

ONTARIO COUNTY INDUSTRIAL DEVELOPMENT AGENCY

BASIC FINANCIAL STATEMENTS

December 31, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board Members
Ontario County Industrial Development Agency, New York

We have audited the statement of net assets of the Ontario County Industrial Development Agency, as of December 31, 2005 and 2004, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ontario County Industrial Development Agency as of December 31, 2005 and 2004, and the results of its operations, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Required Supplementary Information as listed in the foregoing table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Agency's management. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the information. However, we did not audit the information and do not express an opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Agency taken as a whole. The accompanying supplemental schedules as listed in the foregoing table of contents are not a required part of the basic financial statements. These schedules are the responsibility of the management of the Agency. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

February 7, 2006

Raymond F. Wager, CPA, P.C.

Ontario County Industrial Development Agency

Management's Discussion and Analysis (MD&A)

December 31, 2005

Introduction

Our discussion and analysis of the Ontario County Industrial Development Agency (OCIDA), New York's financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2005. It should be read in conjunction with the basic financial statements to enhance understanding of the Agency's financial performance, which immediately follows this section.

Financial Highlights

- The OCIDA closed on the Friends of the Finger Lakes Performing Arts Center and Zotos Projects during 2005. These projects generated approximately \$154,000 of the \$190,000 project administration fees.
- The County contributed \$350,000 to the OCIDA for continued operating expense and the promotion of economic development throughout the County.

Summary Information

- In 1969, New York State adopted the Industrial Development Agency Act. The Act defines Industrial Development Agencies (IDAs) and sets forth their organization and powers. IDAs are independent public benefit corporations. They are created to promote, develop, encourage and assist industrial, manufacturing, warehousing, commercial, research and recreation facilities to advance job opportunities, health, and economic welfare of the people of the State of New York. Each IDA is a non-profit government at the request of one or more municipalities.

IDAs carry out their mandate by creating projects that offer financial incentives to attract, retain and expand businesses within their jurisdiction. To achieve these goals, an IDA can buy, sell and lease property and issue debt. Businesses wishing to obtain financial assistance typically apply to an IDA. The assistance granted to these businesses generally includes the issuance of a low interest Industrial Development Revenue Bond, and exemptions from real property tax, mortgage recording tax, and sales and use tax. The bonds issued are not obligations of the municipality or the State. As part of the transaction, the IDA generally takes title to the project's real property. In doing so, the IDA is not required to pay taxes or assessments on any property it acquires or that is under its jurisdiction, control, or supervision. Usually, this benefit is, in effect, passed through to the assisted business. A portion of the local real property tax exemption is usually recaptured in the form of payments in lieu of taxes (PILOTS). The assisted business typically agrees to make PILOTS, which generally are significantly less than the real property taxes which are abated.

In many cases, the financing of an IDA-sponsored project takes the form of a lease-purchase agreement with the business. The IDA sells its bonds and uses the proceeds to acquire or construct the project for the business. Upon completion, the project is leased to the business for a term equal to the term of the IDAs bond issue. The annual payments from the business are then set at an amount sufficient to pay the annual principal and interest on the IDA bonds. Since IDAs are considered governmental agencies, property acquired by them or under their control has tax-exempt status. The business usually has the option to purchase the project for a nominal fee at the end of the financing term.

IDAs may also provide financial assistance through “straight-lease” transactions. Under such arrangements, the IDA generally would take title to property of a project occupant, thereby entitling the property to tax exemptions, with no additional financial assistance provided through the proceeds of the IDA bonds.

The Board of an IDA, consisting of between three and seven members, is generally appointed by the governing body of its sponsoring municipality. IDA decisions affect the school districts and other local governments in the area in which the IDA operates. The IDA tax exemption policies are often a concern of these taxing jurisdictions, particularly school districts. The major taxing jurisdictions which are affected by IDA decisions may not be represented in the IDA membership and, therefore, may have little input into IDA decisions which affect their tax bases and revenue streams. Accordingly, provisions of the General Municipal Law require each IDA to establish a uniform tax exemption policy with input from affected tax jurisdictions and to provide guidelines for claiming real property tax, mortgage recording tax, and sales tax exemptions. The IDA must also establish a procedure for deviation from its uniform tax exemption policy and provide written notification of the reasons for the deviation to affected taxing jurisdictions.

In 1993, legislation was passed altering the powers of IDAs. The main focus of the legislation addressed the issue of making IDAs more accountable by requiring them to:

- Submit written payment in lieu of tax agreements, including payment allocation, to taxing jurisdictions;
- File real property tax exemptions with county chief executive officers and school districts;
- Submit data on outstanding projects annually to the New York State Comptroller’s Office;
- Hold a public hearing for all projects in excess of \$100,000; and
- Adhere to the same conflict of interest code of ethics as municipalities.

Financial Statements

The OCIDA is a public benefit corporation functioning under legislation passed by the State of New York; its volunteer Board members are appointed by the Ontario County Board of Supervisors. The OCIDA functions much like a municipality with competitive bidding laws, prevailing wage rates and financial safeguards required.

Financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles put forth by the Governmental Accounting Standards Board (GASB). Revenues are recognized when earned, not received. Expenses are recognized when incurred, not when they are paid.

Net Assets

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>	<u>Total Variance</u>
Current Assets	\$ 686,632	\$ 206,387	\$ 480,245
Non-Current Assets	76,749	76,750	(1)
Capital Assets	5,540,839	5,597,571	(56,732)
Total Assets	\$ 6,304,220	\$ 5,880,708	\$ 423,512
<u>LIABILITIES</u>			
Current Liabilities	\$ 115,843	\$ 41,895	\$ 73,948
Total Liabilities	\$ 115,843	\$ 41,895	\$ 73,948
<u>NET ASSETS</u>			
Investments in Capital Assets, Net of Related Debt	\$ 5,540,839	\$ 5,597,571	\$ (56,732)
Restricted Net Assets	(222,560)	(200,920)	(21,640)
Unrestricted Net Assets	870,098	442,162	427,936
Total Net Assets	\$ 6,188,377	\$ 5,838,813	\$ 349,564

The net assets includes the value of the Agency's investment in infrastructure, and funds for ongoing repairs/replacement and/or additions to this infrastructure.

The Agency's net assets consist of three components. The largest component, investment in capital assets, net of related debt totaled \$5,540,839 (90%) of the total net assets. Investment in capital assets, net of related debt consists primarily of the land, buildings and machinery and equipment, which are not considered to be highly liquid. The unrestricted net assets total \$870,098, which represents the monies available for the ongoing operations of the Agency.

The OCIDA purchased snow removal equipment for the airport with the assistance of FAA and NYS DOT grants. There was also planning and engineering work done for possible further land acquisition with grant assistance.

Current assets and unrestricted net assets increased as a result of inducement fees from two large projects and a \$350,000 grant from Ontario County.

Summary of Operations and Changes in Net Assets

	<u>Operating Fund</u>	<u>Airport Fund</u>	<u>2005 Total</u>	<u>2004 Total</u>	<u>Total Variance</u>
Operating Revenues	\$ 190,873	\$ 15,745	\$ 206,618	\$ 59,560	\$ 147,058
Operating Expenses	<u>113,518</u>	<u>376,432</u>	<u>489,950</u>	<u>420,187</u>	<u>69,763</u>
Operating Income (Loss)	\$ 77,355	\$ (360,687)	\$ (283,332)	\$ (360,627)	\$ 77,295
Non-Operating Revenues (Expenses)	<u>357,708</u>	<u>661</u>	<u>358,369</u>	<u>3,843</u>	<u>354,526</u>
Income (Loss) Before Other Changes in Net Assets	\$ 435,063	\$ (360,026)	\$ 75,037	\$ (356,784)	\$ 431,821
Transfer to Airport Fund	(7,127)	-	(7,127)	(11,200)	4,073
Contributed Capital-Federal, State & Local	<u>-</u>	<u>281,654</u>	<u>281,654</u>	<u>321,488</u>	<u>(39,834)</u>
Change in Net Assets	<u>\$ 427,936</u>	<u>\$ (78,372)</u>	<u>\$ 349,564</u>	<u>\$ (46,496)</u>	<u>\$ 396,060</u>

Operating Revenues

The Agency's operating revenues are \$206,618.

The Agency also earns fee income from the issuance of industrial revenue bonds. Fee income is recorded as revenue when the financing closes.

The Agency also receives various federal and state grants for the development and expansion of the Ontario County airport.

The Agency received a contribution from Ontario County totaling \$350,000 which is reported as non-operating revenues.

Operating Expenses

The Agency's operating expenses are \$489,950.

In general, the expenditures for the IDA's operation consist of administration and depreciation. Administrative expenditures consist primarily of legal, accounting, and consulting expenditures associated with the daily activities.

The Agency depreciation expenses relate to the airport operations.

Capital Assets

At December 31, 2005, the Agency had \$5,540,839, net of accumulated depreciation invested in a broad range of capital assets, including land and airport runway and lighting. The capital assets, net of accumulated depreciation, is reflected below:

	<u>2005</u>	<u>2004</u>
Land	\$ 1,360,281	\$ 1,335,990
Airport Runway and Lighting	<u>4,180,558</u>	<u>4,261,581</u>
Total	<u>\$ 5,540,839</u>	<u>\$ 5,597,571</u>

More detailed information about the Agency's capital assets is presented in the notes to the financial statements.

Long-Term Debt

The Agency has no long term debt as of the balance sheet date.

Future Factors

In early 2006, OCIDA closed on the new NYS Wine and Culinary Center, which produced about half the budgeted income for the year.

There was also a closing on the ground lease agreement at the Infotonics Center in Canandaigua.

Requests for Information

This financial report is designed to provide a general overview of the Ontario County Industrial Development Agency's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mr. Michael J. Manikowski, Director
Ontario County Industrial Development Agency
20 Ontario Street
Canandaigua, New York 14424

**ONTARIO COUNTY INDUSTRIAL DEVELOPMENT AGENCY
PROPRIETARY FUND TYPE - ENTERPRISE FUND**

Statement of Net Assets

**December 31, 2005
(With comparative totals for 2004)**

<u>ASSETS:</u>	<u>2005</u>	<u>2004</u>
<u>Current Assets -</u>		
Cash and cash equivalents	\$ 363,232	\$ 166,513
Cash in escrow	185,000	-
Due from state and federal governments	18,015	13,204
Accounts receivable (net)	98,221	16,150
Prepaid expense	10,000	-
Due from related party	12,164	10,520
Total Current Assets	<u>\$ 686,632</u>	<u>\$ 206,387</u>
<u>Noncurrent Assets -</u>		
Investment in joint venture	\$ 76,749	\$ 76,750
Total Noncurrent Assets	<u>\$ 76,749</u>	<u>\$ 76,750</u>
<u>Capital Assets -</u>		
Land	\$ 1,360,281	\$ 1,335,990
Runway and lighting	6,653,330	6,387,993
Accumulated depreciation	(2,472,772)	(2,126,412)
Total Capital Assets	<u>\$ 5,540,839</u>	<u>\$ 5,597,571</u>
TOTAL ASSETS	<u><u>\$ 6,304,220</u></u>	<u><u>\$ 5,880,708</u></u>
<u>LIABILITIES AND NET ASSETS:</u>		
<u>Current Liabilities -</u>		
Accounts payable	\$ 50,643	\$ 15,015
Accrued liabilities	40,000	-
Deferred revenue	25,200	26,880
Total Current Liabilities	<u>\$ 115,843</u>	<u>\$ 41,895</u>
<u>Net Assets -</u>		
Investments in capital assets, net of related debt	\$ 5,540,839	\$ 5,597,571
Restricted net assets	(222,560)	(200,920)
Unrestricted net assets	870,098	442,162
Total Net Assets	<u>\$ 6,188,377</u>	<u>\$ 5,838,813</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,304,220</u></u>	<u><u>\$ 5,880,708</u></u>

(The accompanying notes are an integral part of the financial statements)

**ONTARIO COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 PROPRIETARY FUND TYPE - ENTERPRISE FUND**

Statement of Revenues, Expenses and Changes in Net Assets

For Year Ended December 31, 2005

(With comparative totals for 2004)

<u>OPERATING REVENUES:</u>	<u>2005</u>	<u>2004</u>
Fees	\$ 206,618	\$ 59,560
TOTAL OPERATING REVENUES	\$ 206,618	\$ 59,560
<u>OPERATING EXPENSES:</u>		
Administration	\$ 143,590	\$ 98,986
Depreciation	346,360	321,201
TOTAL OPERATING EXPENSES	\$ 489,950	\$ 420,187
OPERATING INCOME (LOSS)	\$ (283,332)	\$ (360,627)
<u>NONOPERATING REVENUES:</u>		
Grants from County	\$ 350,000	\$ -
Interest and dividends	6,725	2,481
Unrealized net gain (loss) on investment in joint venture	1,644	1,362
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ 358,369	\$ 3,843
NET INCOME (LOSS)	\$ 75,037	\$ (356,784)
<u>CONTRIBUTED CAPITAL:</u>		
Transfer to airport fund	(7,127)	(11,200)
Contributed capital - federal, state & local	281,654	321,488
INCREASE (DECREASE) IN NET ASSETS	\$ 349,564	\$ (46,496)
NET ASSETS - BEGINNING OF YEAR	5,838,813	5,885,309
NET ASSETS - END OF YEAR	<u>\$ 6,188,377</u>	<u>\$ 5,838,813</u>

**ONTARIO COUNTY INDUSTRIAL DEVELOPMENT AGENCY
PROPRIETY FUND TYPE - ENTERPRISE FUND**

Statement of Cash Flows

For Year Ended December 31, 2005

(With comparative totals for 2004)

<u>Cash Flows From Operating Activities:</u>	<u>2005</u>	<u>2004</u>
Cash received from providing services	\$ 116,412	\$ 140,532
Cash payments contractual expenses	(77,963)	(157,609)
Net Cash Provided (Used) by Operating Activities	\$ 38,449	\$ (17,077)
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Purchases of capital assets	\$ (289,627)	\$ (331,627)
Airport transfer-local portion	(7,127)	(11,200)
Contributions for capital assets	281,654	321,488
Net Cash Provided By (Used In) Capital and Related Financing Activities	\$ (15,100)	\$ (21,339)
<u>Cash Flows From Investing Activities:</u>		
Grant from County	\$ 350,000	\$ -
Interest Income	6,725	2,481
Unrealized net gain (loss) on investment in joint venture	1,644	1,362
Net Cash Provided (Used) By Investment Activities	\$ 358,369	\$ 3,843
Net Increase (Decrease) in Cash	\$ 381,718	\$ (34,573)
Cash and Cash Equivalents - Beginning of Year	166,514	201,086
Cash and Cash Equivalents - End of Year	\$ 548,232	\$ 166,513
<u>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities</u>		
Change in net assets	\$ (283,332)	\$ (360,627)
<u>Adjustments to reconcile Change in Net Assets to Net Cash Provided/(Used) from Operations:</u>		
Depreciation	\$ 346,360	\$ 321,201
Change in assets and liabilities -		
Due from/to state and federal government	(4,811)	86,656
Accounts receivable	(82,071)	(4,322)
Due from/to related party	(1,644)	(1,363)
Accounts payable	35,627	(56,942)
Accrued liabilities	40,000	-
Prepaid expense	(10,000)	-
Deferred revenue	(1,680)	(1,680)
Total Adjustments to reconcile Change in Net Assets to Net Cash Provided/Used from Operations	\$ 321,781	\$ 343,550
Net Cash Provided by Operating Activities	\$ 38,449	\$ (17,077)

(The accompanying notes are an integral part of the financial statements)

ONTARIO COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

(Note 1) **Summary of Significant Accounting Policies:**

The financial statements of the Ontario County Industrial Development Agency (OCIDA) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. The Reporting Entity

The OCIDA, which was established in 1972, is governed by Article 18-A, *New York State Industrial Development Agency Act* of the New York State General Municipal Law and other general laws of the State of New York and various local laws. Member of the OCIDA are appointed by the Ontario County Board of Supervisors, however, the Board of Supervisors exercises no oversight responsibility for management of the OCIDA or accountability for fiscal matters. Accordingly, the OCIDA is not included as a component unit within the County's basic financial statements.

The OCIDA was established to promote and assist with the economic development of Ontario County, New York.

All governmental activities and functions performed for the OCIDA are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The *Uniform System of Accounts for Industrial Development Agencies* published by the New York State Office of the State Comptroller prescribes for the use of a single fund type to record all financial transactions of the Agency. The OCIDA has opted to report its activity within a proprietary fund type as follows:

The Basic Financial Statements are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Fixed assets and long-term liabilities related to these activities are recorded within the fund.

(Note 1) (Continued)

The OCIDA applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. The OCIDA utilizes the following proprietary fund type:

The Basic Financial Statements are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and /or net income is necessary for management accountability. The OCIDA enterprise funds include the following:

Airport Fund - contains all activity related to the development and operation of an airport.

Operating Fund - contains all activity not required to be accounted for in the Airport Fund.

C. Investments

Investments are stated at market value.

D. Cash and Cash Equivalents

Cash and cash equivalents are comprised of certain highly liquid instruments with a maturity of less than one year.

E. Cash in Escrow

Cash in escrow represents amounts held by a third party on the Authority's behalf pending the completion of a lease.

F. Capital Assets – Proprietary Funds

Capital assets acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction, where applicable. Depreciation is computed using the straight line method over the estimated useful life of the assets.

G. Net Assets

Investment in Capital Assets, Net of Related Debt - Capital assets purchased with available funds and grants.

Restricted Net Assets - Represents grants and fees received by the Agency for the development and operation of the Airport and the available funds for the operation of the Airport.

(Note 1) (Continued)

Unrestricted Net Assets - Represents monies available for the future operations of the Agency.

(Note 2) **Detail Notes on All Funds and Account Groups:**

A. **Assets**

1. **Cash and Investments**

The OCIDA's investment policies are governed by state statutes. In addition, the OCIDA has its own written investment policy. OCIDA monies must be deposited in FDIC insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity. The Combined Statement of Cash Flows presented on page four uses the indirect method of reporting cash flows.

Deposits at year-end were entirely covered by federal depository insurance. The investments are not currently insured or collateralized. Deposits and investments consisted of:

Deposits - All deposits including certificates of deposit are carried at cost.

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	
Operating	\$ 474,819	\$ 278,723	Insured FDIC
Airport	84,509	84,509	Insured FDIC
Total Deposits	<u>\$ 559,328</u>	<u>\$ 363,232</u>	

2. **Receivables**

a. **Due from State and Federal Governments**

The balance of State and Federal Aid receivables are stated at net realizable value and at year end is comprised of the following:

Federal Aviation Administration	<u>\$ 18,015</u>
Total	<u>\$ 18,015</u>

Management deems the amount to be fully collectible.

(Note 2) (Continued)

b. Accounts Receivable

The balance of accounts receivable is stated at net realizable value and at year end is comprised of the following:

Airport Operations	\$	9,740
Project Administration Fees		88,274
Interest		1,833
Allowance		<u>(1,626)</u>
Total	\$	<u>98,221</u>

Management deems the amounts to be fully collectible.

c. Due From Related Party

The balance of \$14,703 and \$13,059, for the years 2005 and 2004 respectively, is due from the Geneva Industrial Park which was established June 1, 1989 by the OCIDA, City of Geneva, Geneva City IDA and Geneva Growth, Inc.

3. Capital Assets

The following is a summary of capital assets for the OCIDA at December 31, 2005:

	<u>Balance @</u>			<u>Balance @</u>
<u>Nondepreciable Assets</u>	<u>1/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2005</u>
Land	\$ 1,335,990	\$ 24,291	\$ -	\$ 1,360,281
Total Nondepreciable Assets	\$ 1,335,990	\$ 24,291	\$ -	\$ 1,360,281
<u>Depreciable Assets</u>				
Airport Runway and Lighting	\$ 6,387,993	\$ 265,337	\$ -	\$ 6,653,330
Total Depreciable Assets	\$ 6,387,993	\$ 265,337	\$ -	\$ 6,653,330
<u>Accumulated Depreciation</u>				
Airport Runway and Lighting	\$ (2,126,412)	\$ (346,360)	\$ -	\$ (2,472,772)
Total Accumulated Depreciation	\$ (2,126,412)	\$ (346,360)	\$ -	\$ (2,472,772)
Total Capital Assets	\$ 5,597,571	\$ (56,732)	\$ -	\$ 5,540,839

The airport runway and lighting is depreciated by the OCIDA using the straight line method with an estimated useful life of 20 years.

(Note 2) (Continued)

B. Interfund Receivables and Payables

Interfund receivables and payables at December 31, 2005 and 2004, respectively were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>2005</u>	<u>2004</u>
Operating Fund	Airport Fund	<u>\$ 292,138</u>	<u>\$ 204,641</u>

(Note 3) Investment in Joint Venture:

The OCIDA maintains two separate investments in land held for resale through joint venture agreements with other local groups. All acquisition and holding costs relating to these investments have been capitalized.

(Note 4) Contributed Capital:

Contributed capital represents assets received through federal, state and local grants. The following is a summary of contributed capital:

	<u>2005</u>	<u>2004</u>
Contributed sources - federal	\$ 267,408	\$ 299,876
Contributed sources - state	7,118	11,332
Contributed sources - local	<u>7,128</u>	<u>10,280</u>
Total	<u>\$ 281,654</u>	<u>\$ 321,488</u>

(Note 5) Industrial Revenue Bonds:

Bonds authorized by the OCIDA and issued through various lending institutions are designated as special obligations of the OCIDA and are payable solely from the revenues and other assets pledged as collateral against the bonds. While in most instances the OCIDA is the holder of legal title to properties acquired with industrial revenue bond financing until such point in time as the construction of property improvements has been completed or satisfaction of the obligation has been effected in full, the OCIDA does not act as a guarantor in the event of default. Accordingly, recourse on the part of the lending institution against the OCIDA is limited to collateralized properties and revenues as specified in the body of the applicable financing agreement. Additionally, in each of these financing arrangements, the OCIDA has assigned all rights to receive certain revenues derived with respect to the facilities it has financed to the holders of the industrial revenue bonds. As a consequence, the OCIDA does not reflect such bonds or related properties on these financial statements. The assumption of legal title by the OCIDA is accomplished through sale-lease back arrangements and installment sales. Since the OCIDA's inception, it has effected forty-one (41) bond issuances and sixty-five (65) Real Estate transfer transactions.

(Note 6) Flow Through Funds:

During 2004 the Agency acted as an agent to facilitate the allocation of flow through monies totaling approximately \$66,000 for the promotion of the Finger Lakes Region.

(Note 7) Airport Activity:

On July 1, 1995, the OCIDA began operation of the Ontario County Airport. The airport construction has been funded with State and Federal grants as well as sources within the local community.

The OCIDA on August 12, 1995, entered into two agreements to further facilitate the operation and development of the airport as follows:

A. Fixed Base Operation Commercial Aviation Agreement

The fixed base operation agreement for the year 2005 is with Ontario County Airport Management Co., LLC to provide fixed base operations at the airport. The Ontario County Airport Management Co., LLC has agreed to pay to OCIDA a fixed annual base compensation together with a percentage of gross revenue as more fully described within the body of the agreement. The term of the agreement is ten years commencing August 1, 1995, with an option to extend the agreement three years thereafter. Effective December 31, 2002, the OCIDA executed an assignment, assumption and estoppel agreement assigning all rights and responsibilities as fixed based operator to Canandaigua Air Center, LLC.

B. Lease Agreement – Ontario County Airport Management Co., LLC

On August 12, 1995, the Ontario County Industrial Development Agency (the lessor) entered into an agreement with Ontario County Airport Management Co., LLC (the lessee) to lease land on which the Ontario County Airport is constructed. The term of the agreement is 49 years with an option to renew. The lessee has agreed to a fixed monthly fee along with a percentage of gross revenues earned as more fully described within the lease agreement. Effective December 31, 2002, the OCIDA executed an assignment, assumption and estoppel agreement assigned all rights and responsibilities under the lease to Canandaigua Air Center, LLC.

C. Lease Agreement – Paul Yarnall

In August 1996, the Ontario County Industrial Development Agency (the lessor) entered into an agreement with Paul Yarnall (the lessee) to lease land on which the Ontario County Airport is constructed. This lease was created as part of the agreement between the Agency and Paul Yarnall for the purchase of certain land around the County Airport.

The lease is a forty-nine (49) year lease which expires on August 20, 2045.

D. Lease Agreement – Canandaigua Aircraft, LLC

On August 25, 2001, the Ontario County Industrial Development Agency (the lessor) entered into an agreement with Canandaigua Aircraft, LLC (the lessee) to lease land on which, the lessee would construct a private hanger facility including certain land improvements, (paved taxiway and gravel access road).. The term of the agreement is 20 years. At the expiration of the lease, the land and land improvements become the property of the Agency without any additional payment to the lessee. As stated in the agreement, the cost of land improvements born by the lessee are given in exchange for the rental payments over the term of the lease. The Agency has recorded this lease transaction by capitalizing the value of land improvements estimated at \$33,600 and recorded the corresponding deferred revenue, recognizing 1/20 of this amount as rental income over the term of the agreement. As of December 31, 2005 the remaining deferred revenue to be amortized totaled \$25,200.

(Note 8) State and Federal Aid:

The OCIDA receives State and Federal funding for its airport construction costs. This funding is based upon periodic submission of cost reports detailing reimbursable expenditures made in compliance with laws and regulations.

Amounts received and receivable relating to the airport construction are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the OCIDA has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the OCIDA administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

(Note 9) Related Party Transactions:

- A. From time to time, sale-leaseback or bond agreements have been entered into with companies that have an affiliation with an OCIDA Board Member. Board members involved would declare their affiliation and disqualify themselves from any vote. The specific terms of such agreements may be obtained from the OCIDA upon request.
- B. During October 2000, the Ag Food & Technology Park Corporation was formed to relieve and reduce unemployment, promote and provide additional and maximum employment, better maintain job opportunities, lessen the burden of government, and act in the public interest. According to the Ag Food & Technology Park Corporation bylaws the composition of membership shall be the Manager of the City of Geneva, New York, the Executive Director of the Ontario County Industrial Development Agency, and the Director of the New York State Agricultural Experiment Station, ex officio. During the year, the Agency contributed \$10,000 for operating expenditures to the corporation.

(Note 10) Subsequent Event:

A. Litigation

On January 10, 2006, two individuals served notice of claims upon the Agency for which legal counsel has not yet been engaged.

B. Lease Agreement – Infotonics Technology Center, Inc.

The Ontario County Industrial Development Agency (the Agency) and Infotonics Technology Center, Inc. (Infotonics) entered into a lease-leaseback transaction on February 6, 2006. Such lease-leaseback transactions contain the following terms.

The initial lease from Infotonics to the Agency shall be a ground lease (the Ground Lease) of the parcels acquired by Infotonics in connection with the financial assistance provided by the Agency. Such parcels shall include both the parcels purchased by Infotonics with the assistance of the Agency in 2003 and the parcels to be purchased in connection with the currently proposed financial assistance. In addition, the Agency and Infotonics have also included within the purview of the Ground Lease the parcels purchased with funds from the State of New York.

The terms of the Ground Lease will be approximately 50 years. The Ground Lease shall also provide for the prepayment of the Agency's rental obligations in the amount of \$350,000.

(Note 10) (Continued)

The Agency will then sublease all parcels back to Infotonics pursuant to a project lease (the Project Lease) which shall contain the Agency's standard leasing provisions. Such provisions include: the requirement to obtain liability insurance for the benefit of the Agency, the indemnification of the leased parcels, the maintenance of the corporate existence of Infotonics and the continued use of the leased parcels for specified economic development purposes. The Project Lease shall be for nominal rent payable by Infotonics to the Agency and shall be for an initial term of 20 years with three 10 year renewals. In addition, the Project Lease shall allow Infotonics to terminate such lease at its option. If the Project Lease is terminated by Infotonics, but Infotonics chooses to leave the Ground Lease in place, then the Agency would be free to utilize the ground leased parcels for economic development purposes. However, should Infotonics desire to also terminate the Ground Lease, they would be required to buy-out the Agency's interest under such Ground Lease (but only with respect to the parcel acquired with the Agency's assistance in 2006) for a pre-negotiated amount. The Ground Lease shall further provide that if Infotonics should cease operations or cease to exist, then the Agency shall have the option to purchase the parcels acquired with the assistance of the Agency from Infotonics for a nominal purchase price.

(Note 11) Pending State Review:

The New York State Office of the State Comptroller is in the process of conducting a compliance review at the Agency. The draft report issued does indicate any potential adjustments required as a result of their audit.

**ONTARIO COUNTY INDUSTRIAL DEVELOPMENT AGENCY
PROPRIETARY FUND TYPE - ENTERPRISE FUND**

Combining Schedule of Net Assets

December 31, 2005

<u>ASSETS:</u>	<u>Operating Fund</u>	<u>Airport Fund</u>	<u>Total</u>
<u>Current Assets -</u>			
Cash and cash equivalents	\$ 278,723	\$ 84,509	\$ 363,232
Cash in escrow	185,000	-	185,000
Due from other funds	292,138	-	292,138
Due from state and federal governments	-	18,015	18,015
Accounts receivable (net)	90,107	8,114	98,221
Prepaid expense	10,000	-	10,000
Due from related party	12,164	-	12,164
	<hr/>	<hr/>	<hr/>
Total Current Assets	\$ 868,132	\$ 110,638	\$ 978,770
<u>Noncurrent Assets -</u>			
Investment in joint venture	\$ 76,749	\$ -	\$ 76,749
	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets	\$ 76,749	\$ -	\$ 76,749
<u>Capital Assets -</u>			
Land	\$ -	\$ 1,360,281	\$ 1,360,281
Runway and lighting	-	6,653,330	6,653,330
Accumulated depreciation	-	(2,472,772)	(2,472,772)
	<hr/>	<hr/>	<hr/>
Total Capital Assets	\$ -	\$ 5,540,839	\$ 5,540,839
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 944,881	\$ 5,651,477	\$ 6,596,358
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS:</u>			
<u>Current Liabilities -</u>			
Accounts payable	\$ 34,783	\$ 15,860	\$ 50,643
Accrued liabilities	40,000	-	40,000
Deferred revenue	-	25,200	25,200
Due to other funds	-	292,138	292,138
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	\$ 74,783	\$ 333,198	\$ 407,981
	<hr/>	<hr/>	<hr/>
<u>Net Assets -</u>			
Investments in capital assets, net of related debt	\$ -	\$ 5,540,839	\$ 5,540,839
Restricted assets	-	(222,560)	(222,560)
Unrestricted assets	870,098	-	870,098
	<hr/>	<hr/>	<hr/>
Total Net Assets	\$ 870,098	\$ 5,318,279	\$ 6,188,377
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 944,881	\$ 5,651,477	\$ 6,596,358
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**ONTARIO COUNTY INDUSTRIAL DEVELOPMENT AGENCY
PROPRIETARY FUND TYPE - ENTERPRISE FUND**

Combining Schedule of Revenues, Expenses and Changes in Net Assets

For Year Ended December 31, 2005

	Operating Fund	Airport Fund	Total
<u>OPERATING REVENUES:</u>			
Fees	\$ 190,873	\$ 15,745	\$ 206,618
TOTAL OPERATING REVENUES	\$ 190,873	\$ 15,745	\$ 206,618
<u>OPERATING EXPENSES:</u>			
Administration	\$ 113,518	\$ 30,072	\$ 143,590
Depreciation	-	346,360	346,360
TOTAL OPERATING EXPENSES	\$ 113,518	\$ 376,432	\$ 489,950
OPERATING INCOME (LOSS)	\$ 77,355	\$ (360,687)	\$ (283,332)
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Grant from County	\$ 350,000	\$ -	\$ 350,000
Interest and dividends	6,064	661	6,725
Unrealized net gain (loss) on investment in joint venture	1,644	-	1,644
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ 357,708	\$ 661	\$ 358,369
NET INCOME (LOSS)	\$ 435,063	\$ (360,026)	\$ 75,037
<u>CONTRIBUTED CAPITAL:</u>			
Transferred to airport fund	(7,127)	-	(7,127)
Contributed capital - federal, state & local	-	281,654	281,654
INCREASE (DECREASE) IN NET ASSETS	\$ 427,936	\$ (78,372)	\$ 349,564
NET ASSETS - BEGINNING OF YEAR	442,162	5,396,651	5,838,813
NET ASSETS - END OF YEAR	\$ 870,098	\$ 5,318,279	\$ 6,188,377

**ONTARIO COUNTY INDUSTRIAL DEVELOPMENT AGENCY
PROPRIETY FUND TYPE - ENTERPRISE FUND**

Combining Schedule of Cash Flows

For Year Ended December 31, 2005

	Operating Fund	Airport Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Cash received from providing services	\$ 24,007	\$ 92,405	\$ 116,412
Cash payments contractual expenses	(53,179)	(24,784)	(77,963)
Net Cash Provided (Used) by Operating Activities	\$ (29,172)	\$ 67,621	\$ 38,449
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Purchases of capital assets	\$ -	\$ (289,627)	\$ (289,627)
Airport transfer-local portion	(7,127)	-	(7,127)
Contributions for capital assets	-	281,654	281,654
Net Cash Provided By (Used In) Capital and Related Financing Activities	\$ (7,127)	\$ (7,973)	\$ (15,100)
<u>Cash Flows From Investing Activities:</u>			
Grant from County	\$ 350,000	\$ -	\$ 350,000
Interest Income	6,064	661	6,725
Unrealized net gain (loss) on investment in joint venture	1,644	-	1,644
Net Cash Provided (Used) By Investment Activities	\$ 357,708	\$ 661	\$ 358,369
Net Increase (Decrease) in Cash	\$ 321,409	\$ 60,309	\$ 381,718
Cash and Cash Equivalents - Beginning of Year	142,314	24,200	166,514
Cash and Cash Equivalents - End of Year	\$ 463,723	\$ 84,509	\$ 548,232
<u>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities</u>			
Change in net assets	\$ 77,355	\$ (360,687)	\$ (283,332)
<u>Adjustments to reconcile Change in Net Assets to Net Cash Provided/(Used) from Operations:</u>			
Depreciation	\$ -	\$ 346,360	\$ 346,360
Change in assets and liabilities -			
Due from/to other funds	(87,497)	87,497	-
Due from/to state and federal government	-	(4,811)	(4,811)
Accounts receivable	(77,725)	(4,346)	(82,071)
Due from/to related party	(1,644)	-	(1,644)
Accounts payable	30,339	5,288	35,627
Accrued liabilities	40,000	-	40,000
Prepaid expense	(10,000)	-	(10,000)
Deferred revenue	-	(1,680)	(1,680)
Total Adjustments to reconcile Change in Net Assets to Net Cash Provided/Used from Operations	\$ (106,527)	\$ 428,308	\$ 321,781
Net Cash Provided by Operating Activities	\$ (29,172)	\$ 67,621	\$ 38,449