

**ALLEGANY COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF
ALLEGANY COUNTY, NEW YORK**

**REPORT ON AUDITED
FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2022

Preliminary

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Allegany County Industrial Development Agency
Belmont, New York

Opinion

We have audited the accompanying financial statements of the **Allegany County Industrial Development Agency** and its component units, the Allegany County Capital Resource Corporation, and the Allegany Crossroads Utility Corporation (collectively, component units of Allegany County, New York), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Allegany County Industrial Development Agency** and its component units of December 31, 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Allegany County Industrial Development Agency** and its component units and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 7 to the financial statements, in 2022, the Agency adopted new accounting guidance, GASB Statement No. 87, Leases which resulted in a prior period adjustment. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and for the design, implementation, and maintenance of internal control relevant to the fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Allegany County Industrial Development Agency** and its component's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Allegany County Industrial Development Agency** and its component units' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Allegany County Industrial Development Agency** and its component units to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited **Allegany County Industrial Development Agency's** and its component units' December 31, 2021 financial statements and our report dated June 9, 2022, expressed an unmodified opinion on the respective financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise **Allegany County Industrial Development Agency's** and its component units' basic financial statements. The Schedule of Sale/Leaseback Projects is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Sale/Leaseback Projects has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February __, 2023, on our consideration of **Allegany County Industrial Development Agency** and its component units' 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 effectiveness of **Allegany County Industrial Development Agency** and its component units' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering **Allegany County Industrial Development Agency** and its component units' internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

Olean, New York
February __, 2023

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Page 3

I. Discussion and Analysis

The following is a discussion and analysis of the **Allegany County Industrial Development Agency** financial performance for the year ended December 31, 2022. This section is a summary of the Agency's financial activities based on currently known facts, decisions, or conditions. It is based on the financial statements. The results of the current year in comparison with the prior year are discussed in the following paragraphs. This section is only an introduction and should be read in conjunction with the Agency's financial statements, which follow this section.

II. Financial Highlights

The following items are the financial highlights experienced by the **Allegany County Industrial Development Agency** during the year ended December 31, 2022:

- Overall net position of the Agency increased approximately \$267,000 and \$346,000 during the years ended December 31, 2022 and 2021, respectively. A prior period adjustment in the amount of \$60,092 was recorded in 2022 to reflect the implementation of GASB Statement No. 87, Leases. This adjustment increased net position of the Agency. A prior period adjustment in the amount of \$337,000 was recorded in 2021 to reflect the transfer of the truck stop and land to a third-party that took place in 2020. This adjustment reduced net position of the Agency.
- The Agency's total support and revenue was approximately \$742,000 during 2022 as compared with approximately \$1,093,000 during 2021. This decrease was primarily due to the completion of the Economic Development Service Agreement in the prior year in the amount of \$225,000. This decrease was also driven by an overall decrease in fees related development projects in the current year.
- The Agency's total expenses and other uses were approximately \$476,000 during 2022 as compared to approximately \$747,000 during 2021. This decrease was primarily the result of a decrease in legal and professional expenses related to development projects.
- The Agency had \$0 of capital purchases during the current year. The Agency has \$120,886 of capital purchases during the prior year which were related to a roof replacement.

III. Overview of the Financial Statements

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

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

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

1. Statement of Net Position

The Statement of Net Position (page 7) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the Agency. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are designated for certain purposes or reserved for emergencies and cash flow purposes. Some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 8) shows the amounts of program-specific and general Agency revenue used to support the Agency's various functions.

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

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022

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IV. Financial Analysis of the Agency as a Whole

Net Position

The Agency's total net position totaled approximately \$1,003,000 as of December 31, 2022.

Revenue

The Agency's total revenue and other sources were approximately \$742,000 during the year ended December 31, 2022.

Figure A-3 presents the major sources of revenue of the Agency. The most significant sources of governmental revenue in the Agency are more thoroughly discussed as follows:

- Rental revenue which represents approximately 28% of the Agency's total revenue decreased approximately \$64,000 during the year ended December 31, 2022 due to reporting under the new lease standard which resulted in the recognition of a lease receivable decreasing rental revenue which was partially offset by an increase in interest income on the outstanding lease receivable.
- Revenue from application fees decreased approximately \$145,000 during the current fiscal year. This decrease is primarily related to decreases in fees related to development projects.
- During the current year, the Agency had in-kind donations of \$67,000 which related to estimated time spent for the Agency by employees of Allegany County.
- Other income increased approximately \$8,000 during the current fiscal year.
- The Agency received \$225,000 during the prior year related to funding received from the County related to an economic development service agreement.

Expenses

The total cost of all programs and services of the Agency was approximately \$476,000. The Agency's expenses consist primarily of occupancy expenses, in-kind expenditures, depreciation, interest expense, professional fees and general and administrative expenses.

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

Expenses (continued)

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

- The Agency's total costs were approximately \$476,000 during the year ended December 31, 2022 as compared with \$747,000 during the year ended December 31, 2021 as a result of lesser legal and professional fees.
- The Agency's waterline costs were approximately \$50,000 during the year ended December 31, 2022 as compared with \$60,000 during the year ended December 31, 2021.
- The Agency's utility costs were approximately \$40,000 during the year ended December 31, 2022 as compared with \$29,000 during the year ended December 31, 2021.
- The Agency's salaries and benefits were all in-kind services provided by employees of Allegany County and totaled approximately \$67,000 and \$73,000 for the years ended December 31, 2022 and 2021, respectively.
- The Agency's interest expense was approximately \$90,000 during the year ended December 31, 2022 as compared with \$100,000 during the year ended December 31, 2021.
- All other costs of the Agency totaled \$229,000 in 2022 as compared with \$485,000 in 2021. This decrease was primarily the result of a decrease in legal and professional expenses during the current year related to development projects.

Pass-through Transactions

- The Agency is responsible for collecting payment-in-lieu of taxes (PILOT) payments and remitting them to corresponding municipalities and collections and payments are included as a pass-through transaction on the statement of activities. During 2022 and 2021, pass-through transactions totaled \$38,147 and \$775,000. In 2021, the Agency and the corporation reached an agreement on the past due and future PILOT payments and began receiving payments. In addition, the Agency received a NYS Community Block Grant that was passed through to other agencies in the amount of \$38,147. The Agency did not receive PILOT payments from corporations or pass-through grants in the current year.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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Figure A-1 – Statements of Net Position

Allegany County Industrial Development Agency Statements of Net Position			
	Total Government-wide		
	2022	2021	% Change
Assets			
Current	\$ 834,464	\$ 700,170	19%
Capital assets, net	3,473,682	3,486,835	0%
Other assets	2,054,935	545,478	277%
Total assets	\$ 6,363,081	\$ 4,732,483	34%
Liabilities			
Current liabilities	\$ 291,425	\$ 426,020	-32%
Long-term liabilities	5,068,612	3,644,224	39%
Total liabilities	5,360,037	4,070,244	32%
Net position			
Net investment in capital assets	298,355	229,544	30%
Unrestricted	704,689	432,695	63%
Total net position	1,003,044	662,239	51%
Total liabilities and net position	\$ 6,363,081	\$ 4,732,483	34%

Figure A-2 Statements of Activities

Allegany County Industrial Development Agency Statements of Activities			
	Total Government-wide		
	2022	2021	% Change
Revenue			
Application & administration fees	\$ 361,563	\$ 506,872	-29%
Water charges	28,877	26,627	8%
In-kind donations	67,158	73,184	-8%
Rental income	183,192	247,002	-26%
Other income	11,412	3,452	231%
Reimbursements	252	10,510	-98%
Economic Development Services Agreement	--	225,000	-100%
Interest income	89,855	--	n/a
Interfund transfers	--	50	-100%
Total revenue	742,309	1,092,697	-32%
Expenses			
Payroll and benefits - in-kind	67,158	73,184	-8%
Waterline	49,540	59,933	-17%
Utilities	40,111	29,346	37%
Cleaning	20,651	19,626	5%
Equipment	264	264	0%
Maintenance	33,694	15,862	112%
Legal and professional	55,727	326,281	-83%
Interest expense	90,431	100,161	-10%
Office expenses	746	71	951%
Taxes	531	2,905	-82%
Depreciation	91,875	89,555	3%
Advertising	1,215	2,764	-56%
Insurance	17,371	25,005	-31%
Miscellaneous	6,314	1,921	229%
Interfund transfers	--	50	-100%
	475,628	746,928	-36%
Change in net position	266,681	345,769	-23%
Pass-through transactions			
Revenue	38,147	774,890	n/a
Expenditures	(38,147)	(774,890)	n/a
Net pass-through transactions	--	--	--
Change in net position	\$ 266,681	\$ 345,769	-23%

Figure A-3 Sources of Revenue

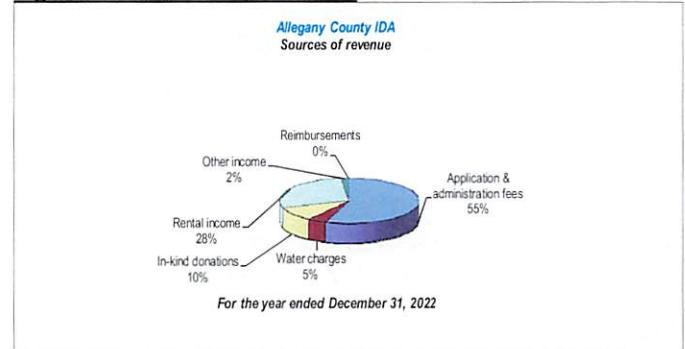
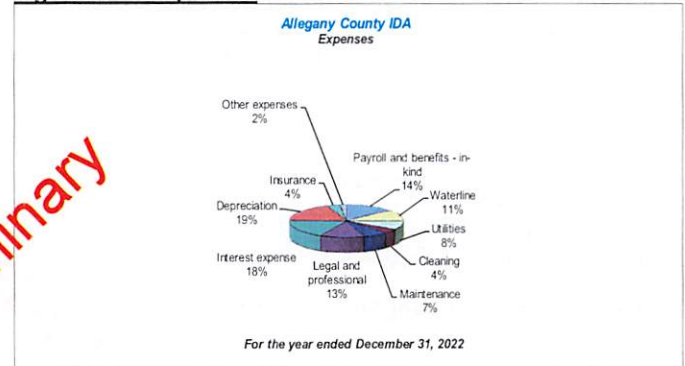


Figure A-4 - Expenses



V. Component Units

Allegany County Capital Resource Corporation

In July 2009, the Agency formed a non-profit organization under the name of Allegany County Capital Resource Corporation. This entity has the ability to provide such financing to non-profit organizations.

Net Position

The Allegany County Capital Resource Corporation's total net position was approximately \$114,000 as of December 31, 2022.

Revenue

The Allegany County Capital Resource Corporation reported approximately \$113,000 in revenue for the year ended December 31, 2022 related to fees associated with administration of tax exempt bond issuance by a local college.

Expenses

The Allegany County Capital Resource Corporation reported \$40 of expenses for the year ended December 31, 2022 related to bank charges during the year.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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V. Component Units (continued)

Allegany Crossroads Utility Corporation

In 2017, the Agency formed a corporation under the name of Allegany Crossroads Utility Corporation to provide water utility development and service.

Net Position

The Allegany Crossroads Utility Corporation's total net position (deficit) was approximately (\$79,000) as of December 31, 2022.

Revenue

Allegany Crossroads Utility Corporation reported \$29,000 and \$37,000 as revenue for the years ended December 31, 2022 and 2021, respectively, which decreased as a result of state reimbursements received in the prior year. Current year revenue includes \$29,000 of utility revenue for use of the waterline.

Expenses

Allegany Crossroads Utility Corporation reported \$58,000 and \$96,000 of expenses for the years ended December 31, 2022 and 2021, respectively. The increase was mainly in the area of maintenance of the waterline.

VI. Capital Asset and Debt Administration

Capital Assets

As depicted in Figure A-5, as of December 31, 2022, the Agency had invested approximately \$3,474,000 in a broad range of capital assets, including improvements, vehicles and furniture and equipment. There were no capital additions during the year ended December 31, 2022.

Land and construction-in-process associated with development of 5884 County Road, Belmont, New York are classified as property held for resale. Property held for resale totaled \$881,915 as of December 31, 2022.

Long-term Debt

As depicted in Figure A-6, as of December 31, 2022, the Agency had approximately \$3,644,000 in long-term debt, a decrease of approximately 4% as compared with the previous year. This was due to regular principal payments being made.

Figure A-5 – Capital Assets

<i>Allegany County Industrial Development Agency</i>			
Capital Assets			
	2022	2021	Change
Land	\$ 16,704	\$ 16,704	0%
Building and improvements	2,106,414	2,106,414	0%
Waterline	2,078,240	1,999,518	n/a
Equipment	17,659	17,659	0%
Accumulated depreciation	(745,335)	(653,460)	14%
Capital Assets - net	\$ 3,473,682	\$ 3,486,835	0%

Figure A-6 – Long-term Debt

<i>Allegany County Industrial Development Agency</i>			
Long-term debt			
	2022	2021	Change
Mortgage payable - crossroads	\$ 403,168	\$ 443,531	-9%
Mortgage payable - building	165,969	193,675	-14%
Bond payable - infrastructure	3,075,000	3,165,000	-3%
Long-term debt	\$ 3,644,137	\$ 3,802,206	-4%

VII. Factors Bearing on the Agency's Future

At the time these financial statements were prepared and audited, the Agency was not aware of any existing circumstances that could significantly affect its financial health in the future.

VIII. Contacting the Agency's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the Agency and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Attention: Mr. Craig Clark, Executive Director
Allegany County Industrial Development Agency
6087 State Route 19N
Belmont, New York 14813

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF NET POSITION

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As of December 31,

As of December 31,

2022

2021

	Component Units					
	Allegany County Industrial Development Agency	Capital Resource Corporation	Allegany Crossroads Utility Corporation	Total		Total
Assets						
Current						
Cash	\$ 382,645	\$ 114,276	\$ 22,390	\$ 519,311	\$	571,629
Deposits	--	--	--	--		10,000
Due from ACUC	115,698	--	--	115,698		95,642
Accounts receivable	400	--	14,079	14,479		20,640
Lease receivable - current portion	182,717	--	--	182,717		--
Prepaid expenses	2,259	--	--	2,259		2,259
Total current assets	683,719	114,276	36,469	834,464		700,170
Capital assets, net	3,473,682	--	--	3,473,682		3,486,835
Other assets						
Restricted cash - building reserve	--	--	--	--		341
Lease receivable - long-term portion	1,509,798	--	--	1,509,798		--
Property held for resale	544,915	--	--	544,915		544,915
Security deposits	222	--	--	222		222
Total other assets	2,054,935	--	--	2,054,935		545,478
Total assets	\$ 6,212,336	\$ 114,276	\$ 36,469	\$ 6,363,081	\$	4,732,483
Liabilities and Net Position						
Current liabilities						
Accounts payable	\$ 2,299	--	--	\$ 2,299	\$	160,396
Due to ACIDA	--	--	115,698	115,698		95,642
Security deposits	12,000	--	--	12,000		12,000
Mortgages payable - current portion	71,428	--	--	71,428		67,982
Bond payable - current portion	90,000	--	--	90,000		90,000
Total current liabilities	175,727	--	115,698	291,425		426,020
Long-term liabilities						
Mortgages payable - long-term portion	497,709	--	--	497,709		569,224
Bond payable - long-term portion	2,985,000	--	--	2,985,000		3,075,000
Total long-term liabilities	3,482,709	--	--	3,482,709		3,644,224
Total liabilities	3,658,436	--	115,698	3,774,134		4,070,244
Deferred inflows of resources	1,585,903	--	--	1,585,903		--
Total liabilities and deferred inflows of resources	5,244,339	--	115,698	5,360,037		4,070,244
Net position						
Net investment in capital assets	298,355	--	--	298,355		229,544
Unrestricted (deficit)	669,642	114,276	(79,229)	704,689		432,695
Total net position	967,997	114,276	(79,229)	1,003,044		662,239
Total liabilities and net position	\$ 6,212,336	\$ 114,276	\$ 36,469	\$ 6,363,081	\$	4,732,483

See accompanying independent auditor's report and notes to the financial statements.

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF ACTIVITIES

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Years ended December 31,

	2022			2021	
	Component Units				
	Allegany County Industrial Development Agency	Capital Resource Corporation	Allegany Crossroads Utility Corporation	Total	Total
Support and revenue					
Fees	\$ 248,138	\$ 113,425	\$ --	\$ 361,563	506,872
Water charges	--	--	28,877	28,877	26,627
Rental income	183,192	--	--	183,192	247,002
In-kind donations	67,158	--	--	67,158	73,184
Other income	11,412	--	--	11,412	3,452
Reimbursements	--	--	252	252	10,510
Interest income	89,855	--	--	89,855	--
Economic development services agreement	--	--	--	--	225,000
Transfer from component units	--	--	--	--	50
Total support and revenue	599,755	113,425	29,129	742,309	1,092,697
Expenses					
Payroll and benefits - in-kind	67,158	--	--	67,158	73,184
Waterline	--	--	49,540	49,540	59,933
Utilities	37,948	--	2,163	40,111	29,346
Cleaning	20,651	--	--	20,651	19,626
Equipment	264	--	--	264	264
Maintenance	33,694	--	--	33,694	15,862
Legal and professional	55,306	40	381	55,727	326,281
Interest expense	90,431	--	--	90,431	100,161
Office expenses	499	--	47	746	71
Taxes	531	--	--	531	2,905
Depreciation	91,875	--	--	91,875	89,555
Advertising	1,215	--	--	1,215	2,764
Insurance	11,449	--	5,922	17,371	25,005
Miscellaneous	6,314	--	--	6,314	1,921
Transfer to component units	--	--	--	--	50
Total expenses	417,535	40	58,053	475,628	746,928
Change in unrestricted net position before pass-through transactions	182,220	113,385	(28,924)	266,681	345,769
Pass-through transactions					
Revenue	38,147	--	--	38,147	774,890
Expenditures	(38,147)	--	--	(38,147)	(774,890)
Net pass-through transactions	--	--	--	--	--
Change in unrestricted net position	182,220	113,385	(28,924)	266,681	345,769
Net position, beginning of year	711,653	891	(50,305)	662,239	653,470
Prior period adjustments	74,124	--	--	74,124	(337,000)
Net position (deficit), end of year	\$ 967,997	\$ 114,276	\$ (79,229)	\$ 1,003,044	\$ 662,239

See accompanying independent auditor's report and notes to the financial statements.

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS

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Years ended December 31,

	2022			2021	
	Component Units				
	Allegany County Industrial Development Agency	Capital Resource Corporation	Allegany Crossroads Utility Corporation	Total	Total
Net cash from operating activities					
Reconciliation of increase (decrease) in unrestricted net position to net cash provided by (used in) operating activities:					
Increase (decrease) in unrestricted net position	\$ 182,220	\$ 113,385	\$ (28,924)	\$ 266,681	345,769
Adjustments for items not affecting cash flows:					
Depreciation	91,875	--	--	91,875	89,555
Change in deferred inflows of resources	(172,992)	--	--	(172,992)	--
Change in assets and liabilities					
Deposits	--	--	10,000	10,000	--
Accounts receivable	(12,871)	--	(1,024)	(13,895)	5,569
Accounts payable	(150,428)	--	12,387	(138,041)	225,475
Net cash provided by (used in) operating activities	(62,196)	113,385	(7,561)	43,628	666,368
Net cash from investing activities					
Decrease in restricted cash for capital	341	--	--	341	--
Collection of lease receivable	140,504	--	--	140,504	--
Building improvements and construction in progress	(78,722)	--	--	(78,722)	(120,886)
Net cash provided by (used in) investing activities	62,123	--	--	62,123	(120,886)
Net cash from financing activities					
Repayment of long-term debt	(158,069)	--	--	(158,069)	(227,368)
Net cash used in financing activities	(158,069)	--	--	(158,069)	(227,368)
Change in cash	(158,142)	113,385	(7,561)	(52,318)	318,114
Cash, beginning balance	540,787	891	29,951	571,629	253,515
Cash, ending balance	\$ 382,645	\$ 114,276	\$ 22,390	\$ 519,311	\$ 571,629
Supplemental Disclosure of Cash Flow Information:					
Cash paid during the year for:					
Interest	\$ 90,431	\$ --	\$ --	\$ 90,431	\$ 100,161
Supplemental Disclosure of Cash Flow Information					
Building improvements and construction in progress	\$ (78,722)	\$ --	\$ --	\$ (78,722)	\$ (120,886)
	\$ (78,722)	\$ --	\$ --	\$ (78,722)	\$ (120,886)

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Allegany County Industrial Development Agency was created in 1973 by the Allegany County Board of Legislators under the provisions of the 1973 Laws of New York State for the purpose of encouraging economic growth in Allegany County. The Agency is exempt from federal, state, and local income taxes. The Agency, although established by the Allegany County Board of Legislators, is a separate legal entity and operates independently of Allegany County, however, it is considered to be a component unit of the County.

Allegany County Capital Resource Corporation

In July 2009, the Agency formed a non-profit organization under the name of Allegany County Capital Resource Corporation. This entity has the ability to provide such financing to non-profit organizations.

Allegany Crossroads Utility Corporation

In 2017, the Agency formed a corporation under the name of Allegany Crossroads Utility Corporation to provide water utility development and service. In 2020, the entity began providing water utility services to customers.

Basis of Accounting

The financial statements of the **Allegany County Industrial Development Agency** and its component units have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Donated Services

Amounts have been reflected in the statements for the estimated value of donated services.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those results.

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, the Agency considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Bank balances are collateralized through the Federal Deposit Insurance Corporation. As of December 31, 2022, the Agency's had an uninsured cash balance of approximately \$85,000.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of 7 and 40 years. It is the Agency's policy to capitalize assets purchased that cost \$1,000 or more individually.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Agency receives administration fees of 1% of a project's total capital investment on projects the Agency negotiates. Revenue is recognized once the third party is billed.

Customers are billed based on water usage. Revenue is recognized based upon water billings which are done quarterly.

Lease Receivable

The Agency is a lessor for five tenant leases. The Agency recognizes a lease receivable and deferred inflows of resources. At the commencement of the lease, the Authority measured the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received.

Deferred Inflows of Resources

The Statement of Net Position reports a separate section for deferred inflows of resources in addition to liabilities. Deferred inflows of resources reflects revenues that relate to future periods. Lease revenue is recognized over the term of the lease on a straight-line basis.

Tax Lease Program

The Agency maintains tax lease and PILOT (payment in lieu of tax) programs. These programs are offered to companies who acquire, construct or substantially renovate facilities suitable for manufacturing, warehousing, research and development and other industrial purposes. Under the tax lease program, title to the property is conveyed to the Agency through the term of the lease agreement. Transfer of title removes the property from the tax rolls and the project assumes a tax-exempt nature, abating real property taxes, sales tax and mortgage taxes. A lease is written between the company as lessee and the **Allegany County Industrial Development Agency** as lessor, which specifies that the company will retain operational control of the project. At the end of the lease term, title to the assets is returned to the company. The Agency does not record assets acquired under the lease program since the Agency's primary function is to provide state and local tax benefits to the lessee. The Agency receives lease administrative fees from the lessee for providing the service.

Both the PILOT and tax lease programs are governed by New York State statute. The Agency has the local authority to offer real property tax abatement as an inducement for industrial development projects. The Agency can affix the tax abatement discount at a rate necessary to satisfactorily complete a project. Under special circumstances defined by NYS statute, the Agency has the authority to also provide real property tax abatement to both commercial and/or retail projects located within areas designated to be of high distress. The Agency's current standard PILOT program is a real property tax abatement of an average of 50% of the total tax liability over a period not to exceed ten years. The PILOT agreement is the instrument by which the discounted tax payments to be made are structured.

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Lease Program (continued)

All taxing jurisdictions receive payments in the same proportion as if the entire tax amount were paid. A PILOT agreement and tax lease can run concurrently but are not required to be used together. It is possible to structure a PILOT without an accompanying tax lease agreement.

The Agency, the County, School and Town agreed that all PILOT payments received would be shared in the following percentages: 10% to the Agency, 43% to the County, 26% to the School, and 21% to the Town.

In 2014, there was a change in ownership of the Corporation which had a PILOT agreement in place with the Agency. The terms of the agreement were in dispute and renegotiated. In 2021, the Agency and Corporation reached an agreement on the past due PILOT payments and the structure of future payments.

During the year ended December 31, 2022, there were no PILOT payments received or disbursed by the Agency.

During the year ended December 31, 2021, the Agency received PILOT payments in the amount of \$681,152. Because the PILOT payments received are ultimately disbursed and included as pass-through revenue and expenditures and because the payments have not followed the terms of the agreement, the PILOT payments are recorded on a cash basis. A receivable or payable is not recognized as of December 31, 2021 in the Statements of Financial Position related to the 2021 PILOT payments.

Industrial Development Revenue Bonds/Civic Facility Bonds

Industrial development revenue bonds issued by the Agency are secured by the properties which are leased to companies and are retired by lease payments. Civic facility bonds issued by the Agency include facilities owned or operated by New York State Not-for-Profit Corporations. The industrial development revenue and civic facility bonds are not obligations of the Agency, County, or State. The Agency does not record the assets or liabilities resulting from bond issuance in its financial statements since its primary function is to arrange the financing between the borrowing companies and the bondholders and funds arising from the issuance are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administrative fees from the borrowing companies. Such administrative fee income is recognized immediately upon receipt after issuance of the bonds.

NOTE 2 - RESTRICTED CASH/RESERVES

As discussed in Note 5, when the Agency executed its mortgage agreement, \$50,000 was received to be utilized towards building improvements. As of December 31, 2022, \$- was held in escrow as funds remaining for future improvements. Additionally, in 2012 the Agency issued \$3.5 million in bonds for a capital infrastructure project. As of December 31, 2022, all bond proceeds were utilized towards the project.

NOTE 3 - PROPERTY AND EQUIPMENT

Major classes of property and equipment consist of the following as of December 31:

	2022	2021
Land	\$ 16,704	\$ 16,704
Building and improvements	2,106,414	2,106,414
Furniture and equipment	17,659	17,659
Waterline	2,078,240	1,999,518
	4,219,017	4,140,295
Less: accumulated depreciation	745,335	653,460
	<u>\$ 3,395,747</u>	<u>\$ 3,486,835</u>

Depreciation expense for the years December 31, 2022 and 2021 totaled \$91,875 and \$89,555, respectively.

NOTE 4 - PROPERTY HELD FOR RESALE

On January 10, 2012, Allegany County Industrial Development Agency purchased 18.5 acres of land located at 5884 County Road, Belmont, New York for \$286,500 and improvement costs of \$196,415. The intended use of the land is for potential future site development. The purchase of the 5884 County Road land, improvements and property were funded from proceeds received from the issuance of a \$3.5 million bond.

During the year ended December 31, 2016, Allegany County Industrial Development purchased a truck stop and land adjacent to the 5884 County Road land in the amount of \$399,000. During May, 2020, the truck stop and 5.93 acres of the 10.06 acres of land was transferred to a third-party for \$1. As described in Note 11, during 2021, a prior period adjustment was recorded to reduce property held for resale and net position to reflect the transfer.

NOTE 5 - LONG-TERM DEBT

Bonds Payable

On February 1, 2012, Allegany County Industrial Development Agency entered into a bond purchase and disbursing agreement with Allegany County. Allegany County issued a Series 2012A bond in the amount of \$3.5 million with interest at 2%. The bond matures on February 1, 2047. The net proceeds of \$3,453,280 (after bond issuance costs of \$46,720) were utilized for the acquisition of an interest in various parcels of land along Route 20 in the towns of Friendship and Amity and the construction of water, sewer, and other related infrastructure. Proceeds have also been used to pay down annual debt service costs on the bond issuance. The balance outstanding as of December 31, 2022 was \$3,075,000. Interest expense for the year ended December 31, 2022 totaled \$63,300.

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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NOTE 5 - LONG-TERM DEBT (CONTINUED)

Bonds Payable (continued)

The following schedule represents the maturity of the bond over its terms:

	Principal	Interest
2023	\$ 90,000	\$ 61,500
2024	95,000	59,700
2025	95,000	57,800
2026	100,000	55,900
2027	110,000	53,900
2028-2032	540,000	237,600
2033-2037	615,000	180,400
2038-2042	680,000	116,300
2043-2047	750,000	45,600
Total	\$ 3,075,000	\$ 868,700

Mortgages Payable

In August, 2008, the Agency entered into a Mortgage with Community Bank, NA. The mortgage provided proceeds totaling \$450,000 for the purchase of the Crossroads Commerce Center (\$400,000) located at 6087 State Route 19 N, Belmont, New York from the Willard J. Houghton Foundation and future improvements (\$50,000). The unpaid principal and interest balance will be due in full at September 14, 2028. The balance outstanding as of December 31, 2022 was \$165,969. Interest expense for the year ended December 31, 2022 totaled \$6,653.

The following schedule represents the maturity of the mortgage over the term of the note:

	Principal	Interest
2023	\$ 28,780	\$ 8,702
2024	30,331	7,151
2025	31,966	5,516
2026	33,688	3,794
2027	35,504	1,978
2028	5,700	277
Total	\$ 165,969	\$ 27,418

On October 7, 2009, the Agency entered into a \$762,000 construction loan with Community Bank, N.A. The loan financed an 8,179 square foot expansion of the Agency's property located at 6085 State Route 19 N., Belmont, New York. The commercial construction loan agreement required interest only payments through December 12, 2010.

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Mortgages Payable (continued)

The Agency began making principal payments on the \$762,000 mortgage beginning January 5, 2011. On July 21, 2020, the mortgage was refinanced. The new terms called for 60 monthly payments of \$5,070 with an initial interest rate of 4.75%, and 64 monthly payments beginning on August 21, 2025 with an interest rate based on the Treasury Constant Index 5 Year plus a margin of 2.5%. The unpaid principal and interest balance will be due in full at December 21, 2030. The balance outstanding as of December 31, 2022 was \$403,168. Interest expense for the year ended December 31, 2022 totaled \$20,478.

The following schedule represents the maturity of the mortgage over the term of the note:

	Principal	Interest
2023	\$ 42,648	\$ 18,192
2024	44,718	16,122
2025	46,889	13,951
2026	49,165	11,675
2027	51,552	9,288
2028-2030	168,196	12,356
Total	\$ 403,168	\$ 81,584

On June 16, 2015, the Agency entered into a \$150,000 mortgage with Community Bank, N.A. The mortgage was being repaid over a term of 5 years with monthly payments of \$1,630, including interest, at a fixed interest rate of 5.50%. The unpaid principal and interest was scheduled to be due in full at June 16, 2020 as the mortgage was based on a 10 year amortization period with a five year call. On July 21, 2020, the mortgage was refinanced. The new terms call for 59 monthly payments of \$1,633 with an interest rate of 4.75%. The unpaid principal and interest balance will be due in full at June 16, 2025. The balance outstanding in the amount of \$72,815 was paid in full on June 7, 2021.

NOTE 6 - DONATED SERVICES

The employees of Allegany County provide administrative, accounting and other support services to the Agency. The value of donated services included in these financial statements are recorded as revenue and as a corresponding expense. In-kind salaries and receipts during the years ended December 31, 2022 and 2021 totaled \$67,158 and \$73,184, respectively.

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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NOTE 7 - LEASES

The Agency leases office space at the Crossroads Commerce Center in Belmont, New York to tenants under various lease agreements. The two most significant leases are with Allegany County which were renewed during 2021 for the period from January 1, 2021 through December 31, 2025. One lease is for 8,000 square feet of space for the Allegany County Department of Aging, Veterans Services and NY Connects and calls for monthly payments of \$8,700, while the other lease is for 4,275 square feet of space for the Allegany County Tourism Center and Conference Center and calls for monthly payments of \$5,800. One additional lease is for 471 square feet of space for the Allegany County Area Foundation and calls for monthly payments of \$525 for the period of November 1, 2019 through October 30, 2022. The Agency also leases space to other organizations that are on a month-to-month tenancy and whose leases are cancelable with a stipulation that the tenant provides sixty days' notice.

The Agency leases property and equipment at 2475 Tarantine Boulevard Wellsville, New York to a third party for the period from January 1, 2018 through December 31, 2038 and calls for a yearly payment of \$50,000.

The Agency has a parking lot lease agreement with Allegany County for the parking lot located at the Crossroads Commerce Center in Belmont, New York for the period from January 1, 2016 through December 31, 2040 in which the County will pay \$10 per year.

The Agency's lease receivable is measured at the present value of lease payments expected to be received during the lease terms discounted by the rate held on the loans obtained to purchase the leased properties which ranges from 4.75%-5.26% for each lease. The deferred inflows of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources is amortized on a straight-line basis over the term of the lease.

During the year ended December 31, 2022, the Agency recognized \$183,192 of lease revenue and \$89,855 of lease interest revenue.

The following schedule represents the future minimum lease payments:

	Rent Receivable	Interest	Total Payments	Deferred inflows of resources
2023	\$ 148,241	\$ 82,669	\$ 230,910	\$ 172,992
2024	155,809	75,101	230,910	172,992
2025	163,765	67,145	230,910	172,992
2026	172,128	58,782	230,910	172,992
2027	180,919	49,991	230,910	172,992
2028-2032	656,662	121,713	778,375	568,498
2033-2037	214,964	35,086	250,050	152,427
2038- thereafter	27	3	30	18
Total	\$1,692,515	\$490,490	\$ 2,183,005	\$ 1,585,903

NOTE 8 – INTERCOMPANY TRANSACTIONS

During the years ended December 31, 2022 and 2021, Capital Resource Corporation transferred \$- and \$50 to Allegany County Industrial Development Agency, respectively, to reimburse costs incurred by the Agency for administrative expenses.

As of December 31, 2022 and 2021, Allegany County Industrial Development Agency had amounts due from Allegany Crossroads Utility Corporation of \$115,698 and \$95,642, respectively, related to expenses paid for by the Agency on behalf of ACUC.

NOTE 9 - PASS-THROUGH TRANSACTIONS

The Agency's responsibility regarding these transactions is to pass-through funds received to the primary recipients. Pass-through transactions are recorded as income or liabilities when received and expenses and reduction of liabilities when paid. The Agency has received and disbursed the following funds resulting from this pass-through activity during the years ended December 31, 2022 and 2021. As disclosed in Note 1, the PILOT agreement was renegotiated during 2021.

Pass through transactions	2022	2021
PILOT payments collected from businesses	\$ --	\$ 681,152
New York State Community Development Block Grant	38,147	161,853
	<u>38,147</u>	<u>843,005</u>
Less: administrative fee recorded as revenue (fees)	--	(68,115)
Amounts remitted to local governments and businesses	<u>\$ 38,147</u>	<u>\$ 774,890</u>

NOTE 10 – ECONOMIC DEVELOPMENT SERVICE AGREEMENT

On December 9, 2019, the Agency entered into an agreement with Allegany County which calls for the County to pay the Agency \$225,000 per calendar year (not to exceed \$450,000) during the contract which expired December 31, 2021. During the year ended December 31, 2021, the Agency recognized \$225,000 of income on the Statements of Activities. There was no income recorded during the year ended December 31, 2022.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

During 2022, a prior period adjustment was recorded to reflect the implementation of GASB Statement No. 87 - Leases. The effect of the adjustment was to record the beginning balances for lease receivable and deferred inflows of resources in the amounts of \$1,833,019 and \$1,758,895, respectively and to increase beginning net position by \$74,124. During 2021, a prior period adjustment was recorded to reflect the transfer of the truck stop and land to a third-party that took place in 2020. The effect of the adjustment was to reduce property held for resale related to the truck stop and land from \$399,000 to \$62,000 (remaining land owned by the Agency) and reduce beginning net position by \$337,000.

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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NOTE 12 – SUBSEQUENT EVENTS

Subsequent events were evaluated by management through February __, 2023, which is the date the financial statements were available to be issued.

Preliminary

SUPPLEMENTAL INFORMATION

Preliminary

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF SALE/LEASEBACK PROJECTS

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Name of Project: 5744 County Road 20 LLC
Address of Owner: 5744 County Road 20
Belmont, New York 14813

Name of Project: NSF Angelica Site 3 LLC
Address of Owner: 6917 River Road
Belfast, New York 14711

Name of Project: ACME Building of WNY, LLC
Address of Owner: 20-24 Waters Street
Cuba, New York 14727

Name of Project: NSF Angelica Site 4 LLC
Address of Owner: 6917 River Road
Belfast, New York 14711

Name of Project: Allegany Generating Station, LLC d/b/a Alliance Energy
Address of Owner: 11537 NYS Route 19A
Fillmore, New York 14735

Name of Project: NY Rushford 1 LLC
Address of Owner: 9475 Podunque Road
Rushford, New York 14777

Name of Project: Brightfield Solar LLC
Address of Owner: 246 Sate Route 70
Arkport, New York 14807

Name of Project: PM Research, Inc.
Address of Owner: 2475 Tarantine Blvd.
Wellsville, New York 14895

Name of Project: NSF Angelica Site 1 LLC
Address of Owner: 5290 County Road 16
Angelica, New York 14709

Name of Project: Stilly Enterprises, LLC
Address of Owner: 45 N. Main Street
Wellsville, New York 14895

Name of Project: NSF Angelica Site 2 LLC
Address of Owner: 5290 County Road 16
Angelica, New York 14709

Name of Project: Swain Recreational Center, LLC, d/b/a Swain Resort
Address of Owner: P.O. Box 44
Swain, New York 14884

Preliminary

Note: Additional information regarding the projects listed above can be found in the New York State Public Authorities Reporting Information System including: Project Amount; Benefit Project Benefited; Sales, Property and Mortgage Recording Tax Exemptions; Date Project Approved; Date IDA took Title to Property; Number of Jobs Created and Retained, etc.

See accompanying independent auditor's report.



**INDEPENDENT AUDITOR'S 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 President and
Members of the Board of Directors
Allegany County Industrial Development Agency
Belmont, New York

We have audited in accordance with the 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, the financial statements of ***Allegany County Industrial Development Agency*** and its component units as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise ***Allegany County Industrial Development Agency*** and its component units' basic financial statements and have issued our report thereon dated February __, 2023.

Report On Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, that we consider to be material weaknesses as described in the accompanying schedule of findings and questioned costs as items II.A.2022-001 and II.A.2022-002.

Report On Compliance and Other Matters

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

Allegany County Industrial Development Agency Responses to Findings

Allegany County Industrial Development Agency responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. ***Allegany County Industrial Development Agency*** responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

Olean, New York
February __, 2023

Preliminary

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of **Allegany County Industrial Development Agency** and its component units.
2. Two material weaknesses relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards".
3. There were no instances of noncompliance material to the financial statements of **Allegany County Industrial Development Agency** reported in the Independent Auditor's 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".

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2022-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended December 31, 2022

Condition and criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the Agency to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording assets and liabilities on the accrual basis of accounting as well as journal entries necessary for implementation of GASB Statement No. 87 – Leases. In addition, a draft of the financial statements was prepared by the auditors.

Cause: The Agency requires assistance for external financial reporting in accordance with accounting principles generally accepted in the United States of America.

Effect: AU-C Section 265 entitled Communicating Internal Control Related Matters in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without assistance, the potential exists of the Agency's financial statements not conforming to GAAP.

Auditor's Recommendations: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the Agency should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the drafted financial statements.

Agency's Response: The Agency has received, reviewed and approved all journal entries, footnote disclosures and draft financial statements proposed for the current year audit. The Agency will continue to review and approve similar information in future years. Further, the Agency believes it has a thorough understanding of these financial statements and the ability to make informed judgments on those financial statements. The Agency has refined and improved the daily recordkeeping of the agency and refined policies and procedures related to the recording and reporting of revenues and expenditures throughout the year. These efforts have focused on the implementation of a complete and reconcilable record keeping system with monthly reporting to the Board.

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)

A. INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2022-002 Segregation of Duties

Year ended December 31, 2022

Condition and criteria: We noted that one individual is primarily responsible for opening the mail (cash receipts "checks"), maintaining the general ledger (including recording cash receipts "checks" and cash disbursements), depositing cash "checks" and reconciling cash. It is also our understanding that the personnel of the Agency are not currently bonded.

Cause: The Agency is a small government with limited number of personnel.

Effect: A fundamental element of an effective internal control system is the proper segregation of duties. Proper segregation of duties provides for a system of checks and balances and entails assigning responsibilities of authorizing and recording transactions among different people in the Agency. A lack of proper segregation of duties increases the exposure to potential risk of error or fraud.

Auditor's Recommendations: We recommend that the Agency assign bank reconciliations to be prepared by a person independent of the individual responsible for the cash receipts and disbursements functions. After bank reconciliations are prepared, someone should be designated to then review the bank reconciliation and compare the balance to the cash accounts in the general ledger. If such division is not possible, we would suggest that the Executive Director or a member from the Board of Directors review bank reconciliations on a monthly basis. We would also recommend someone independent of the general ledger function, open all mail and maintain a daily cash receipts log. A person independent of the cash receipts function should be responsible for reconciling items recorded in this log as compared with that posted to the general ledger and deposited in the bank. This will enhance the segregation of duties in the cash receipts area.

Agency's Response: During the current year the Executive Director began to review the bank statements and bank reconciliations. The Board also reviews bank statements and bank reconciliations are monthly meetings.

B. COMPLIANCE AND OTHER MATTERS

Year ended December 31, 2022

No compliance and other matters findings are being reported upon during the year ended December 31, 2022.

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

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I. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2021-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Year ended December 31, 2021

Summary of Prior Year Finding: Adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the Agency to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording assets and liabilities on the accrual basis of accounting. In addition, a draft of the financial statements was prepared by the auditors. AU-C Section 265 entitled Communicating Internal Control Related Matters in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without assistance, the potential exists of the Agency's financial statements not conforming to GAAP.

Current Status: Similar finding related to internal control over financial reporting is being reported upon during the year ended December 31, 2022 as finding 2022-001.

2021-002 Segregation of Duties

Year ended December 31, 2021

Summary of Prior Year Finding: We noted that one individual is primarily responsible for opening the mail (cash receipts "checks"), maintaining the general ledger (including recording cash receipts "checks" and cash disbursements), depositing cash "checks" and reconciling cash. It is also our understanding that the personnel of the Agency are not currently bonded. A fundamental element of an effective internal control system is the proper segregation of duties. Proper segregation of duties provides for a system of checks and balances and entails assigning responsibilities of authorizing and recording transactions among different people in the Agency. A lack of proper segregation of duties increases the exposure to potential risk of error or fraud.

Current Status: Similar finding related to internal control over financial reporting is being reported upon during the year ended December 31, 2022 as finding 2022-002.

2021-003 Bank Reconciliations

Year ended December 31, 2021

Summary of prior year finding: At the commencement of the audit an unreconciled difference existed between the general checking bank statement reconciliation and general ledger cash balance in the amount of approximately \$139,000. This amount was identified and corrected during the audit and mostly related to debt transactions that were not posted within the general ledger. Although bank reconciliations were being prepared on a monthly basis, such reconciliations were not agreed to the Agency's cash balance within the general ledger software. The effect of not preparing bank reconciliations that agree with the Agency's general ledger balance is that reporting errors in posting cash receipts and cash disbursements can occur and not be detected or resolved in a timely manner.

Current Status: During the year, the Agency implemented QuickBooks software which enabled the Agency to reconcile the bank statements to its general ledger balances. This finding is not being reported upon for the year ending December 31, 2022.

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2021-004 Accounting System

Year ended December 31, 2021

Summary of prior year finding: Although the Agency has separate bank accounts for its component units, transactions are often flowed through the Agency's operating cash account. As a result, intercompany balances are required to be adjusted during the audit process at year-end to reflect the transactions. Controls are not in place to reconcile intercompany balances in a timely manner. The Agency utilizes a personal finance and money management software for its general ledger accounting system. Financial reports being utilized from this system present inflows and outflows which are difficult to interpret as to the Agency's financial results. In addition, financial activity of the Agency and its component units are intertwined within the reports and don't allow for separately analyzing the financial results of each entity.

Current Status: During the year, the Agency implemented QuickBooks software which enabled the Agency to properly record transactions and track intercompany transactions more accurately. This finding is not being reported upon for the year ending December 31, 2022.

B. COMPLIANCE AND OTHER MATTERS

Year ended December 31, 2021

There were no findings related to compliance and other matters during the year ended December 31, 2021.

Preliminary

To the Chairman and Members of the
Board of Directors
Allegany County Industrial Development Agency
Belmont, New York

We have completed our audit for the year ended December 31, 2022 of the Agency's financial statements and have issued our reports thereon dated February __, 2023. Our audit report expressed an unmodified opinion which states that the Agency's financial statements are in accordance with generally accepted accounting principles for governments. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the **Allegany County Industrial Development Agency** for the year ended December 31, 2022, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. Except as noted within the body of such reports, the Agency generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

The following items are a list of additional comments which we desire to bring to the audit committee, board of directors and management's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon by the Agency:

Forecasting

The Agency should consider preparing a five year forecast of revenue, expenditures, long-term debt, and forecast of cash flows. We realize that such a forecast will require the use of estimates and assumptions of information such as the amount of expected grant revenue, rental income and fees, along with expected rate increase in utilities, operating costs, etc. We believe, however, that a forecast would be a very useful tool that the Agency could utilize when developing a long-term financial plan which coincides with its economic development plan.

Agency Response: *At this time with the Agency is re-focusing its development efforts, a five year forecast will be developed in 2022. A Strategic Plan for the Agency is under development and revision. The primary sources of funding are expected to increase in the near future providing alignment with the County Economic Strategic Plan.*

In Kind Donations – Time Study

During the course of the fiscal year the Agency receives in-kind services from Allegany County employees. The costs of these services are estimated based on anticipated time spent by County employees. We recommend the Agency perform a formal time study, which would document actual time spent on Agency activities. The time study would document and provide evidence as to the reasonableness in value of the in-kind services recorded by the Agency.

As part of the time study the Agency should develop formal job responsibilities that outline duties of each Allegany County employee. In addition, any payments made to Allegany County employees should continue to be approved by the Board of Directors. The Board of Directors should determine what type of documentation should exist to support such payments. Lastly, the Agency should complete an analysis as to whether the payments would be construed as wages or a payment to an independent contractor.

Agency Response: *A formal review of the four staff County Approved Job Descriptions was undertaken with the County Personnel Division and the County Manager. Each position has been specifically authorized to perform Agency duties within the Counties Job Description. It appears within the existing County Approved Job Descriptions that there should be no need or justification for an additional payment for Agency activities as they are currently defined.*

PILOT Agreement

As discussed in Note 1 to the financial statements, a new PILOT agreement was entered into with a Corporation during 2021, which sets terms and conditions of future payments. Because the amount of payments received and ultimately distributed to the County, School and Town, differ than the original agreement, we recommend that the Agency maintain a worksheet which tracks the outstanding balance due on the PILOT Agreement. This worksheet should also be provided to the Corporation periodically, along with the municipalities impacted by the PILOT.

Agency Response: The Agency agrees with the recommendation and will implement.

Collateral of Cash Balances

As of December 31, 2022, the Agency's cash balances exceeded FDIC insurance levels in the amount of approximately \$85,000. We recommend the Agency determine whether its financial institutions can provide additional collateral levels for when cash deposits exceed FDIC coverage.

Agency Response: The Agency will work with our banks to assure that cash balances do not exceed FDIC insurance by either moving funds or finding alternative collateral.

GASB 96 – Subscription-Based Information Technology Arrangements

The Government Accounting Standards Board has issued Statement No. 96 on Subscription-Based Information Technology Arrangements effective for years ended December 31, 2023. This new accounting standard will require governments to recognize a lease liability and right to use asset on the balance sheet. Under current accounting standards, subscription-based information technology arrangements are recognized as an expense when payments are made. We recommend the Agency familiarize itself with the new accounting standard and being the process of identifying all lease agreements and how the new standard will impact the Agency from a financial reporting standpoint.

Agency Response: The Agency will become familiar with the new accounting standard on leases and work through the required changes.

We would like to take this opportunity to thank the management and staff of the Agency for their assistance and cooperation during the course of our fieldwork. It has been a pleasure to be of service to the ***Allegheny County Industrial Development Agency***.

Sincerely,

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO

Olean, New York
February __, 2023