

Revenue

During the current year, total revenue and other sources of CCCRC was \$196,000. This revenue was related to service fees charged by the agency in assisting a local business in obtaining and issuing tax-exempt bonds.

Expenses

During the current year, total expenses of CCRC were \$108,000. 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, 2011, the Agency and its component unit had invested approximately \$2,595,000 in a broad range of capital assets, including industrial parks, buildings and furniture and equipment. Capital additions made during the year ended December 31, 2011, totaled approximately \$186,000. 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, 2011, the Agency and its component units had approximately \$2,531,000 in bonds, notes payable and other liabilities, decrease of approximately 23% as compared with the previous year. This decrease was primarily the result of the payment of the Allen Street bond with the proceeds from the sale of the property in February 2011.

Figure A-7 – Capital Assets

<i>County of Chautauqua Industrial Development Agency and Chautauqua Region Industrial Development Agency</i>			
Capital Assets			
	2011	2010	Change
Building	\$ 2,562	\$ 2,416	6%
SPEC Building	2,793	2,866	-3%
Improvements	146	106	38%
Equipment	119	119	0%
Accumulated depreciation	(3,025)	(2,920)	-4%
Capital Assets - net	\$ 2,595	\$ 2,587	0%

Figure A-8 – Long-term Debt

<i>County of Chautauqua Industrial Development Agency and Chautauqua Region Industrial Development Agency</i>			
Long-term Debt			
	2011	2010	Change
Bond - Stoneman Park SPEC Building	1,825	1,825	0%
Bond - Allen Street	-	700	-100%
Notes payable - NYSJDA	323	345	-6%
Other bonds	383	426	-10%
Total long-term debt	\$ 2,531	\$ 3,296	-23%

**COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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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 BALANCE SHEET - ALL FUNDS**

As of December 31, 2011

	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	\$ 354,057	\$ 84,174	\$ 2,902,593	\$ 91,956	\$ 28,131	\$ 41,656	\$ 3,502,567
Accounts receivable	168,934	--	--	--	--	--	168,934
Allowance for uncollectible accounts receivable	(137,500)	--	--	--	--	--	(137,500)
Current portion, notes receivable	--	118,000	1,212,000	--	--	--	1,330,000
Total current assets	<u>385,491</u>	<u>202,174</u>	<u>4,114,593</u>	<u>91,956</u>	<u>28,131</u>	<u>41,656</u>	<u>4,864,001</u>
Property and equipment, net	2,188,706	--	--	--	406,802	--	2,595,508
Other assets							
Notes receivable, net of current portion	--	548,130	8,117,931	--	125,000	--	8,791,061
Allowance for uncollectible notes receivable	--	(167,302)	(674,132)	--	--	--	(841,434)
Land held for resale	498,560	--	--	--	56,988	--	555,548
Total other assets	<u>498,560</u>	<u>380,828</u>	<u>7,443,799</u>	<u>--</u>	<u>181,988</u>	<u>--</u>	<u>8,505,175</u>
	<u>\$ 3,072,757</u>	<u>\$ 583,002</u>	<u>\$ 11,558,392</u>	<u>\$ 91,956</u>	<u>\$ 616,921</u>	<u>\$ 41,656</u>	<u>\$ 15,964,684</u>
Liabilities and Fund Equity							
Current liabilities							
Accounts payable	\$ 16,051	\$ --	\$ 1,500	\$ 4,649	\$ 27,789	\$ --	\$ 49,989
Due to other governments	13,257	--	--	--	--	--	13,257
Accrued liabilities	647	--	--	--	--	--	647
Accrued interest	18,249	--	--	--	--	--	18,249
Deferred revenue	93,267	--	--	--	1,459	--	94,726
Current portion of long-term debt	215,652	--	--	--	23,194	--	238,846
Total current liabilities	<u>357,123</u>	<u>--</u>	<u>1,500</u>	<u>4,649</u>	<u>52,442</u>	<u>--</u>	<u>415,714</u>
Long-term liabilities							
Long-term debt, net of current portion	<u>1,992,601</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>299,730</u>	<u>--</u>	<u>2,292,331</u>
Total liabilities	2,349,724	--	1,500	4,649	352,172	--	2,708,045
Fund equity							
Invested in capital assets, net of related debt	479,013	--	--	--	140,866	--	619,879
Restricted	--	583,002	11,556,892	--	--	--	12,139,894
Undesignated	244,020	--	--	87,307	123,883	41,656	496,866
Total fund equity	<u>723,033</u>	<u>583,002</u>	<u>11,556,892</u>	<u>87,307</u>	<u>264,749</u>	<u>41,656</u>	<u>13,256,639</u>
	<u>\$ 3,072,757</u>	<u>\$ 583,002</u>	<u>\$ 11,558,392</u>	<u>\$ 91,956</u>	<u>\$ 616,921</u>	<u>\$ 41,656</u>	<u>\$ 15,964,684</u>

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

Year ended December 31, 2011

	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	\$ 144,594	\$ 2,250	\$ 23,660	\$ 196,125	\$ --	\$ --	\$ 366,629
Grant income	210,694	--	--	--	111,735	--	322,429
In-kind donations	61,472	--	--	--	--	--	61,472
Rental income	107,321	--	--	--	252,542	--	359,863
Interest income	10,024	20,657	378,856	--	354	175	410,066
Other income	234,855	--	--	--	8	--	234,863
Total revenue	768,960	22,907	402,516	196,125	364,639	175	1,755,322
Expenditures							
General and administrative	565,561	13,008	115,827	75,818	198,284	--	968,498
Grant expenses	22,854	--	--	33,000	--	--	55,854
Consultants	30,297	--	--	--	--	--	30,297
Industrial Park expenses	118,487	--	--	--	--	--	118,487
In-kind expenditures	61,472	--	--	--	--	--	61,472
Bad debt expense	--	99,999	200,001	--	--	--	300,000
Depreciation	83,079	--	--	--	42,583	--	125,662
Total expenses	881,750	113,007	315,828	108,818	240,867	--	1,660,270
Excess (deficiency) of revenue over expenditures before financing sources and pass-throughs	(112,790)	(90,100)	86,688	87,307	123,772	175	95,052
Other financing sources (uses)							
Net gain on sale of property	439,162	--	--	--	--	--	439,162
Interest expense	(70,581)	--	--	--	(13,403)	--	(83,984)
	368,581	--	--	--	(13,403)	--	355,178
Pass-through transactions							
State and local grant revenue	88,008	--	--	--	--	--	88,008
State and local grant expenditures	(88,008)	--	--	--	--	--	(88,008)
Local pass-through revenue	--	--	--	--	189,290	--	189,290
Local pass-through expenditures	--	--	--	--	(189,290)	--	(189,290)
Revenue - PILOT	11,315,734	--	--	--	--	--	11,315,734
Expenditures - PILOT	(11,315,734)	--	--	--	--	--	(11,315,734)
	--	--	--	--	--	--	--
Excess (deficiency) of revenue and other sources over expenditures	255,791	(90,100)	86,688	87,307	110,369	175	450,230
Fund equity, beginning	467,242	673,102	11,470,204	--	154,380	41,481	12,806,409
Fund equity, ending	\$ 723,033	\$ 583,002	\$ 11,556,892	\$ 87,307	\$ 264,749	\$ 41,656	\$ 13,256,639

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

Year ended December 31, 2011

	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	\$ 144,594	\$ 2,250	\$ 23,660	\$ 196,125	\$ 4,003	\$ --	\$ 370,632
Grant income	178,841	--	--	--	111,735	--	290,576
Rental income	141,887	--	--	--	254,008	--	395,895
Cash received on PILOT's	11,315,734	--	--	--	--	--	11,315,734
Cash paid to contractors	(519,010)	(13,008)	(114,327)	(71,169)	(181,541)	--	(899,055)
Cash paid to employees	(260,143)	--	--	--	--	--	(260,143)
Cash payments on PILOTs	(11,315,734)	--	--	--	--	--	(11,315,734)
Cash payments to grantees	--	--	--	(33,000)	--	--	(33,000)
Other receipts	234,855	--	--	--	1	--	234,856
Interest paid	(105,581)	--	--	--	(13,403)	--	(118,984)
Interest received	10,024	20,657	378,856	--	354	175	410,066
Net cash provided by operating activities	(174,533)	9,899	288,189	91,956	175,157	175	390,843
CASH FLOWS FROM INVESTING ACTIVITIES:							
Issuances of mortgages and notes receivable	--	(150,000)	(2,117,000)	--	(65,000)	--	(2,332,000)
Collections on mortgages and notes receivable	--	103,920	1,309,223	--	--	11,533	1,424,676
Proceeds from sale of property	1,023,007	--	--	--	--	--	1,023,007
Capital expenditures	(40,475)	--	--	--	(172,814)	--	(213,289)
Net cash provided by (used in) investing activities	982,532	(46,080)	(807,777)	--	(237,814)	11,533	(97,606)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Principal payments on long-term debt	(743,090)	--	--	--	(22,286)	--	(765,376)
Net cash used in investing activities	(743,090)	--	--	--	(22,286)	--	(765,376)
Net change in cash	64,909	(36,181)	(519,588)	91,956	(84,943)	11,708	(472,139)
Cash, beginning of year	289,148	120,355	3,422,181	--	113,074	29,948	3,974,706
Cash, end of year	\$ 354,057	\$ 84,174	\$ 2,902,593	\$ 91,956	\$ 28,131	\$ 41,656	\$ 3,502,567
Reconciliation of change in net assets to net cash provided by (used in) operating activities:							
Change in net assets	\$ 255,791	\$ (90,100)	\$ 86,688	\$ 87,307	\$ 110,369	\$ 175	\$ 450,230
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:							
Gain on sale of property, net	(439,162)	--	--	--	--	--	(439,162)
Depreciation and amortization	83,079	--	--	--	42,583	--	125,662
Bad debt expense	--	99,999	200,001	--	--	--	300,000
Change in operating assets and liabilities:							
Accounts receivable	34,566	--	--	--	4,003	--	38,569
Due to other governments	(617)	--	--	--	--	--	(617)
Accounts payable	(39,382)	--	1,500	4,649	16,743	--	(16,490)
Accrued liabilities	(1,955)	--	--	--	--	--	(1,955)
Accrued interest	(35,000)	--	--	--	--	--	(35,000)
Deferred revenue	(31,853)	--	--	--	1,459	--	(30,394)
Net cash provided by (used in) operating activities	\$ (174,533)	\$ 9,899	\$ 288,189	\$ 91,956	\$ 175,157	\$ 175	\$ 390,843
Supplemental Disclosure of Cash Flow Information:							
Cash paid during the year for:							
Interest	\$ 105,581	\$ --	\$ --	\$ --	\$ 13,403	\$ --	\$ 118,984

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

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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, 2011

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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, 2011, 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, 2011, 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 approximately \$11,316,000 in 2011 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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Land Held for Resale

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

Original land, net of sales	\$ 136,588
Purchased land – Ripley, New York	78,764
Subsequent additions and improvements-IDA	839,360
Subsequent additions and improvements-CRIDC	56,988
Subsequent disposals-IDA	<u>(556,152)</u>
Total Land Held for Resale	<u>\$ 555,548</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 2008 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, 2011

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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, 2011

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 (C ONTINUED)

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, 2011.

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2011:

	2010 Balance	Additions	Deletions	2011 Balance
IDA:				
Building	\$ 271,203	\$ --	\$ (73,531)	\$ 197,672
Furniture and equipment	118,980	--	--	118,980
SPEC building:				
Stoneman Park	2,754,210	--	--	2,754,210
Improvements	112,008	40,475	--	152,483
West End Improvements	53,848	--	--	53,848
Other improvements	52,353	--	--	52,353
	3,362,602	40,475	(73,531)	3,329,546
Less: accumulated depreciation	(1,078,599)	(83,079)	20,838	(1,140,840)
	2,284,003	(42,604)	(52,693)	2,188,706
CRIDC:				
Building	2,145,009	146,314	--	2,291,323
Less: accumulated depreciation	(1,841,938)	(42,583)	--	(1,884,521)
	303,071	103,731	--	406,802
Total	\$ 2,587,074	\$ 61,127	\$ (52,693)	\$ 2,595,508

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 \$83,079 for the IDA and \$42,583 for the CRIDC during the year ended December 31, 2011. A net gain on the sale of assets of \$439,162 is recorded on the statement of revenue, expenditures and changes in fund equity relating to the sale and disposal of the following items: gain on sale of Allen Street property of \$580,708; loss on sale of land held for resale of \$70,465; and loss on write down of land held for resale of \$71,081.

NOTE 4 - INDUSTRIAL PARK EXPENSES

These costs include Chadwick Bay Industrial Water District charges, South County Industrial Park real estate taxes, engineering and related development expenses of the Industrial Park.

NOTE 5 - DEFERRED REVENUE

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

During 2010, the Agency received a \$25,000 down payment from a corporation for the option to purchase property. This amount was included as deferred revenue at December 31, 2010. The down payment was applied towards the sale price of the property during the year ended December 31, 2011.

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, 2011.

NOTE 5 - DEFERRED REVENUE (CONTINUED)

During 2009 and 2006, the Agency received \$250,000 and \$600,000, respectively, from the County of Chautauqua for improving economic conditions in the town of Ripley, NY through the origination of programs and activities aimed at stimulating job creation and retention, and making capital improvements. During the period July 1, 2006 through December 31, 2010, the Agency expended \$755,919, related to this project. Costs incurred in the current year totaled \$16,008. The agreement between the Agency and the County of Chautauqua was extended to March 31, 2012. At December 31, 2011, \$78,073 of the grant amount received remains unspent and recorded as deferred revenue.

NOTE 6 - DUE TO OTHER GOVERNMENTS

As of December 31, 2011 the outstanding balance in due to other governments is equal to \$13,257. Of this total, \$13,030 is related to funds held in escrow for the Ripley-Westfield project.

NOTE 7 - ACCOUNTS RECEIVABLE

As of December 31, 2011 the outstanding balance in accounts receivable is equal to \$168,934. Of this total, \$150,717 is related to tenant rents receivable and \$18,217 is related to hosting fees. As of December 31, 2011, the Agency has reserved \$137,500 of the rents receivable.

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

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.	\$ 17,215
Willston Enterprises, 5% interest bearing note receivable, \$795, per month including interest through January 1, 2018.	49,982
Phoenix Metal, 5% interest bearing note receivable, \$795, per month including interest through January 1, 2018.	49,982
Genesee Outfitters, 5% interest bearing note receivable, \$1,060, per month including interest through May 1, 2015. Loan is currently non performing and the CCIDA is working with owner to secure payments.	58,198
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
East Main Complex, LLC, 5% interest bearing note receivable, \$764, per month including interest through March 1, 2018.	49,103
Jamestown Scientific, 5% interest bearing note receivable, \$793, per month including interest through March 1, 2013.	11,502
Circle Mechanical, Inc., 4% interest bearing note receivable, \$1,289 per month including interest through October 1, 2014.	48,201

NOTE 10 - NOTES RECEIVABLE (CONTINUED)

Chautauqua Revolving Loan Fund (Continued)

Dunkirk Metal Products, Inc., 4% interest bearing note receivable, \$1,917, per month including interest through November 1, 2012. Loan was in default at year end and the agency is working with lenders and new management to alleviate the situation.	\$ 65,587
Maytum Company, 4% interest bearing note receivable, \$1,025, per month including interest through May 1, 2017.	59,822
SolEpoxy Inc., 4% interest bearing note receivable, \$1,381, per month including interest through January 1, 2016.	62,347
Buffalo Street Partners LLC, (loan awarded during 2011), 4% interest bearing note receivable, \$1,025 per month including interest through November 1, 2018.	73,447
DigEdition, (loan awarded during 2011), 4% interest bearing note receivable, \$1,025 per month including interest through August 1, 2018.	<u>71,098</u>
Subtotal	666,130
Less: reserve	<u>(167,302)</u>
Subtotal	498,828
Less: current portion	<u>(118,000)</u>
Long-term portion - Chautauqua Revolving Loan Fund	<u>\$ 380,828</u>

AI-Tech Trust Fund

Artone Manufacturing, 5% interest bearing note receivable, \$2,827 per month including interest through August 1, 2016.	\$ 140,927
GEI, Inc., 5% interest bearing note receivable, \$1,842 per month including interest through July 1, 2020.	160,112
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.	322,924
Chautauqua Utilities, 4% note receivable, \$5,030 per month including principle, through April 1, 2022. Entered into an interest only agreement for period from November 1, 2009 through November 1, 2011.	602,025
Chautauqua Energy, Inc., 5% interest bearing note receivable, \$3,907 per month including interest through November 1, 2022.	393,762

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 10 - NOTES RECEIVABLE (CONTINUED)

AI-Tech Trust Fund (continued)

Circle Mechanical, Inc., 5% interest bearing note receivable, \$1,415 per month including interest through November 1, 2011.	\$ 6,989
Genesee Outfitters, 5% interest bearing note receivable, \$2,205 per month, including interest through May 1, 2015. Loan is currently non performing and the CCIDA is working with owner to complete sale of the business.	131,249
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.	143,395
Digitell, Inc., 5% interest bearing note receivable, \$1,413 per month including interest through March 1, 2014.	36,022
Falconer Electronics, 5% interest bearing note receivable, \$1,582 per month including interest through December 1, 2013.	35,302
Falconer Enterprises, LLC, 5% interest bearing note receivable, \$3,182 per month, including interest through June 1, 2018	211,525
Jamestown Development Corporation, 4% interest bearing note receivable, \$7,593 per month including interest through March 1, 2015.	277,305
Jamestown Mattress Company, Inc., 4% interest bearing note receivable, \$3,029 per month including interest through February 1, 2025.	371,746
Jamestown Scientific Industries, LLC., 5% interest bearing note receivable, \$1,750 per month including interest through January 1, 2014.	41,119
Kaanam LLC, 5% interest bearing note receivable, \$4,240 per month including interest through August 1, 2015. Loan is currently non performing and the CCIDA is working with owner to complete sale of the business.	274,123
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 an interest only agreement for period from January 1, 2009 through October 31, 2011.	143,534

NOTE 10 - NOTES RECEIVABLE (CONTINUED)

AI-Tech Trust Fund (continued)

Lightning Circuits, Inc., 5% interest bearing note receivable, \$822 per month including interest through June 1, 2012. Entered into an interest only agreement for period from January 1, 2009 through October 31, 2011.	\$ 31,611
Lightning Circuits, Inc., 5% interest bearing note receivable, \$228 per month including interest through July 1, 2012. Entered into an interest only agreement for period from January 1, 2009 through October 31, 2011.	8,950
Lorelle and Sharon Johnson, 5% interest bearing note receivable, \$2,912 per month including interest through January 1, 2014.	68,990
Mack's Hometown Market, LLC., 4% interest bearing note receivable, \$1,397 per month including interest through August 1, 2014.	42,343
Martha and Douglas Peterson, 5% interest bearing note receivable, \$2,121 per month including interest through August 1, 2017.	125,389
Merritt Estate Winery, 5% interest bearing note receivable, \$905 per month including interest through July 1, 2014.	26,255
The Resource Center, 5% interest bearing note receivable, \$1,737 per month including interest through February 1, 2014.	42,723
Phoenix Metal, 5% interest bearing note receivable, \$4,508 per month including interest through January 1, 2018.	283,229
Raines Enterprises II, LLC, 5% interest bearing note receivable, \$1,146 per month including interest through June 1, 2017. Loan was in default at year end and the agency is working with lenders and new management to alleviate the situation.	82,893
Star Hotels LLC, 5% interest bearing note receivable, \$2,652 per month including interest through January 1, 2014.	62,822
Superior Grinding, Inc., 5% interest bearing note receivable, \$2,442 per month including interest through September 1, 2014.	91,874
Tordella and Palm, Inc., 5% interest bearing note receivable, \$1,273 per month including interest through November 1, 2017. Entered into an interest only agreement for period from January 1, 2011 through December 31, 2011.	88,253
Ulrich Planfiling Equipment Corporation, 5% interest bearing note receivable, \$2,625 per month including interest through May 1, 2013.	42,958

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 10 - NOTES RECEIVABLE (CONTINUED)

AI-Tech Trust Fund (continued)

Western New York & Pennsylvania Railroad, 5% interest bearing note receivable, \$2,652 per month including interest through January 1, 2012.	\$ 2,656
Yaw Oil Company, Inc., 4% interest bearing note receivable, \$3,151 per month including interest through November 1, 2024.	380,955
Willston Enterprises, 5% interest bearing note receivable, \$5,303 per month including interest through January 1, 2018.	333,210
KMPD, LLC, 4% interest bearing note receivable, \$547 per month including interest through April 1, 2016.	26,064
Johnson Machine, 4% interest bearing note receivable, \$1,842 per month including interest through August 1, 2014.	55,811
Chautauqua Hotel, 4% interest bearing note receivable, \$4,438 per month including interest through June 1, 2024.	523,208
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.	85,028
Tube Fabrication Co., Inc., 4% interest bearing note receivable, \$1,367 per month including interest through February 1, 2017.	76,448
CALB Acquisition, 4% interest bearing note receivable, \$4,101 per month including interest through October 1, 2016.	215,933
Chautauqua Precision, 4% interest bearing note receivable, \$2,146 per month including interest through September 1, 2020.	188,379
ECR International, 4% interest bearing note receivable, \$9,116 per month including interest through June 1, 2015.	356,732
Harson Inc., 4% interest bearing note receivable, \$847 per month including interest through June 1, 2017.	50,133
Maytum Company, 4% interest bearing note receivable, \$1,367 per month including interest through May 1, 2017.	79,762
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.	97,929
Paradise Yacht and Cruises Inc, 4% interest bearing note receivable, \$1,024 per month including interest through October 1, 2015.	43,594
Robert White (Lakeside Capital), 4% interest bearing note receivable, \$6,698 per month including interest through December 1, 2017.	428,101

NOTE 10 - NOTES RECEIVABLE (CONTINUED)

AI-Tech Trust Fund (continued)

Bloomquist Landscaping Inc. (loan awarded during 2011), 4% interest bearing note receivable, \$916 per month including interest through April 1, 2018.	\$ 61,395
Buffalo Street Partners (loan awarded during 2010), 4% interest bearing note receivable, \$1,367 per month including interest through April 1, 2018.	97,929
DigEdition (loan awarded during 2011), 4% interest bearing note receivable, \$1,025 per month including interest through July 1, 2018.	71,098
EMC FinTech (loan awarded during 2011), 4% interest bearing note receivable, \$1,367 per month including interest through July 1, 2018.	94,798
Filegar Cutting Tech (loan awarded during 2011), 4% interest bearing note receivable, \$1,476 per month including interest through August 1, 2015.	50,000
Hamburg Kasturi (loan awarded during 2011), 4% interest bearing note receivable, \$6,698 per month including interest through March 1, 2016.	172,485
Jamestown MVP (loan awarded during 2011), 4% interest bearing note receivable, \$3,000 per month including interest through March 1, 2031.	482,690
MW Johnson (loan awarded during 2011), 4% interest bearing note receivable, \$1,033 per month including interest through January 1, 2015.	35,000
Rem-Tronics (loan awarded during 2011), 4% interest bearing note receivable, \$3,000 per month including interest through July 1, 2031.	488,207
Shaant Industries, Inc. (loan awarded during 2011), 4% interest bearing note receivable, \$1,842 per month including interest through February 1, 2016.	84,689
Weber Knapp, Inc. (loan awarded during 2011), 4% interest bearing note receivable, \$4,050 per month including interest through September 1, 2021.	<u>391,153</u>
Subtotal	9,329,931
Less: reserve	<u>(674,132)</u>
Subtotal	8,655,799
Less: current portion	<u>(1,212,000)</u>
Long-term portion - AI-Tech Trust Fund	<u>\$ 7,443,799</u>

As of December 31, 2011, the Agency had commitments to issue notes to five companies totaling \$1,796,000.

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

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 2011 and 2010, the Agency utilized the funds from the grant to issue convertible promissory notes to tenants of the SUNY Incubator building located in Dunkirk, New York. Unless the promissory notes are converted into shares of each Company's capital stock pursuant to the agreement, the outstanding principal along with accrued and unpaid interest shall be due and callable on a specified date.

As of December 31, 2011, 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.	<u>20,000</u>
Subtotal	125,000
Less: current portion	<u>-</u>
Long-term portion	\$ <u>125,000</u>

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. 1,824,924

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

Subtotal 2,208,253

Less: current portion (215,652)

Long-term debt – IDA \$1,992,601

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. \$ 322,924

Less: current portion (23,194)

Long-term debt – IDA \$ 299,730

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 12 - LONG-TERM DEBT (CONTINUED)

Maturities

At December 31, 2011, debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
CCIDA:			
2012	\$ 215,652	\$ 55,845	\$ 271,497
2013	153,732	50,984	204,716
2014	159,183	46,028	205,211
2015	164,280	40,699	204,979
2016	170,390	35,206	205,596
2017-2021	1,155,192	87,815	1,243,007
2022	189,824	40	189,864
	<u>\$ 2,208,253</u>	<u>\$ 316,617</u>	<u>\$ 2,524,870</u>
CRIDC:			
2012	\$ 23,194	\$ 12,495	\$ 35,689
2013	24,139	11,550	35,689
2014	25,123	10,566	35,689
2015	26,146	9,543	35,689
2016	27,212	8,478	35,690
2017-2021	153,619	24,827	178,446
2022-2023	43,491	1,170	44,661
	<u>\$ 322,924</u>	<u>\$ 78,629</u>	<u>\$ 401,553</u>

The IDA and CRIDC incurred interest expense in the amounts of \$70,581 and \$13,403 during 2011, 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 2011:

NOTE 13 - PASS-THROUGH TRANSACTIONS (CONTINUED)

<u>IDA</u>	<u>Receipts</u>	<u>Disbursements</u>
State, County and Local Grants:		
<u>NYS Dormitory Authority</u>		
Chautauqua County	\$ 72,000	\$ 72,000
<u>County grant</u>		
Ripley Interstate Site Development Project	16,008	16,008
<u>Pilot Program</u>		
Pilot payments collected from businesses and remitted to local governments.	11,315,724	11,315,724
Total pass-through transactions	<u>\$ 11,403,732</u>	<u>\$ 11,403,732</u>

On August 23, 2011, a local business deeded property in Silver Creek, NY to CRIDC which was then deeded over to a local business. The property had a fair market value of \$189,290. This transaction is reported as pass-through activity on the entity's Statement of Revenues, Expenditures and Changes in Fund Equity at December 31, 2011.

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, 2011 totaled \$61,472.

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 were allocated as follows:

Revolving Loan Fund	\$ 11,826
CRIDC Fund	19,583
AI-tech Loan Fund	87,405
	<u>\$ 118,814</u>

As of December 31, 2011, the AI-tech Trust Fund had an outstanding note receivable from CRIDC in the amount of \$322,924.

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 16 - RESTRICTED FUND BALANCE

The amounts restricted as of December 31, 2011 include:

<u>Chautauqua Revolving Loan Fund</u>	
Revolving Loan funds	\$ <u>583,002</u>
<u>AI Tech Trust Fund</u>	
AI Tech funds	\$ <u>11,556,892</u>

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events were evaluated through March 14, 2012, which is the date the financial statements were available to be issued.

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%.

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 2011.

	<u>Chautauqua Revolving Loan Fund</u>	<u>AI-Tech Trust Fund</u>
Beginning balance	\$ 552,747	\$ 8,048,023
New loans made	150,000	2,117,000
Principal payments received	(103,920)	(1,309,223)
Bad debt expense	(31,062)	--
Adjustment to allowance	(68,937)	(200,001)
Ending balance	<u>\$ 498,828</u>	<u>\$ 8,655,799</u>
	<u>CRIDC Revolving Loan Fund</u>	<u>CRIDC Convertible Promissory Notes</u>
Beginning balance	\$ 11,533	\$ 70,000
New loans made	--	55,000
Principal payments received	(11,533)	--
Bad debt expense	--	--
Adjustment to allowance	--	--
Ending balance	<u>\$ --</u>	<u>\$ 125,000</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, 2011

	CCIDA			Chautauqua County Capital Resource Corporation	CRIDC		(Memo Only) Total Reporting Entity
	Industrial	Chautauqua	AI-Tech		Econ. Dev.		
	Development Agency	Revolving Loan Fund	Trust Fund		CRIDC	Revolving Loan Fund	
Other Income							
Gas royalties	\$ 647	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 647
Community fee, BFI	71,759	--	--	--	--	--	71,759
Other income	162,449	--	--	--	8	--	162,457
Total other income	\$ 234,855	\$ --	\$ --	\$ --	\$ 8	\$ --	\$ 234,863
General and Administrative Expenses							
Payroll and benefits	\$ 328,618	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 328,618
Publicity and promotion	23,440	--	1,198	75,818	--	--	100,456
Rent	22,232	--	--	--	--	--	22,232
Insurance	6,886	--	244	--	25,673	--	32,803
Office and postage	11,831	75	451	--	78	--	12,435
Meeting expense	38,929	--	452	--	--	--	39,381
Professional fees	76,018	12,933	113,479	--	24,533	--	226,963
Repairs and maintenance	--	--	--	--	31,397	--	31,397
Utilities	7,693	--	--	--	100,546	--	108,239
Dues and subscriptions	6,925	--	--	--	--	--	6,925
Miscellaneous	27,030	--	3	--	205	--	27,238
Travel	14,479	--	--	--	--	--	14,479
Taxes	--	--	--	--	15,826	--	15,826
Other	1,480	--	--	--	26	--	1,506
Total general and administrative	\$ 565,561	\$ 13,008	\$ 115,827	\$ 75,818	\$ 198,284	\$ --	\$ 968,498

See accompanying independent auditors' report.

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

As of December 31, 2011

	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	11,780,000	2007	2037	Variable
JCC Development Corporation	0601-07-01B	340,000	145,000	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	6,690,000	2004	2030	Variable
The Gerry Homes	0601-00-03A	15,100,000	10,740,000	2000	2032	Variable
United Cerebral Palsy	0601-02-02A	1,300,000	684,391	2002	2010	Variable
Lutheran Social Services	0601-05-05A	300,000	161,758	2005	2016	Variable
Lutheran Social Services	0601-05-05B	5,500,000	4,488,089	2005	2026	Variable
Resource Center	0601-93-02A	5,560,000	2,547,203	1993	2019	Variable
JCC Foundation Inc.	0601-07-02A	3,345,000	2,930,000	2007	2027	Variable
NRG Power Corporation	0601-09-01	58,500,000	58,500,000	2009	2042	Variable
Women's Christian Association	10-881712	29,030,000	29,030,000	2011	2035	Variable

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

Year ended December 31, 2011

Project Title	Federal CFDA #	Grant Period	Federal loans outstanding	Cash and Investments	Expenditures
U.S. Department of Commerce					
Economic Adjustment Assistance *	11.307	1/1/11-12/31/11	\$ 9,329,931	\$ 2,902,593	\$ 315,828
Total U.S. Department of Commerce			9,329,931	2,902,593	315,828
Passed through New York State Energy Program					
ARRA - Energy Efficiency and Conservation Block Grant	81.128	11/1/09-9/1/11	--	--	111,735
Total U.S. Department of Energy			--	--	111,735
Total Federal Awards			\$ 9,329,931	\$ 2,902,593	\$ 427,563

* Designates Direct Awards

Note 1 - Basis of Presentation

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

SPECIAL REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of *County of Chautauqua Industrial Development Agency* 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, 2011, and have issued our report thereon dated March 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *County of Chautauqua Industrial Development Agency's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted other matters involving internal control over financial reporting that we have reported to management of *County of Chautauqua Industrial Development Agency* in a separate letter dated March 14, 2012.

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
March 14, 2012**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of ***County of Chautauqua Industrial Development Agency*** 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 *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2011. ***County of Chautauqua Industrial Development Agency's*** major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of ***County of Chautauqua Industrial Development Agency's*** management. Our responsibility is to express an opinion on ***County of Chautauqua Industrial Development Agency's*** compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ***County of Chautauqua Industrial Development Agency's*** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination on ***County of Chautauqua Industrial Development Agency's*** compliance with those requirements.

In our opinion, the ***County of Chautauqua Industrial Development Agency*** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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

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

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

We noted certain matters involving the internal control structure and its operation that we have reported to the management of the Agency in a separate letter dated March 14, 2012.

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Jamestown, New York
March 14, 2012**

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2011

I. SUMMARY OF CURRENT YEAR AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the financial statements of the **County of Chautauqua Industrial Development Agency** and its component 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 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	\$ 9,329,931
Total tested			<u>\$ 9,329,931</u>
Total federal assistance			<u>\$ 9,441,666</u>
Percent of total Federal award programs Tested			<u>98.8%</u>

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
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II. **FINANCIAL STATEMENT AUDIT – FINDINGS**

A. **INTERNAL CONTROL OVER FINANCIAL REPORTING**

Year ended December 31, 2011

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

Year ended December 31, 2010

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

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

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

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

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

2011 Status Update: The County of Chautauqua Industrial Development Agency's has exhibited the competence to prevent, detect and correct misstatements in the audited financial statements. Accordingly this finding has been determined to be addressed.

B. **COMPLIANCE AND OTHER MATTERS**

Year ended December 31, 2011

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

Year ended December 31, 2010

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

COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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III. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended December 31, 2011

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

Year ended December 31, 2010

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

B. INTERNAL CONTROLS OVER COMPLIANCE

Year ended December 31, 2011

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

Year ended December 31, 2010

No findings related to internal control over compliance are being reported upon during the fiscal year ended December 31, 2010.