

**COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE 2010 INFORMATION**

**COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY**

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**COUNTY OF CATTARAUGUS INDUSTRIAL DEVELOPMENT AGENCY
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH COMPARATIVE 2010 INFORMATION**

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R.A. MERCER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

63 SO. MAIN STREET
CATTARAUGUS, NY 14719
(716) 257-9511

RAYMOND A. MERCER, CPA 1931-1983

ROBERT W. IRWIN, CPA

CATHIE J. BRIDGES, CPA

KENNETH FRANK, CPA

ROGER J. LIS, JR., CPA

JULIE L. JAGODA - BOOTH, CPA

DENISE D. VELOSKI, CPA

KATHRYN A. LARRACUENTE, CPA

Fax (716) 257-9513

www.ramercercpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County of Cattaraugus
Industrial Development Agency
Ellicottville, New York 14731

We have audited the accompanying financial statements of the business-type activities of the County of Cattaraugus Industrial Development Agency, a component unit of Cattaraugus County, as of and for the year ended December 31, 2011, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency'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 the 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 respective financial position of the business-type activities of the County of Cattaraugus Industrial Development Agency, as of December 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2012, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's financial statements as a whole. The schedule of bonds, schedule of leases, and schedule of entities participating in payments in lieu of taxes program are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of bonds, schedule of leases, and schedule of entities participating in payments in lieu of taxes program are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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 or to the financial statements themselves, and other additional procedures in accordance with auditing 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 as a whole.

Cattaraugus, New York
March 19, 2012

R. A. MERCER & CO., P.C.

RA Mercer & Co P.C.

**COUNTY OF CATTARAUGUS INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011 WITH COMPARATIVE 2010 INFORMATION**

As management of the County of Cattaraugus Industrial Development Agency, a component unit of Cattaraugus County, we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the year ended December 31, 2011.

FINANCIAL HIGHLIGHTS

The Agency's assets exceeded its liabilities by \$1,562,308 for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$1,587,172.

Total net assets comprise the following:

1. Capital assets, net of related debt, of \$250,038 includes property and equipment, net of accumulated depreciation.
2. Unrestricted net assets of \$1,312,270 represents the portion available to maintain the Agency's continuing obligations to citizens and creditors.

The Agency received grant funds in the amount of \$51,635 that were passed through to the New York and Lake Erie Railroad to make repairs for damage sustained in the flood of August 2009. Agency revenue (excluding the pass through grant) for the year ended December 31, 2011 totaled \$193,634 of which \$175,309 was from charges for services provided by the Agency, \$11,250 was from the service agreement between the Agency and the Cattaraugus County Capital Resource Corporation, and \$7,075 was earned from investments.

In 2011, the Agency induced twelve projects for a net investment of nearly \$235,000,000 in total project costs. The number of projects induced in 2011 was the most in over fifteen years. We anticipate many of these projects closing in early 2012.

In late 2009, with the help of the Cattaraugus County Legislature, the Agency formed the Capital Resource Corporation to assist 501 (c) (3) entities within Cattaraugus County. In October 2010, the CRC closed a tax-exempt bond issuance of roughly \$22 million. Furthermore, in January 2011, the CRC was in receipt of a bond application with the YMCA for nearly \$4.5 million. The YMCA transaction with the CRC closed the tax-exempt bond issuance in June 2011. The CRC continues to receive questions in regards to the issuance of tax-exempt bond financing throughout the County. The activity of the CRC is presented within these financial statements.

The Agency's investment income increased from 2010 to 2011; however, both years investment income is substantially lower than previous years due to interest rates associated with the Agency's funds that are in Certificates of Deposit.

The Agency's expenses totaled \$218,498, excluding the pass through grant. This includes the administrative expense of the CRC. The largest share of this total was personal services and related employee benefits. This expense accounted for 66.0 percent of all expenses. Contractual expenses, such as rent, utilities, and professional services, are the Agency's second largest expense, and account for 33.9 percent of the Agency's total expense.

In 2011 the Agency saw a renewed interest and upswing with regards to project closings as well as new potential projects that could occur here within the County. The Agency was very instrumental in assisting the retention and growth of the following projects that were induced by the Agency in 2011:

1.	Win-Sum Ski Corp. – Sky High Adventure Park	\$ 5,979,000	*
2.	YMCA – CRC Bond Issuance	4,500,000	*
3.	Scott Rotary Seals – New Manufacturing Building	1,417,073	*
4.	Win-Sum Ski Corp. – 115 KV Line to Resort	2,250,000	*
5.	Casadent, LLC – New Dental Office in Allegany	841,000	*
6.	Ellicottville Brewing Company – 12,000 sq. ft. addition	2,200,000	
7.	HoliMont – General Improvements	457,000	
8.	HoliMont – High Speed Quad Chairlift	2,953,000	
9.	Allegany Wind, LLC (Everpower)	122,098,000	
10.	Bonaventure Square Project	80,900,000	
11.	Route 9 Travel Center	110,000	*
12.	Win-Sum Ski Corp. – Reconstruction of Lodge	<u>12,000,000</u>	*
	Total CCIDA Inducements in 2011	<u>\$ 235,705,073</u>	

* *Represents project closings that occurred in 2011-2012*

Following the "Teammate" approach and commitment in 2010, year 2011 once again saw the Agency heavily vest itself with its other economic development partners within Cattaraugus County (Business Development Corporation, Southern Tier West, County EP&T Dept., etc.) to make a very committed effort to collaborate ideas, thoughts and resources to better our processes to assist area businesses. The Agency also worked very extensively with the Buffalo Niagara Enterprise (BNE), as well as Empire State Development (ESD), to better expose Cattaraugus County and its assets that are here to help bring in companies to Cattaraugus County. Over the past year the CCIDA has been very aggressive with the retention of its businesses and recruitment of new businesses to the County. This aggressive and assertive effort will continue. By partnering with the groups mentioned and listed above, the Agency helped develop and create the website www.ccbizhelp.com to create a "virtual" one stop for businesses looking to locate, grow, and expand in Cattaraugus County.

2011 was a very busy and active year for the Agency. The past year brought many changes not only "internally" to the Agency, but more importantly many "external" changes in the way the Agency can assist and promote economic development, growth, and retention here in Cattaraugus County.

Newly Created Policies & Procedures to further assist Economic Development throughout
Cattaraugus County:

- Adaptive Reuse Policy: The Agency adopted this newly created policy on June 7, 2011 which allows the Agency to offer incentives to developers looking to adapt and reinvest in old structures and sites for new purposes. We are happy to report that we have two projects in process that are direct results from the Agency adopting this policy. This policy has also generated much interest with many potential development projects. The full breakdown of this policy is listed on our website at www.cattcoida.com.
- Eligible Project Policy: Also adopted on June 7, 2011, this policy allows the Agency to offer incentives to projects that we have traditionally not offered in the past. This policy in essence widens the scope to the types of projects that the Agency can potentially offer incentives to. We are happy to report that we have one project in process that is a direct result from the Agency adopting this policy. Like the Adaptive Reuse Policy, this policy has also generated much interest with many potential development projects. The full breakdown of this policy is also listed on our website at www.cattcoida.com.
 - In conjunction with this policy, we also modified and updated the Agency's Straight Lease Policy.
- CCIDA-CCBDC Small Business Program: This program was designed to help and assist approved small business loan applicants, who are approved with the Cattaraugus County Business Development Corporation (CCBDC), to offer at no cost to the applicant, New York Sales Tax Abatement on all purchased equipment. This program proves the Agency's position on developing programs that allow us to help small business growth throughout the County. In fact we issued the first project benefit in 2012 as a direct result of instituting this program.
- Cost Benefit Analysis and Claw Back Policy: These are more "internal" newly created policies, however, their significance is not to be understated. With the increasing accountability by IDAs across the State, these newly created policies put the Agency in the "proactive" column with the State's Authority Budget Office. The Claw Back Policy gives the Agency more leverage with its inducements in case the project applicant does not follow through with its stated project and expectations. This is a very good policy to have to safeguard our impacted taxing jurisdictions.
- The Agency also created and implemented the Project Summary Sheet to include in the Board Packets to give the Board/Public a better synopsis of the application/project scope that was submitted to the Agency. This has been received well thus far.

Over the past year, the Agency has spent considerable time and effort working with State and Local elected Officials to combat a great deal of potential harmful legislation, some of which may eliminate IDAs across New York State. This includes the "IDA Tax" and the "IDA Reform Legislation." In addition, the Agency has also taken on a very active role with New York State Economic Development Council (NYSEDC).

It is our hope that some of the larger projects that the Agency has been working on over the past few years will come to fruition. We are seeing continued growth with our ski resorts, along with some growth relating to "niche" manufacturers that are not only staying here within the County, but who are investing in new facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis introduces the Agency's basic financial statements. The basic financial statements include the governmentwide financial statements and the notes to the financial statements. The Agency also includes additional information to supplement the basic financial statements.

Governmentwide Financial Statements

The Agency's annual report includes two governmentwide financial statements. These statements provide both long-term and short-term information about the Agency's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these governmentwide statements is the statement of net assets. This is the governmentwide statement of position presenting information that includes all of the Agency's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency as a whole is improving or deteriorating. In addition to the information provided in this report, an evaluation of the overall economic health of the Agency would extend to other nonfinancial factors, such as the overall economic climate in Cattaraugus County.

The second governmentwide statement is the statement of activities, which reports how the Agency's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Agency's distinct activities or functions on revenue earned by the Agency. Both of the governmentwide financial statements detail the Agency's business-type activities that are principally supported by application fees.

A fund is an accountability unit used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governmental units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency has only one type of fund, a proprietary fund. This fund generally reports services for which the Agency charges a fee.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the governmentwide and fund financial statements. The notes to the financial statements are located directly after the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the Agency. Supplemental information follows the notes to the financial statements.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

As of December 31, 2011, the County of Cattaraugus Industrial Development Agency had net assets of \$1,562,308. The following table provides a summary of the Agency's net assets as of the years ended December 31, 2011 and December 31, 2010.

	<u>Business-Type Activities</u>		
Assets:	<u>2011</u>	<u>2010</u>	<u>Variance</u>
Current and Restricted Assets	\$1,329,864	1,343,336	(13,472)
Capital Assets	250,038	250,357	(319)
Total Assets	<u>1,579,902</u>	<u>1,593,693</u>	<u>(13,791)</u>
Liabilities:			
Current Liabilities	17,594	6,521	11,073
Long-Term Liabilities	-	-	-
Total Liabilities	<u>17,594</u>	<u>6,521</u>	<u>11,073</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	250,038	250,357	(319)
Unrestricted	1,312,270	1,336,815	(24,545)
Total Net Assets	<u>\$1,562,308</u>	<u>1,587,172</u>	<u>(24,864)</u>

The Agency's total assets decreased \$13,791 from \$1,593,693 at December 31, 2010. The Agency's capital assets net of accumulated depreciation decreased by \$319 from the prior year. Accounts Receivable at December 31, 2011 includes \$11,250 due the Agency by the Cattaraugus County Capital Resource Corporation per a service agreement established in 2011.

Total liabilities increased by \$11,073 from \$6,521 at December 31, 2010. The increase includes the liability of the Cattaraugus County Capital Resource Corporation per the established service agreement noted above.

The following table provides a summary of the Agency's changes in net assets for the years ended December 31, 2011 and December 31, 2010.

	<u>Business-Type Activities</u>			
	<u>2011</u>	<u>% of Totals</u>	<u>2010</u>	<u>% of Totals</u>
Revenues:				
Charges for Services	\$ 175,309	71.4%	211,447	31.9%
Grant Revenue	51,635	21.1%	417,065	62.9%
Other Income	11,250	4.6%	30,589	4.6%
Investment Earnings	7,075	2.9%	4,243	0.6%
Total Revenue	<u>245,269</u>	<u>100.0%</u>	<u>663,344</u>	<u>100.0%</u>
Expenses:				
Personal Services	104,901	38.8%	97,875	16.2%
Contractual Expenses	74,023	27.5%	83,838	8.9%
Employee Benefits	39,255	14.5%	33,895	5.6%
Grant Expenses	51,635	19.1%	417,065	69.1%
Interest Expense	-	0.0%	237	0.1%
Depreciation Expense	319	0.1%	522	0.1%
Total Expense	<u>270,133</u>	<u>100.0%</u>	<u>633,432</u>	<u>100.0%</u>
Change in Net Assets	<u>\$ (24,864)</u>		<u>29,912</u>	

Other Income and Contractual Expenses for 2010 have been adjusted by \$30,000 for administrative expenses paid to the Agency by the Cattaraugus County Capital Resource Corporation.

The Agency's total net assets decreased \$24,864. The following summarizes results of operations for 2011:

- Operating revenue for the year ended December 31, 2011, was \$186,559. In the prior year the total operating revenue was \$212,036.
- Grant revenue was received from the State Emergency Management Office in the amount of \$51,635. This grant was obtained to allow repairs to the New York and Lake Erie Railroad from damage sustained in the August 2009 flood.
- Net nonoperating revenue was \$7,075 which consisted of interest income earned on the Agency's bank certificates of deposit and bank accounts, up from \$4,006 from the prior year.
- Operating expenses for the year ended December 31, 2011, were \$218,498.
- Grant expenses related to the Railroad totaled \$51,635.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Agency's investment in capital assets as of December 31, 2011, totaled \$250,038. This investment in capital assets includes land, railroad and leasehold improvements, and equipment. The following table summarizes the change in the Agency's capital assets from December 31, 2010 to December 31, 2011.

	<u>2011</u>	<u>2010</u>	<u>Difference</u>
Land	\$151,205	151,205	-
Improvements	943,865	943,865	-
Furniture and Equipment	30,650	30,650	-
Accumulated Depreciation	<u>(875,682)</u>	<u>(875,363)</u>	<u>319</u>
	<u>\$250,038</u>	<u>250,357</u>	<u>319</u>

Long-Term Liabilities

There was no debt outstanding at December 31, 2011.

BACKGROUND AND MISSION

The County of Cattaraugus Industrial Development Agency is a public benefit corporation created in 1971 to retain, promote, and assist private sector industrial and business development, thereby advancing job opportunities and economic welfare to the people of Cattaraugus County. The Agency is a self-funded entity.

The Agency serves as a partner with the other various economic development agencies within the County, for retaining and assisting not only those businesses that are already located in Cattaraugus County, but those that want to relocate there as well. Assistance is available for locating potential buildings or building sites for interested companies. Over the past three decades the Agency has assisted over 160 companies with over \$1.4 billion in total projects. The Agency has assisted many nonprofit entities as well, including Olean General Hospital, Saint Bonaventure University, and the YMCA; each of which has added to the overall quality of life in Cattaraugus County. The Agency has also assisted Napoleon Engineering Services, SolExpoxy Inc., Suburban Adult Services, and Park Centre Development. The Agency has also been very instrumental in the growth of the county's tourism industry by assisting in the financing of tourism destinations such as Holiday Valley and Holimont.

The County of Cattaraugus Industrial Development Agency helps companies take advantage of industrial revenue bonding by obtaining low-cost financing for eligible projects. Other benefits provided by the Agency include the abatement of an assortment of taxes to assist businesses as well as a variety of services to assist with the creation and retention of employment opportunities. The Agency has authorization over financing options and provides technical assistance to developers, industries, and other economic development organizations.

The mission of the Agency is to retain, promote, attract, and develop job and business opportunities; and to foster economically sound commerce and industry in the cities, towns, and villages, of Cattaraugus County. It strives to assist and promote growing industry in the county by helping businesses to be competitive and profitable by offering:

- Financial assistance, business incentives, tax exemptions, and bond financing
- Improved utilization and development of local infrastructure
- Creation of investment, employment, and wealth, in the community
- Recruitment of new businesses

The Agency also assists qualified applicants in the implementation of a wide variety of projects, including but not limited to the following; manufacturing, industrial, warehousing, research, commercial, pollution control, recreation, tourism destination, education, cultural, railroad, continuing care, retirement, and certain nonprofit facilities.

For more information regarding the County of Cattaraugus Industrial Development Agency, please visit its website at www.cattcoida.com.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Agency's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the executive director of the County of Cattaraugus Industrial Development Agency, 3 East Washington Street, Ellicottville, New York 14731.

FINANCIAL STATEMENTS

EXHIBIT A

COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2011 WITH COMPARATIVE 2010 INFORMATION

	<u>2011</u>	<u>2010</u>
ASSETS		
Unrestricted Cash and Cash Equivalents	\$ 718,144	742,859
Unrestricted Investments	600,000	600,000
Interest Receivable	-	-
Accounts Receivable	11,720	477
Capital Assets		
Land	151,205	151,205
Improvements	943,865	943,865
Furniture and Equipment	30,650	30,650
Less: Accumulated Depreciation	(875,682)	(875,363)
Total Assets	<u>1,579,902</u>	<u>1,593,693</u>
LIABILITIES		
Accounts Payable	12,977	2,458
Accrued Liabilities	4,617	4,063
Long Term Liabilities		
Due and Payable Within One Year		
Notes Payable	-	-
Due and Payable Beyond One Year		
Notes Payable	-	-
Total Liabilities	<u>17,594</u>	<u>6,521</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	250,038	250,357
Unrestricted Net Assets	<u>1,312,270</u>	<u>1,336,815</u>
Total Net Assets	<u>\$ 1,562,308</u>	<u>1,587,172</u>

See the accompanying notes to the financial statements.

EXHIBIT B

COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011 WITH COMPARATIVE 2010 INFORMATION

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Charges for Services	\$ 175,309	211,447
Other Income	11,250	30,589
Total Operating Revenue	<u>186,559</u>	<u>242,036</u>
Operating Expenses		
Personal Services	104,901	97,875
Contractual Expenses	74,023	83,838
Employee Benefits	39,255	33,895
Depreciation-Unallocated	319	522
Total Operating Expense	<u>218,498</u>	<u>216,130</u>
Operating Income (Loss)	<u>(31,939)</u>	<u>25,906</u>
Nonoperating Revenues (Expenses)		
Use of Money and Property	7,075	4,243
Grant Revenue - Railroad	51,635	417,065
Grant Expense - Railroad	(51,635)	(417,065)
Interest Expense	-	(237)
Net Nonoperating Revenue	<u>7,075</u>	<u>4,006</u>
Change in Net Assets	(24,864)	29,912
Net Assets- Beginning of the Year	1,587,172	1,557,260
Net Assets- End of the Year	<u>\$ 1,562,308</u>	<u>1,587,172</u>

See the accompanying notes to the financial statements.

COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>Primary Government</u>
	<u>Business-Type</u>
	<u>Activities</u>
Cash Flows From Operating Activities:	
Cash Received From Providing Services	\$ 164,066
Cash Paid to Suppliers	(63,504)
Cash Paid to Employees	(143,602)
Other Cash Receipts	11,250
Net Cash Provided by (Used in) Operating Activities	<u>(31,790)</u>
Cash Flows From Noncapital Financing Activities:	
Proceeds from Grants - Railroad	51,635
Grant Expenses - Railroad	(51,635)
Principal Payments on Debt	-
Interest Payments on Debt	-
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	-
Proceeds From the Sale of Capital Assets	-
Net Cash Provided by (Used in) Capital Related Financing Activities:	<u>-</u>
Cash Flows From Investing Activities:	
Proceeds From Maturing Certificates of Deposit	600,000
Purchases of Certificates of Deposit	(600,000)
Interest Income	7,075
Net Cash Provided by (Used in) Investing Activities	<u>7,075</u>
Net Cash and Cash Equivalents Increase (Decrease) for the Year	(24,715)
Cash and Cash Equivalents- Beginning of the Year	742,859
Cash and Cash Equivalents- End of the Year	<u>\$ 718,144</u>
Cash Flows From Operating Activities:	
Operating Income (Loss)	\$ (31,939)
Adjustments:	
Depreciation	319
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(11,243)
Increase in Accounts Payable	10,519
Increase in Accrued Liabilities	554
Net Cash Used in Operating Activities	<u>\$ (31,790)</u>
Reconciliation of Unrestricted and Restricted Cash and Cash Equivalents:	
Cash and Cash Equivalents, Unrestricted	718,144
Cash and Cash Equivalents, Restricted	-
Total Unrestricted and Restricted Cash and Cash Equivalents	<u>\$ 718,144</u>

See the accompanying notes to the financial statements.

**COUNTY OF CATTARAUGUS INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 WITH COMPARATIVE 2010 INFORMATION**

NOTE A - ORGANIZATION

The County of Cattaraugus Industrial Development Agency was created in 1971 by the Cattaraugus County Legislature under the provisions of Chapter 536 of the laws of New York State for the purpose of encouraging economic growth in Cattaraugus County. The Agency is a component unit of Cattaraugus County, based on several criteria set forth in GASB Statement No. 39 of the *Governmental Accounting Standards Board Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14. The County of Cattaraugus Industrial Development Agency is exempt from federal, state, and local income taxes.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

The basic financial statements of the County of Cattaraugus Industrial Development Agency have been prepared in conformity with generally accepted accounting principles (GAAP) that provide for proprietary fund accounting for Industrial Development Agencies. Management must make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates and accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements. The following is a summary of the more significant accounting policies.

Financial Reporting Entity

The financial reporting entity consists of the following, as defined by GASB Statement 39 of the *Governmental Accounting Standards Board Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14:

1. The primary government, which is the County of Cattaraugus Industrial Development Agency;
2. Organizations and programs for which the Agency is financially accountable;
3. Other organizations and programs of which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the Agency's reporting entity is based on several criteria set forth in GASB 39, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, all activities and functions performed for the Agency are its direct responsibility.

In May 2009, the Agency formed and incorporated a Capital Resource Corporation "CRC", which is a legally formed entity that has the ability to issue tax-exempt bonds to 501 (c) (3) entities. As set forth by the provisions of GASB 39, the activity of the CRC has been included in these financial statements.

Governmentwide Financial Statements

The governmentwide financial statements of the Agency include the statement of net assets and the statement of revenues, expenses and changes in net assets. These statements report financial information for the Agency as a whole. The statements highlight business-type activities that are generally financed in whole or in part with fees charged to customers.

The statement of revenues, expenses and changes in net assets reports the change in the Agency's net assets during the year, segregating the operating and nonoperating activities of the Agency.

Program revenue includes charges for services that report fees and other charges to users of the Agency's services. Program revenue may also include operating grants and contributions that finance annual operating activities including investment income earned by the Agency. These revenues are subject to externally imposed restrictions to these program uses.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Agency are prepared in accordance with generally accepted accounting principles (GAAP). The Agency's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The governmentwide financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The governmentwide statements of the Agency report using the economic resources measurement focus and the accrual basis of accounting applicable to proprietary fund accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported in the Agency statements includes revenues and expenses related to the primary, continuing operations of the Agency. Principal operating revenues for proprietary funds are charges to customers for services provided. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, for authorized expenditures, then unrestricted resources as needed.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates and those differences could be significant.

Budgetary Policy and Practice

The Agency submits an annual budget to the Cattaraugus County Legislature. The county then has thirty days to submit its comments regarding the Agency's annual budget. Once approved, the Agency may amend the adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Budgetary Control

The Agency's budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by functional purpose.

Accounts Receivable / Allowance for Doubtful Accounts

The Agency has an accounts receivable balance of \$11,720 at December 31, 2011, which the Agency fully expects to collect. This includes an amount of \$11,250 due from the CRC for administrative fees.

Grant Accounting

Pass-through grants are recorded as accounts receivable and deferred revenue upon award; revenue is recognized as the Agency meets the performance requirements of the grant.

NOTE C - CASH AND INVESTMENTS

At December 31, 2011, the carrying amount of the Agency's current deposits included demand deposits, savings accounts, and cash on hand and totaled \$718,144.

Cash in excess of current requirements is invested in various certificates of deposit totaling \$600,000, which have original maturity terms in excess of three months and interest rates varying from .27 to .60 percent. As of December 31, 2011, the fair value of the certificates of deposit approximates the carrying values. For purposes of cash flows, cash equivalents are certificates of deposit with original maturities of three months or less.

The Agency's investment policies are governed by state statutes. In addition, the Agency has its own investment policy. Agency funds must be deposited in FDIC-insured commercial banks or trust companies located within the state. The executive director is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, obligations of New York State and its localities, and with permission of the state comptroller, obligations including revenue anticipation notes and tax anticipation notes of any municipality, school district, or municipal entity other than Cattaraugus County. Only reserve funds may be invested in obligations of Cattaraugus County.

Collateral is required for demand deposits and certificates of deposit at 102% of all deposits not covered by federal deposit insurance. The table presented below is designed to disclose the level of custody credit risk assumed by the Agency based upon how its deposits were insured or secured with collateral at December 31, 2011. The categories of credit risk are defined as follows:

Category 1 - Insured by the FDIC or collateralized with securities held by the Agency or by its agent in the Agency's name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Agency's name.

Category 3 - Uninsured and uncollateralized.

Type of Deposit	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Checking Accounts	\$ 168,054	168,054	-	-	163,361
Savings and CDs	1,154,663	581,946	572,717	-	1,154,663
Cash on Hand	-	-	-	-	120
Total Deposits	<u>\$1,322,717</u>	<u>750,000</u>	<u>572,717</u>	<u>-</u>	<u>1,318,144</u>

Reconciliation to the Statement of Net Assets:

Unrestricted Cash and Cash Equivalents	\$ 718,144
Investments	600,000
Total	<u>\$1,318,144</u>

NOTE D - INTEREST RECEIVABLE

As of December 31, 2011, there was no accrued interest.

NOTE E - CAPITAL ASSETS

Property and equipment acquired by the Agency is stated at cost including interest capitalized during construction where applicable. Contributed assets are recorded at fair market value at the date received and depreciated over their estimated useful lives. Infrastructure consisting of certain improvements other than buildings, such as roads, sidewalks, and railroads, is being capitalized and depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, ranging from 5 to 20 years as follows:

	Estimated Useful Lives	Capitalization Threshold
Improvements and Infrastructure	20 years	\$500
Furniture and Fixtures	5 years	\$500
Equipment	5 years	\$500

A summary of the Agency's capital assets is as follows:

	Balance at 1/1/11	Additions	Deletions	Balance at 12/31/11
<u>Nondepreciable:</u>				
Land	\$ 151,205	-	-	151,205
<u>Depreciable:</u>				
Improvements	943,865	-	-	943,865
Furniture and Equipment	30,650	-	-	30,650
Subtotal	1,125,720	-	-	1,125,720
Accumulated Depreciation	(875,363)	(319)	-	(875,682)
Total	\$ 250,357	(319)	-	250,038

As noted on the statement of revenues, expenses, and changes in net assets, depreciation expense of \$319 is classified as unallocated. There was no allocation of depreciation expense to expense functions.

NOTE F - ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable at December 31, 2011, consisted of \$12,977 which includes amounts due to vendors of the Agency and \$11,250, which is the liability of the Cattaraugus County Capital Resource Corporation, for its service agreement with the Agency.

There were \$4,035, in payroll and \$582 in payroll related liabilities requiring accrual at December 31, 2011.

NOTE G - NOTES PAYABLE

As of December 31, 2011, the Agency did not have any notes payable.

Compensated Absences

The Agency's personnel policy provides for vacation and sick leave benefits. Vacation benefits can accumulate up to a total of 15 days. Upon separation from the Agency for any reason, any unused vacation credits are paid at the current salary of the position. Sick leave is not payable upon retirement or termination of the employee. There was no material liability for compensated absences at December 31, 2011. Based on Agency policy, there is no required reporting under the provisions of GASB 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

NOTE H - INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes issued by the Agency are secured by property that is leased or transferred to companies and is retired by lease or note payments. The bonds and notes are not obligations of the Agency or the state of New York. The Agency does not record the assets or liabilities resulting from completed bond and note issues on its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders. The funds that arise from these transactions are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from borrowing companies. Such administrative fee income is recognized immediately upon issuance of the bonds and notes. A schedule of these transactions is presented as supplemental information in this report.

NOTE I - RAILROAD ACQUISITIONS AND IMPROVEMENTS

In 1978, the Agency purchased 19.35 miles of spur railroad lines from the Erie-Lackawanna Railroad. The acquisition was financed with grants from the Appalachian Regional Commission and Cattaraugus County, with the commission providing 80 percent of the funding and the County providing the balance. Phase two of the Appalachian Regional Commission grant agreement was started during the year ended December 31, 1980, with funding provided by both the commission and the County at 80 percent and 20 percent respectively. In 1982, a railroad line was purchased under phase three of the grant agreement. As with phases one and two, the commission and the County provided 80 percent and 20 percent of the funding, respectively. In the year ended December 31, 2001, the County of Cattaraugus Industrial Development Agency donated 12 miles of track line to the Cattaraugus Local Development Corporation for a rails-to-trails program. The Agency now owns roughly 35 miles of track line.

Under the grant agreements, the Agency acts as an independent contractor, assuming responsibility for the conduct of the program. The Agency has an agreement with a privately owned corporation for the operation of the railroad.

NOTE J - COMMITMENTS AND CONTINGENCIES

The Agency is exposed to various risks of loss such as torts, theft, damage, injuries, errors, omissions, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Any settled claims from these risks have not exceeded commercial insurance coverage for the past three years. In management's opinion, there are no material contingencies required to be accrued or disclosed.

NOTE K - PENSION PLAN

The Agency participates in the New York State and Local Employees' Retirement System. This system is a cost-sharing multiple employer, public employee retirement system. The system offers a wide range of plans and benefits that are related to years of service and final average salary, vesting of retirement benefits, death and disability. All full-time employees of the Agency are covered by the pension plan.

a. Plan Description

Employees' Retirement System

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. The New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and benefits to employees. The system issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

b. Funding Policies

Employees who joined the system after July 27, 1976, are required to contribute 3 percent of their salary. Employees in the system more than ten years are no longer required to contribute. Under the authority of the New York State Retirement and Social Security Law, the comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Agency is required to contribute at an actuarially determined rate. The Agency's required contribution for the current year was \$14,745. For 2010 the Agency's required contribution was \$11,009. For 2009 the Agency's required contribution was \$7,512. Each of these payments represents 100 percent of the required contribution.

NOTE L - RESTRICTIONS, RESERVES AND DESIGNATIONS

The business-type activities utilize a net assets presentation. Net assets are categorized as invested in capital assets net of related debt, restricted, and unrestricted.

> *Invested in Capital Assets, Net of Related Debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

> *Restricted Net Assets* - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

> *Unrestricted Net Assets* - This category represents net assets of the Agency not restricted for any project or other purpose.

NOTE M - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 19, 2012, the date on which the financial statements were available to be issued.

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SUPPLEMENTAL INFORMATION

**COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF BONDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Project Name	Project No.	Issue Date	Interest Rate	Maturity Date	Balance at 1/1/11	Issued During Fiscal Year	Paid During Fiscal Year	Balance at 12/31/11
CCIDA:								
Cattaraugus County Rehab	401-0004A	10/03	Variable	6/24	1,336,998	-	70,814	1,266,184
Gernatt Asphalt Products, Inc.	401-9905A	9/99	Variable	9/14	2,005,000	-	480,000	1,525,000
Gowanda Electronics	401-9801A	6/00	Variable	9/21	1,445,000	-	1,445,000	-
Jamestown Community College	401-9903A	6/05	3.0-4.5	6/30	5,120,000	-	175,000	4,945,000
Olean YMCA	401-0301A	10/03	Variable	9/28	3,230,000	-	3,230,000	-
Parent Education Program	401-0203A	12/02	5.5	12/22	261,721	-	16,548	245,173
St. Bonaventure University	401-9803A	11/98	4.0-5.0	9/13	2,600,000	-	825,000	1,775,000
St. Bonaventure University	401-9804A	11/98	4.0-5.0	9/13	3,670,000	-	1,160,000	2,510,000
St. Bonaventure University	401-9902A	5/99	5.0-5.5	9/19	1,350,000	-	120,000	1,230,000
St. Bonaventure University	401-2006A	5/06	4.9-5.1	5/31	8,000,000	-	-	8,000,000
Suburban Adult Services, Inc.	401-0305A	10/03	2.6	5/16	314,536	-	52,512	262,024
GRC:								
Olean General Hospital	401-0906A	10/10	2.5	10/30	21,300,000	-	1,695,000	19,605,000
Olean YMCA	401-0301A	6/11	5.0	5/31	-	4,422,399	-	4,422,399

The accompanying independent auditors' report should be read in conjunction with these financial statements

COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF LEASES
FOR THE YEAR ENDED DECEMBER 31, 2011

Name of Project:	Casadent, LLC
Project Number:	401-1109A
Project Owner and Address:	Casadent, LLC 3262 W. Valley View Drive, Allegany, NY 14706
Year of Origination:	2011
Purpose:	Dental Office
Estimated Project Amount:	\$800,000
Amount of Tax Exemption:	\$16,975
Name of Project:	DST Properties NY, LLC
Project Number:	401-1103A
Project Owner and Address:	DST Properties 13829 Jay St., NW, Andover, MN 55304
Year of Origination:	2011
Purpose:	Facility Construction
Estimated Project Amount:	\$1,256,716
Amount of Tax Exemption:	\$0
Name of Project:	RTE 9 Travel Center, Inc.
Project Number:	401-1111A
Project Owner and Address:	RTE 9 Travel Center, Inc. 3223 Church Street, Valatie, NY 12184
Year of Origination:	2011
Purpose:	Motel Operation
Estimated Project Amount:	\$150,000
Amount of Tax Exemption:	\$0
Name of Project:	Win-Sum Ski Corporation
Project Number:	401-602A
Project Owner and Address:	Win-Sum Ski Corporation Holiday Valley Road, Ellicottville, NY 14731
Year of Origination:	2011
Purpose:	Recreational Services Equipment
Estimated Project Amount:	\$6,000,000
Amount of Tax Exemption:	\$487,380

The accompanying independent auditors' report should be read in conjunction with these financial statements.

COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF LEASES
FOR THE YEAR ENDED DECEMBER 31, 2011

Name of Project:	Win-Sum Ski Corporation
Project Number:	401-602A
Project Owner and Address:	Win-Sum Ski Corporation Holiday Valley Road, Ellicottville, NY 14731
Year of Origination:	2011
Purpose:	Recreational Services
Estimated Project Amount:	\$2,250,000
Amount of Tax Exemption:	\$180,000

COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF ENTITIES PARTICIPATING IN PAYMENTS IN LIEU OF TAXES PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2011

Name of Project: 1378 Group LLC

Project Number: 401-405A

Project Owner and Address: 1378 Group LLC
295 Main Street, Buffalo, NY 14203

Purpose: Real Estate Development/Hotel

Name of Project: Ashford Office Complex

Project Number: 401-1995

Project Owner and Address: Peter Krog/Krog Corporation
4 Centre Drive, Orchard Park, NY 14127

Purpose: Office Space and Other Services

Name of Project: Dominion Transmission

Project Number: 401-501A

Project Owner and Address: Dominion Transmission
445 West Main Street, Clarksburg, WV 26301

Purpose: Property Tax Agreement

Name of Project: Mark Jon Properties

Project Number: 401-0904A

Project Owner and Address: PO Box 63
Alleghany, NY 14706

Purpose: Property Tax Agreement

COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF ENTITIES PARTICIPATING IN PAYMENTS IN LIEU OF TAXES PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2011

Name of Project: **Gowanda Electronics (PILOT ended in 2011)**

Project Number: 401-9801A

Project Owner and Address: Gowanda Electronics
1 Magnetics Parkway, Gowanda, NY 14070

Purpose: Build Facility & Acquire Equipment

Name of Project: **Indeck (PILOT ended in 2011)**

Project Number: 401-1992A

Project Owner and Address: Indeck
140 Moore Avenue, Olean, NY 14760

Purpose: Tax Settlement

Name of Project: **Park Centre Development**

Project Number: 401-503A

Project Owner and Address: Park Centre Development
One Blue Bird Square, Olean, NY 14760

Purpose: Office Building

Name of Project: **Sanzo Beverage**

Project Number: 401-502A

Project Owner and Address: Sanzo Beverage
3165 Route 16 North, Olean, NY 14760

Purpose: Expand Building

INTERNAL CONTROLS AND COMPLIANCE

R.A. MERCER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

63 SO. MAIN STREET
CATTARAUGUS, NY 14719
(716) 257-9511

RAYMOND A. MERCER, CPA 1931-1983

ROBERT W. IRWIN, CPA

CATHIE J. BRIDGES, CPA
KENNETH FRANK, CPA
ROGER J. LIS, JR., CPA
JULIE L. JAGODA - BOOTH, CPA
DENISE D. VELOSKI, CPA
KATHRYN A. LARRACUENTE, CPA

Fax (716) 257-9513
www.ramercercpa.com

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

To the Board of Directors of
the County of Cattaraugus
Industrial Development Agency
Ellicottville, New York 14731

We have audited the financial statements of the business-type activities of the County of Cattaraugus Industrial Development Agency, a component unit of Cattaraugus County, as of and for the year ended December 31, 2011, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 19, 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 the 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 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 a 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, the board of directors, and management and is not intended to be and should not be used by anyone other than these specified parties.

R. A. MERCER & CO., P.C.
R. A. Mercer & Co., P.C.

Cattaraugus, New York
March 19, 2012