

**COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2005**

COUNTY OF CATTARAUGUS INDUSTRIAL DEVELOPMENT AGENCY

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

CERTIFIED PUBLIC ACCOUNTANTS

63 SO. MAIN STREET

CATTARAUGUS, NY 14719

(716) 257-9511

ROBERT W. IRWIN, CPA **

KATHRYN A. LARRACUENTE, CPA

DENISE D. VELOSKI, CPA

JULIE L. JAGODA, CPA

Fax (716) 257-9513

www.ramercercpa.com

RAYMOND A. MERCER, CPA 1931-1983

JOHN J. DAVIS, CPA *

MARK N. MERCER, CPA

CATHIE J. BRIDGES, CPA **

KENNETH FRANK, CPA

ROGER J. LIS, JR., CPA **

* Also Licensed in Florida

** Also Licensed in Pennsylvania

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The 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, 2005, 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 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, 2005, and the respective changes in financial position and cash flows, 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 February 9, 2006, 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, 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 should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Cattaraugus Industrial Development Agency's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Cattaraugus, New York
February 9, 2006

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

Handwritten signature in cursive script that reads "R.A. Mercer & Co., P.C."

**COUNTY OF CATTARAUGUS INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

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, 2005. We encourage readers to consider the information presented here in this report and the Agency's financial statements, which follow.

Financial Highlights

- * The assets of the Agency exceeded its liabilities at the close of the year ended December 31, 2005 by \$2,146,457 (net assets). This compares with the close of the previous year, when assets exceed liabilities by \$1,832,013. Of the current year net assets, \$310,039 is invested in capital assets, net of related debt, and represents the Agency's investments in land, structures and equipment (there is no capital-related debt) and is not available for future spending. The remainder of net assets, \$1,836,418, may be used to meet the Agency's ongoing obligations to citizens and creditors.
- * The Agency's revenues over expenses for the year totaled \$314,444, which is a 57% increase over the previous year's total of \$199,800. This increase is largely due to an upturn in application and project revenues generated by the Agency. There was an increase in expenses of approximately 36% from the previous year to the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements include (1) governmentwide financial statements, and (2) notes to the 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.

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. Evaluation of the overall health of the Agency would extend to other nonfinancial indicators, such as the economic climate of Cattaraugus County.

The second statement is the Statement of Revenues, Expenses, and Changes in Net Assets, 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 is to show the financial reliance of the Agency's distinct activities or functions on revenues provided by the Agency's customers, lessees or grantors.

Both of these financial statements detail the Agency's business-type activities that are principally supported by application fees and and rental charges.

**COUNTY OF CATTARAUGUS INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

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 kind of fund, a proprietary fund. This fund generally reports services for which the Agency charges a fee. Proprietary funds are used to report the same functions presented as business-type activities in the financial statements.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are located directly after the basic financial statements.

Financial Analysis

The Agency's net assets at fiscal year end were \$2,146,457. This is an increase of \$314,444 over last year's net assets of \$1,832,013. The following table provides a summary of the Agency's net assets:

**Summary of Net Assets
as of December 31, 2005 and 2004**

	Business-Type Activities	
	2005	2004
Current and Other Assets	\$ 1,783,153	1,496,157
Capital Assets	310,039	310,072
Noncurrent Assets	130,830	130,830
	<u>2,224,022</u>	<u>1,937,059</u>
Total Assets		
Long-term Liabilities	53,325	62,403
Other Liabilities	24,240	42,643
	<u>77,565</u>	<u>105,046</u>
Total Liabilities		
Net Assets:		
Invested in Capital Assets	310,039	310,072
Unrestricted	1,836,418	1,521,941
	<u>2,146,457</u>	<u>1,832,013</u>
Total Net Assets		

The largest category of Agency net assets is accumulated unrestricted resources that may be used to meet the government's ongoing obligations to its creditors. As of December 31, 2005, the unrestricted component of net assets was \$1,836,418.

The remaining category of the Agency's net assets of \$310,038 reflects its investment in capital assets (e.g. land, railroad and leasehold improvements, and equipment.)

At the end of the current year, the Agency was able to report positive balances in both categories of net assets.

**COUNTY OF CATTARAUGUS INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

**Changes in Net Assets
for the Years Ended December 31, 2005 and 2004**

	Business-Type Activities	
	2005	2004
<u>Revenues:</u>		
Charges for Services	\$ 488,139	59,641
Rental Income	7,126	206,720
Governmental Aid	-	83,337
Other Income	41,179	56,222
	<u>536,444</u>	<u>405,920</u>
<u>Expenses:</u>		
Personal Services	143,662	137,856
Contractual Expenses	45,130	39,667
Employee Benefits	32,256	23,574
Interest Expense	201	212
Depreciation-Unallocated	751	4,811
	<u>222,000</u>	<u>206,120</u>
Increase in Net Assets	314,444	199,800
Net Assets - Beginning	1,832,013	1,635,213
Adjustments	-	(3,000)
	<u>2,146,457</u>	<u>1,832,013</u>

Capital Assets and Debt Administration

Capital Assets

The Agency's investment in capital assets as of December 31, 2005, totaled \$310,038 (net of accumulated depreciation). This investment in capital assets includes land, railroad and leasehold improvements, and equipment. Capital asset events during the current year included the sale of 2.27 acres of land in the Olean Industrial Park.

**Capital Assets
as of December 31, 2005 and 2004**

	Business-Type Activities	
	2005	2004
Land and Land Improvements	\$ 210,906	213,743
Improvements	1,231,354	1,245,129
Furniture and Equipment	28,620	25,065
Accumulated Depreciation	<u>(1,160,841)</u>	<u>(1,173,865)</u>
Total	<u>\$ 310,039</u>	<u>310,072</u>

**COUNTY OF CATTARAUGUS INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005**

Long-Term Debt

At the end of the year, the Agency had debt outstanding of \$16,756.

**Long-Term Debt
for the Years Ended December 31, 2005 and 2004**

	Business-Type Activities	
	2005	2004
Note Payable	\$ 16,756	18,716
Total	\$ 16,756	18,716

Additional information on the Agency's long-term debt can be found in Note I of this report.

Economic Factors

The Statement of Revenues, Expenses, and Changes in Net Assets for the year ended December 31, 2005 shows an increase in net assets of \$314,444 over the prior year. The reasons for this increase include increased revenue from County of Cattaraugus Industrial Development Agency projects during the year as well the Agency's efforts to contain costs relative to the increase project activity. The Agency is expecting a possible adverse impact on operations as it looks toward an executive director change within the next several years. The Agency also expects additional lease buyout and land sale activity at the Olean Industrial Park. State grant funds represent pass through funding and will not have an impact on the financial day-to-day operations of the Agency.

Requests For Information

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

**COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2005**

		<u>Primary Government Business-Type Activities</u>
ASSETS		
Unrestricted Cash and Cash Equivalents	\$	106,311
Restricted Cash and Cash Equivalents		55,892
Unrestricted Investments		1,528,391
Interest Receivable		9,222
State and Federal Aid Receivable		83,337
Long Term Assets		
Due Within One Year		
Lease Receivable		43,610
Due Beyond One Year		
Lease Receivable		87,220
Capital Assets		
Land		210,906
Improvements		1,231,354
Furniture and Equipment		28,620
Less: Accumulated Depreciation		<u>(1,160,841)</u>
Total Assets		<u>2,224,022</u>
LIABILITIES		
Accounts Payable		1,206
Accrued Liabilities		3,834
Due to Other Governments		19,200
Long Term Liabilities		
Due and Payable Within One Year		
Escrow Liabilities		17,369
Notes Payable		1,980
Due and Payable Beyond One Year		
Escrow Liabilities		19,200
Notes Payable		<u>14,776</u>
Total Liabilities		<u>77,565</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		310,039
Unrestricted Net Assets		<u>1,836,418</u>
Total Net Assets	\$	<u><u>2,146,457</u></u>

See the accompanying notes to the financial statements.

COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

		<u>Primary Government Business-Type Activities</u>
Operating Revenues		
Charges for Services	\$	488,139
Rental Income		7,126
Other Income		7,122
Total Operating Revenue		<u>502,387</u>
 Operating Expenses		
Personal Services		143,662
Contractual Expenses		45,130
Employee Benefits		32,256
Depreciation-Unallocated		751
Total Operating Expense		<u>221,799</u>
Operating Income		<u>280,588</u>
 Nonoperating Revenues (Expenses)		
Use of Money and Property		32,808
Interest Expense		(201)
Sale of Property		1,249
Net Nonoperating Revenue		<u>33,856</u>
Change in Net Assets		314,444
Net Assets- Beginning of the Year		<u>1,832,013</u>
Net Assets- End of the Year	\$	<u><u>2,146,457</u></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, 2005
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>Primary Government Business-Type Activities</u>
Cash Flows From Operating Activities:	
Cash Received From Providing Services	\$ 540,496
Cash Paid to Suppliers	(71,848)
Cash Paid to Employees	(174,720)
Other Cash Receipts	7,122
Net Cash Provided by Operating Activities	<u>301,050</u>
Cash Flows From Noncapital Financing Activities:	
Principal Payments on Debt	(1,960)
Interest Payments on Debt	(201)
Net Cash Used in Noncapital Financing Activities	<u>(2,161)</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	(3,555)
Payments to USDA	(9,534)
Proceeds From the Sale of Assets	13,620
Net Cash Provided by Capital Related Financing Activities:	<u>531</u>
Cash Flows From Investing Activities:	
Purchases of Certificates of Deposit	(400,000)
Proceeds From Maturing Certificates of Deposit	100,000
Interest Income Received on Certificates of Deposit	37,184
Net Cash Used in Investing Activities	<u>(262,816)</u>
Net Cash and Cash Equivalents Increase for the Year	36,604
Cash and Cash Equivalents- Beginning of the Year	125,599
Cash and Cash Equivalents- End of the Year	<u>\$ 162,203</u>
Cash Flows From Operating Activities:	
Operating Income	\$ 280,588
Adjustments:	
Depreciation	751
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	49,607
Decrease in Accounts Payable	(516)
Decrease in Accrued Liabilities	(1,209)
Decrease in Other Liabilities	(21,093)
Decrease in Due to Other Governments	(5,118)
Decrease in Notes Payable	(1,960)
Net Cash Provided by Operating Activities	<u>301,050</u>
Reconciliation of Unrestricted and Restricted Cash and Cash Equivalents:	
Cash and Cash Equivalents, Unrestricted	106,311
Cash and Cash Equivalents, Restricted	55,892
Total Unrestricted and Restricted Cash and Cash Equivalents	<u>\$ 162,203</u>

See the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**COUNTY OF CATTARAUGUS INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

A Organization and Purpose

The 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 the County of Cattaraugus. The Agency is exempt from federal, state, and local income taxes. The Agency, established by the Cattaraugus County Legislature, is a component unit of the County of Cattaraugus 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.

B Financial Reporting Entity

The financial reporting entity includes organizations, functions, and activities over which officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

All activities and functions performed for the County of Cattaraugus Industrial Development Agency are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

NOTE 2 - GOVERNMENTWIDE 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 distinguish business-type activities, generally financed in whole or in part with fees charged to external tenants or 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.

Revenues include: 1) charges for services which report fees and other charges to users of the Agency's services; 2) operating grants and contributions which finance annual operating activities including restricted investment income; and 3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses.

NOTE 3 - 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 government-wide and proprietary fund 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. Revenues are 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 rents, sales, or services. 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.

NOTE 4 - BUDGETARY DATA

1 Budgetary Policy and Practice

The Agency submits an annual budget to the County of Cattaraugus 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.

2 Budgetary Control

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

NOTE 5 - ASSETS, LIABILITIES, AND NET ASSETS

A Cash and Investments

At December 31, 2005, the carrying amount of the Agency's current deposits with financial institutions included demand deposits, savings accounts, and cash on hand totaling \$162,203.

Cash in excess of current requirements is invested in various certificates of deposit totaling \$1,528,391, which have original maturity terms in excess of three months and interest rates varying from 2.00% to 4.02%. As of December 31, 2005, 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. The Agency's monies 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 the County.

Collateral is required for demand deposits and certificates of deposit of 102% of all deposits not covered by federal deposit insurance. Deposits are carried at fair value and are categorized in the following manner:

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	1	2	3	Total Carrying Value
Checking Accounts	\$ 54,194	54,194	-	-	48,514
Savings & CD's	1,641,959	200,000	1,441,959	-	1,641,959
Cash on Hand	-	-	-	-	121
Total Deposits	<u>\$ 1,696,153</u>	<u>254,194</u>	<u>1,441,959</u>	<u>-</u>	<u>1,690,594</u>

Reconciliation to the Statement of Net Assets:

Unrestricted Cash and Cash Equivalents	\$ 106,311
Certificates of Deposit	1,528,391
Restricted Cash and Cash Equivalents	55,892
Total Deposits	<u>\$ 1,690,594</u>

The Agency maintains escrow accounts for two of its special projects. These escrow deposits represent restricted cash offsetting recorded liabilities.

As of December 31, 2005, restricted cash totaled \$55,892, as follows:

Industrial Access Program Project	\$ 49,181
Ground Lease Escrow Deposit	6,711
	<u>\$ 55,892</u>

B Accounts Receivable

Accounts receivable are reported net after reduction for the estimated portion that is expected to be uncollectible. At December 31, 2005, the Agency had no accounts receivable.

C Interest Receivable

As of December 31, 2005, accrued interest receivable was \$9,222.

D Lease Buyout Receivable

During 2004, the Agency entered into a Prepay Lease Buyout and Purchase and Sale Agreement for approximately 5.785 acres of land located at Homer Street in Olean, New York. The Agency expects to receive the following future installments, as outlined by the agreement, as of December 31, 2005:

For the year ending December 31,

2006	\$	43,610
2007		43,610
2008		<u>43,610</u>
		130,830
Less current portion		<u>(43,610)</u>
Total	\$	<u>87,220</u>

E Due From Other Governments

During 2004, the Agency applied for a Public Assistance grant from the Federal Emergency Management Agency as a result of damages sustained to its property from heavy rains experienced in the months of May and June of that year. The damages occurred primarily between mile post JC 429.03 and mile post JC 432.32 in the Towns of Persia and New Albion. Agency management anticipates that the grant will total \$83,337. The grant was approved in October of 2004. As of December 31, 2005, the Agency received a grant extension from the funding source and consequently expects receipt of the funding during the fiscal year ending on December 31, 2006.

F Capital Assets

Property and equipment acquired by the Agency are 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. Public domain (infrastructure) consisting of certain improvements other than buildings, such as roads, sidewalks, and railroads, are being capitalized and depreciated. There are no reversionary interests by the grantor in the assets, except as noted in footnotes 8 and 9. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets purchased with Agency funds.

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:

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

A detail of the activity in the property and equipment accounts for the year ended December 31, 2005, is as follows:

Business-type activities:

	Balance at 1/1/05	Additions	Deletions	Balance at 12/31/05
<u>Nondepreciable:</u>				
Land	\$ 213,743	-	(2,837)	210,906
<u>Depreciable:</u>				
Improvements	1,245,129	-	(13,775)	1,231,354
Furniture and Equipment	25,065	3,555	-	28,620
Subtotal	1,483,937	3,555	(16,612)	1,470,880
Accumulated Depreciation	(1,173,865)	(751)	13,775	(1,160,841)
	<u>\$ 310,072</u>	<u>2,804</u>	<u>(2,837)</u>	<u>310,039</u>

As noted on the Statement of Revenues, Expenses, and Changes in Net Assets, depreciation expense of \$751 is classified as unallocated. There were no allocations of depreciation expense to any other expense functions.

The Agency also sold a small railroad building located in South Dayton, New York to the Village of South Dayton. The sale price for the building was \$1. A gain or loss on the transaction was not recorded and is immaterial to financial statements of the Agency.

G Accounts Payable and Other Current Liabilities

Accounts payable at December 31, 2005 consisted of \$1,206 due to vendors of the Agency.

Accrued liabilities of the Agency as of December 31, 2005 consisted of accrued payroll and payroll taxes in the amount of \$3,834.

H Due To Other Governments

As part of an Industrial Access Project that was completed in 2003 and officially accepted by the New York State Department of Transportation (NYSDOT) on November 7, 2003, the Agency was obligated to begin repaying the NYSDOT for its agreed-upon portion of the project, beginning in 2004. The amount due to NYSDOT at December 31, 2005 was \$19,200. Future annual installments of \$9,600 due to the NYSDOT total \$28,800, and will be deducted from the Industrial Access Project escrow monies set up for this specific purpose. The Industrial Access Project program escrow funds are recorded as restricted cash and as a subsequent liability of the Agency.

I Notes Payable

As of December 31, 2005, the Agency's schedule of indebtedness is shown below:

	Balance at 1/1/05	Additions	Payments	Balance at 12/31/05
1% unsecured note payable in monthly installments of \$178.19 including principal and interest; final payment is due March, 2014	\$ 18,716	-	1,960	16,756

With regards to notes payable, since the original proceeds equaled the face amount of the note, interest at below market rates is considered an element of a grant received by the Agency. Therefore, the face amount of the obligation is not discounted, nor is an effective rate of interest imputed.

The current portion for the next five years and for the subsequent five-year intervals is as follows:

For the year ending December 31,		Principal	Interest
2006		\$ 1,980	160
2007		1,998	140
2008		2,020	120
2009		2,040	100
2010		2,140	80
2011-2014		<u>6,578</u>	<u>114</u>
		16,756	714
Less current portion		<u>(1,980)</u>	<u>(160)</u>
Total		<u>\$ 14,776</u>	<u>554</u>

Interest expense was \$201 for the year ending December 31, 2005.

J Compensated Absences

The Agency's personnel policy provides for vacation and sick leave benefits. Vacation benefits can accumulate to a total of 20 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 and/or termination of the employee. There was no material liability for compensated absences at December 31, 2005.

NOTE 6 - INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which 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. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom 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 bonds and notes. A schedule of these bonds as of December 31, 2005 is presented as supplemental information in these financial statements.

NOTE 7 - 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 through an Appalachian Regional Commission Grant (80 percent) and County of Cattaraugus funding (20 percent). Phase Two of the Appalachian Regional Commission grant agreement was undertaken during the year ended December 31, 1980, with funding provided by the Appalachian Regional Commission (80 percent) and a local share grant provided by the County of Cattaraugus, New York (20 percent). In 1982, Railroad Line No. 1248 was purchased under Phase Three of the grant agreement, with funds provided by the Appalachian Regional Commission (80 percent) and a local share grant provided by the County of Cattaraugus, New York (20 percent). In the year 2001, 12 miles of right-of-way was granted to the Cattaraugus Local Development Corporation for Rails-to-Trails. The Agency now owns 38 miles of spur railroad right-of-way from Cattaraugus north to Gowanda, and south from Gowanda to Waterboro, passing through the communities of Little Valley, Cattaraugus, Dayton, and South Dayton.

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 8 - OLEAN INDUSTRIAL PARK

On March 31, 1981, the Agency purchased approximately 80 acres of land located on Homer Street in the City of Olean, New York. The acquisition was financed through an Appalachian Regional Commission (ARC) Grant used to acquire 80 percent of the property, the balance constituted the local share. The property is being leased to tenants at a nominal fee to encourage industrial growth and development. During 1989, the Agency completed a Site Improvement Project to the Industrial Park which was jointly funded by the ARC and the New York State Department of Economic Development. The ARC Grant included a reimbursement requirement for a percentage of subsequent dispositions. As of December 31, 2005, the Agency owned 53.395 acres, having previously sold 26.605 acres. During the past fiscal year, \$9,534 was reimbursed to the funding agency, reducing the net gain on the sale of the property.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2005, the Agency entered into two separate agreements to sell a total of 22.14 acres of land at the Olean Industrial Park. As of December 31, 2005, each of the two transactions were pending.

The sale of 18.44 acres of the land has a purchase price of \$70,000. In addition, the Agency had previously entered into an option agreement during the year ended December 31, 2003 to sell a 3.7 acres parcel. During the past fiscal year this option was exercised at a remaining price of \$20,200. Because the original land acquisition for these parcels was financed through an Appalachian Regional Grant, the Agency is obligated to reimburse the United States Department of Agriculture for approximately 70% of each selling price.

NOTE 10 - PENSION PLAN

Plan Description

The Agency participates in the New York State and Local Employees' Retirement System. This is a cost-sharing, multiple employer, public employee retirement system. The system provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. 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 Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Funding Policy

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary. Employees in the system more than ten years are no longer required to contribute. For the New York State and Local Employee's Retirement System, the comptroller shall certify annually the rates expressed as portions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension fund.

The Agency is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

For the year ended December 31, 2005	\$	20,121
For the year ended December 31, 2004	\$	19,481
For the year ended December 31, 2003	\$	6,138

The Agency's contributions made to the system were equal to 100 percent of the contributions required for each year.

Since 1989, the system's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the system's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75 percent interest factor added.

NOTE 11 - DEFERRED COMPENSATION PLAN

Employees of the Agency may elect to participate in the Agency's deferred compensation plan, created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. As of December 31, 2005, no contributions had been made to the plan.

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SUPPLEMENTAL INFORMATION

COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF BONDS
FOR THE YEAR ENDED DECEMBER 31, 2005

SCHEDULE 1

	PROJ. NO. #401	ISSUE DATE	RATE	BALANCE at 1/1/05	ISSUED DURING FISCAL YEAR	PAID DURING FISCAL YEAR	BALANCE at 12/31/05
WIN-SUM SKI CORP.	1994	8/94	VAR.	\$ 4,080,000	-	230,000	3,850,000
FITZPATRICK & WELLER	1995	4/95	VAR.	15,403	-	15,403	-
ZAEFEL KROG (WEST VALLEY)	1995	9/95	10.12	1,558,012	-	180,000	1,378,012
SETTERSTIX	1997	5/97	VAR.	67,667	-	28,000	39,667
OLEAN GENERAL HOSPITAL	9802A & 9901A	9/98 & 6/99	4-5.25	17,225,000	-	1,130,000	16,095,000
ST. BONAVENTURE UNIVERSITY	9803A	9/98	4-5	6,820,000	-	620,000	6,200,000
ST. BONAVENTURE UNIVERSITY	9804A	9/98	4-5	9,630,000	-	880,000	8,750,000
GERNATT ASPHALT	9905A	7/99	UNDER 10.0	4,500,000	-	385,000	4,115,000
ST. BONAVENTURE UNIVERSITY	9902A	5/99	4.4-5.45	1,960,000	-	90,000	1,870,000
JAMESTOWN COMMUNITY COLLEGE	9903A	7/00	5.4-6.5	4,790,000	-	80,000	4,710,000
GOWANDA ELECTRONICS	9801A	6/00	VAR.	2,460,000	-	200,000	2,260,000
PARENT EDUCATION	0203A	11/02	5.5	378,263	-	48,782	329,481
OLEAN YMCA	0301A	10/03	VAR.	3,700,000	-	45,000	3,655,000
CATTARAUGUS COUNTY REHAB.	004A	10/03	VAR.	1,697,342	-	54,713	1,642,629
SUBURBAN ADULT SERVICES, INC.	0305A	10/03	VAR.	744,592	-	100,500	644,092
				<u>\$ 59,626,279</u>	<u>-</u>	<u>4,087,398</u>	<u>55,538,881</u>

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

JOHN J. DAVIS, CPA *

MARK N. MERCER, CPA

CATHIE J. BRIDGES, CPA **

KENNETH FRANK, CPA

ROGER J. LIS, JR., CPA **

* Also Licensed in Florida

** Also Licensed in Pennsylvania

ROBERT W. IRWIN, CPA **

KATHRYN A. LARRACUENTE, CPA

DENISE D. VELOSKI, CPA

JULIE L. JAGODA, 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, 2005, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated February 9, 2006. 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 County of Cattaraugus Industrial Development Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 board of directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

Cattaraugus, New York
February 9, 2006

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

R.A. Mercer Co., P.C.