

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

**REPORT ON AUDITED  
FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Independent Auditor's Report</b> .....	1-2
<b>Management's Discussion and Analysis</b> .....	3-6
<b>Financial Statements</b>	
Statements of Net Position – All Funds .....	7
Statements of Activities .....	8
Statements of Cash Flows .....	9
Notes to Financial Statements .....	10-13
<b>Supplemental Information</b>	
Schedule of Tax-Exempt Bonds and Sale-Leaseback Transactions .....	14
<b>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"</b> .....	15-16
<b>Schedule of Findings and Questioned Costs</b> .....	17-18
<b>Schedule of Prior Year Findings</b> .....	19
<b>Management Letter</b> .....	20-21

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the ***Allegany County Industrial Development Agency*** and its component unit, the Allegany County Capital Resource Corporation (collectively, component units of Allegany County, New York), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

**Management's Responsibility 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; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the ***Allegany County Industrial Development Agency*** as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the ***Allegany County Industrial Development Agency***'s December 31, 2017 financial statements and our report dated April 12, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *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*** basic financial statements. The Schedule of Tax-Exempt Bonds and Sale-Leaseback Transactions is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Tax-Exempt Bonds and Sale-Leaseback Transactions 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 April 11, 2019, on our consideration of ***Allegany County Industrial Development Agency's*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering ***Allegany County Industrial Development Agency*** internal control over financial reporting and compliance.

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**

**Olean, New York  
April 11, 2019**

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**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, 2018. 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, 2018:

- Overall net position of the Agency decreased approximately \$76,000 and increased approximately \$580,000 during the years ended December 31, 2018 and 2017, respectively.
- The Agency's total support and revenue were approximately \$392,000 during 2018 as compared with approximately \$966,000 during 2017. This decrease was primarily the result of the Agency receiving a building which was donated by a third party and recognized as a capital contribution of approximately \$661,000 in the prior year.
- The Agency's total expenses and other uses were approximately \$468,000 during 2018 as compared to approximately \$386,000 during 2017. This increase was primarily the result of depreciation and increase in plowing costs associated with the new parking lot.
- The Agency had approximately \$55,000 of capital purchases during the current year which were primarily related to engineering costs associated with the water line project.

**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, 2018**

**Page 4**

**IV. Financial Analysis of the Agency as a Whole**

Net Position

The Agency's total net position totaled approximately \$71,000 as of December 31, 2018.

Revenue

The Agency's total revenue and other sources were approximately \$392,000 during the year ended December 31, 2018.

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 65% of the Agency's total revenue increased approximately \$54,000 or 27% during the year ended December 31, 2018 which was primary the result of a new rental agreement with a third party.
- Revenue from application fees increased approximately \$17,000 during the current fiscal year. The increase is primarily related to an administrative fees to the Agency issuing tax exempt bonds to a third-party.
- During the current year, the Agency had in-kind donations of \$82,000 which related to estimated time spent for the Agency by employees of Allegany County.
- Other income increased approximately \$18,000 during the current fiscal year. This increase is related to money received from the County related to their share of the Park-N-Ride mowing and plowing fees.

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

Expenses

The total cost of all programs and services of the Agency was approximately \$468,000. The Agency's expenses consist primarily of occupancy expenses, in-kind expenditures, depreciation, interest expense, professional fees and general and administrative expenses.

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

- The Agency's total costs were approximately \$468,000 during the year ended December 31, 2018 as compared with \$386,000 during the year ended December 31, 2017.
- The Agency's utility costs were approximately \$34,000 during the year ended December 31, 2018 as compared with \$36,000 during the year ended December 31, 2017.
- The Agency's salaries and benefits were all in-kind services provided by employees of Allegany County and totaled approximately \$82,000 and \$82,000 for the years ended December 31, 2018 and 2017, respectively.
- All other costs of the Agency totaled \$353,000 in 2018 as compared with \$268,000 in 2017. This increase is primarily the result of an increase in depreciation and an increase in plowing costs associated with the new parking lot.
- The Agency's interest expense was approximately \$120,000 during the year ended December 31, 2018 as compared with \$123,000 during the year ended December 31, 2017.

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 2018 and 2017, pass-through transactions totaled approximately \$86,000 and \$194,000, respectively. The Agency received a decrease in PILOT payments from corporations in the current year.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

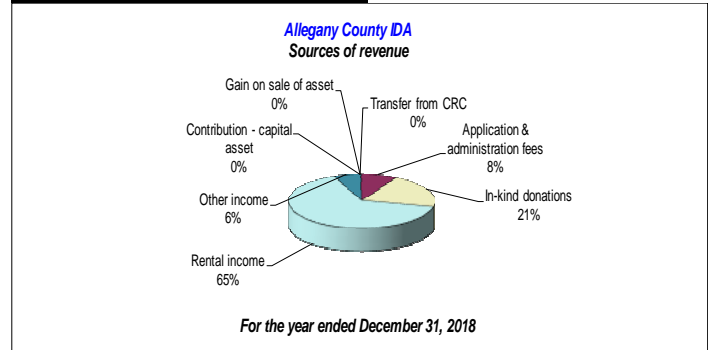
**Figure A-1 – Statements of Net Position**

<b>Allegany County Industrial Development Agency Statements of Net Position</b>			
	Total Government-wide		
	2018	2017	% Change
<b>Assets</b>			
Current	\$ 28,666	\$ 1,890	1417%
Capital assets, net	1,719,848	1,723,164	0%
Other assets	2,788,830	2,993,156	-7%
<b>Total assets</b>	<b>\$ 4,537,344</b>	<b>\$ 4,718,210</b>	<b>-4%</b>
<b>Liabilities</b>			
Current liabilities	\$ 265,319	\$ 494,102	-46%
Long-term liabilities	4,201,459	4,077,349	3%
<b>Total liabilities</b>	<b>4,466,778</b>	<b>4,571,451</b>	<b>-2%</b>
<b>Net position</b>			
Net investment in capital assets	150,630	211,872	-29%
Unrestricted (deficit)	(80,064)	(65,113)	23%
<b>Total net position</b>	<b>70,566</b>	<b>146,759</b>	<b>-52%</b>
<b>Total liabilities and net position</b>	<b>\$ 4,537,344</b>	<b>\$ 4,718,210</b>	<b>-4%</b>

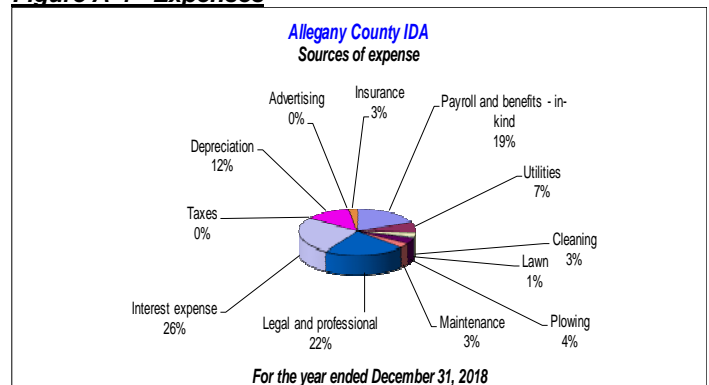
**Figure A-2 Statements of Activities**

<b>Allegany County Industrial Development Agency Statements of Activities (in thousands of Dollars)</b>			
	Total Government-wide		
	2018	2017	% Change
<b>Revenue</b>			
Application & administration fees	\$ 30,710	\$ 13,928	120%
Gain on sale of asset	-	811	n/a
In-kind donations	81,829	81,835	0%
Rental income	256,100	202,350	27%
Other income	23,304	5,199	348%
Contribution - capital asset	-	661,481	n/a
Transfer from CRC	300	300	n/a
<b>Total revenue</b>	<b>392,243</b>	<b>965,904</b>	<b>-59%</b>
<b>Expenses</b>			
Payroll and benefits - in-kind	81,829	81,835	0%
Utilities	33,869	36,100	-6%
Cleaning	14,967	14,980	0%
Lawn	3,287	4,014	-18%
Plowing	18,918	8,276	129%
Equipment	1,664	-	n/a
Maintenance	19,119	20,437	-6%
Legal and professional	103,064	39,818	159%
Interest expense	120,121	123,269	-3%
Taxes	579	579	0%
Depreciation	58,155	42,575	37%
Advertising	354	192	84%
Insurance	11,788	13,178	-11%
Miscellaneous	422	789	-47%
Transfer to IDA	300	300	n/a
	<b>468,436</b>	<b>386,342</b>	<b>21%</b>
<b>Change in net position</b>	<b>(76,193)</b>	<b>579,562</b>	<b>-113%</b>
<b>Pass-through transactions</b>			
Revenue	86,382	193,869	-55%
Expenditures	(86,382)	(193,869)	-55%
Net pass-through transactions	-	-	-
<b>Change in net position</b>	<b>\$ (76,193)</b>	<b>\$ 579,562</b>	<b>-113%</b>

**Figure A-3 Sources of Revenue**



**Figure A-4 - Expenses**



**V. Component Unit**

**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 \$2,000 as of December 31, 2018.

**Revenue**

The Allegany County Capital Resource Corporation reported \$- as revenue for the year ended December 31, 2018.

**Expenses**

The Allegany County Capital Resource Corporation reported \$308 of expenses for the year ended December 31, 2018 related to a transfer to the IDA and bank fees.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**VI. Capital Asset and Debt Administration**

Capital Assets

As depicted in Figure A-5, as of December 31, 2018, the Agency had invested approximately \$1,720,000 in a broad range of capital assets, including improvements, vehicles and furniture and equipment. Capital additions during the December 31, 2018 totaled \$55,000 which consisted primarily of engineering costs associated with the water line project. 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, 2018.

Long-term Debt

As depicted in Figure A-6, as of December 31, 2018, the Agency had approximately \$4,357,000 in notes payable, a decrease of approximately 3% as compared with the previous year. This was due to regular principal payments being made on mortgage payables.

**Figure A-5 – Capital Assets**

<i>Allegany County Industrial Development Agency</i>			
<i>Capital Assets</i>			
	2018	2017	Change
Land	\$ 16,704	\$ 16,704	0%
Building and improvements	1,983,638	1,970,936	1%
Construction-in-progress	129,854	87,717	48%
Equipment	17,659	17,659	0%
Accumulated depreciation	(428,007)	(369,852)	16%
<b>Capital Assets - net</b>	<b>\$ 1,719,848</b>	<b>\$ 1,723,164</b>	<b>0%</b>

**Figure A-6 – Long-term Debt**

<i>Allegany County Industrial Development Agency</i>			
<i>Long-term debt</i>			
	2018	2017	Change
Mortgage payable - crossroads	\$ 550,968	\$ 582,608	-5%
Mortgage payable - building	279,637	301,200	-7%
Mortgage payable - equity loan	106,880	120,077	-11%
Bond payable - infrastructure	3,420,000	3,500,000	-2%
<b>Long-term debt</b>	<b>\$ 4,357,485</b>	<b>\$ 4,503,885</b>	<b>-3%</b>

**VII. Factors Bearing on the Agency's Future**

At the time these financial statements were prepared and audited, the Agency was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Development of Exit 30 on Interstate 86 at New York State Route 19. The initial phase of hospitality/lodging and fueling station is projected to start in 2019 with a developer and \$12 million investment.

**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 - ALL FUNDS**

As of December 31,

	2018		2017	
	Allegany County Industrial Development Agency	Capital Resource Corporation	Total	Total
<b>Assets</b>				
<b>Current</b>				
Cash	\$ 4,255	\$ 1,541	\$ 5,796	\$ 1,890
Accounts receivable	22,870	--	22,870	--
Total current assets	<b>27,125</b>	<b>1,541</b>	<b>28,666</b>	<b>1,890</b>
<b>Capital assets, net</b>	<b>1,719,848</b>	<b>--</b>	<b>1,719,848</b>	<b>1,723,164</b>
<b>Other assets</b>				
Restricted cash - building reserve	341	--	341	341
Restricted cash- infrastructure project	1,906,352	--	1,906,352	2,110,678
Property held for resale	881,915	--	881,915	881,915
Security deposits	222	--	222	222
Total other assets	<b>2,788,830</b>	<b>--</b>	<b>2,788,830</b>	<b>2,993,156</b>
<b>Total assets</b>	<b>\$ 4,535,803</b>	<b>\$ 1,541</b>	<b>\$ 4,537,344</b>	<b>\$ 4,718,210</b>
<b>Liabilities and Net Position</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 97,293	\$ --	\$ 97,293	\$ 67,566
Security deposits	12,000	--	12,000	--
Mortgages payable - current portion	71,026	--	71,026	346,536
Bond payable - current portion	85,000	--	85,000	80,000
Total current liabilities	<b>265,319</b>	<b>--</b>	<b>265,319</b>	<b>494,102</b>
<b>Long-term liabilities</b>				
Mortgages payable - long-term portion	866,459	--	866,459	657,349
Bond payable - long-term portion	3,335,000	--	3,335,000	3,420,000
Total long-term liabilities	<b>4,201,459</b>	<b>--</b>	<b>4,201,459</b>	<b>4,077,349</b>
<b>Total liabilities</b>	<b>4,466,778</b>	<b>--</b>	<b>4,466,778</b>	<b>4,571,451</b>
<b>Net position</b>				
Net investment in capital assets	150,630	--	150,630	211,872
Unrestricted (deficit)	(81,605)	1,541	(80,064)	(65,113)
Total net position	<b>69,025</b>	<b>1,541</b>	<b>70,566</b>	<b>146,759</b>
<b>Total liabilities and net position</b>	<b>\$ 4,535,803</b>	<b>\$ 1,541</b>	<b>\$ 4,537,344</b>	<b>\$ 4,718,210</b>

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**STATEMENTS OF ACTIVITIES**

Years ended December 31,

	2018		2017	
	Allegany County Industrial Development Agency	Capital Resource Corporation	Total	Total
<b>Support and revenue</b>				
Fees	\$ 30,710	\$ --	\$ 30,710	\$ 13,928
Rental income	256,100	--	256,100	202,350
Gain on sale of asset	--	--	--	811
In-kind donations	81,829	--	81,829	81,835
Other income	18,594	--	18,594	913
Interest income	4,710	--	4,710	4,286
Contribution - capital asset	--	--	--	661,481
Transfer from Capital Resource Corporation	300	--	300	300
<b>Total support and revenue</b>	<b>392,243</b>	<b>--</b>	<b>392,243</b>	<b>965,904</b>
<b>Expenses</b>				
Payroll and benefits - in-kind	81,829	--	81,829	81,835
Utilities	33,869	--	33,869	36,100
Cleaning	14,967	--	14,967	14,980
Lawn care	3,287	--	3,287	4,014
Plowing	18,918	--	18,918	8,276
Equipment	1,664	--	1,664	--
Maintenance	19,119	--	19,119	20,437
Legal and professional	103,056	8	103,064	39,818
Interest expense	120,121	--	120,121	123,269
Taxes	579	--	579	579
Depreciation	58,155	--	58,155	42,575
Advertising	354	--	354	192
Insurance	11,788	--	11,788	13,178
Miscellaneous	422	--	422	789
Transfer to Industrial Development Agency	--	300	300	300
<b>Total expenses</b>	<b>468,128</b>	<b>308</b>	<b>468,436</b>	<b>386,342</b>
<b>Change in unrestricted net position before pass-through transactions</b>	<b>(75,885)</b>	<b>(308)</b>	<b>(76,193)</b>	<b>579,562</b>
<b>Pass-through transactions</b>				
Revenue	86,382	--	86,382	193,869
Expenditures	(86,382)	--	(86,382)	(193,869)
Net pass-through transactions	--	--	--	--
<b>Change in unrestricted net position</b>	<b>(75,885)</b>	<b>(308)</b>	<b>(76,193)</b>	<b>579,562</b>
Net position (deficit), beginning of year	144,910	1,849	146,759	(432,803)
<b>Net position, end of year</b>	<b>\$ 69,025</b>	<b>\$ 1,541</b>	<b>\$ 70,566</b>	<b>\$ 146,759</b>

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

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**STATEMENTS OF CASH FLOWS**

Years ended December 31,

	2018		2017	
	Allegany County Industrial Development Agency	Capital Resource Corporation	Total	Total
<b>Net cash from operating activities</b>				
Reconciliation of increase (decrease) in unrestricted net position to net cash provided by (used in) operating activities:				
Increase (decrease) in unrestricted net position	\$ (75,885)	\$ (308)	\$ (76,193)	\$ 579,562
Adjustments for items not affecting cash flows:				
Depreciation	58,155	--	58,155	42,575
Contributions of property and equipment	--	--	--	(661,481)
Change in assets and liabilities				
Accounts receivable	(22,870)	--	(22,870)	--
Accounts payable	29,727	--	29,727	15,542
Security deposits	12,000	--	12,000	--
<b>Net cash provided by (used in) operating activities</b>	<b>1,127</b>	<b>(308)</b>	<b>819</b>	<b>(23,802)</b>
<b>Net cash from investing activities</b>				
Decrease in restricted cash	204,326	--	204,326	81,828
Building improvements and construction in progress	(54,839)	--	(54,839)	(6,697)
<b>Net cash provided by investing activities</b>	<b>149,487</b>	<b>--</b>	<b>149,487</b>	<b>75,131</b>
<b>Net cash from financing activities</b>				
Repayment of long-term debt	(146,400)	--	(146,400)	(62,778)
<b>Net cash used in financing activities</b>	<b>(146,400)</b>	<b>--</b>	<b>(146,400)</b>	<b>(62,778)</b>
<b>Change in cash</b>	<b>4,214</b>	<b>(308)</b>	<b>3,906</b>	<b>(11,449)</b>
Cash, beginning balance	41	1,849	1,890	13,339
<b>Cash, ending balance</b>	<b>\$ 4,255</b>	<b>\$ 1,541</b>	<b>\$ 5,796</b>	<b>\$ 1,890</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>				
Cash paid during the year for:				
Interest	\$ 120,121	\$ --	\$ 120,121	\$ 123,269
<b>Supplemental Schedule of Non-Cash Activities:</b>				
Contributions of property and equipment	\$ --	\$ --	\$ --	\$ 661,481

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Page 10

**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.

Basis of Accounting

The financial statements of the **Allegany County Industrial Development Agency** 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 and with securities held by the pledging financial institution's trust department in the Agency's name. As of December 31, 2018, the Agency was fully collateralized.

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)**

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. 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.

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. A new agreement was entered into by the parties in December 2014, which called for the 2014 PILOT payment to total \$526,712, with \$263,356 of the amount to be paid in January 2015 and the remaining \$263,356 to be paid in five equal installments of \$52,672 during years ending 2015 through 2019. The PILOT amounts due for the years ending 2015 through 2018 were reduced from \$526,712 to \$160,516 annually, at which time the PILOT agreement expires. Currently the third party is behind in the PILOT amounts due and will continue to make PILOT payments past the expiration of the agreement until the agreement is fulfilled.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Tax Lease Program (continued)

During the years ended December 31, 2018 and 2017 the Agency received PILOT payments in the amount of \$68,400 and \$203,705, respectively. 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, 2018 and 2017 in the Statements of Financial Position related to the 2018 and 2017 PILOT payments.

The Agency, the County, School and Town agreed that all payments received after December 1, 2015 would be shared in the following percentages: 10% to the Agency, 30% to the County, 30% to the School, and 30% to the Town.

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 6, when the Agency executed its mortgage agreement, \$50,000 was received to be utilized towards building improvements. As of December 31, 2018, \$341 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, 2018, \$1,906,352 of the bond proceeds remained unspent and is required to be utilized towards the project.

**NOTE 3 - PROPERTY AND EQUIPMENT**

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

	<b>2018</b>	<b>2017</b>
Land	\$ 16,704	\$ 16,704
Building and improvements	1,983,638	1,970,936
Furniture and equipment	17,659	17,659
Construction-in-progress	129,854	87,717
	<u>2,147,855</u>	<u>2,093,016</u>
Less: accumulated depreciation	428,007	369,852
	<u>\$ 1,719,848</u>	<u>\$ 1,723,164</u>

**NOTE 3 - PROPERTY AND EQUIPMENT (CONTINUED)**

Depreciation expense for the years December 31, 2018 and 2017 totaled \$58,155 and \$42,575, respectively.

During the year ended December 31, 2018 and 2017, the Agency incurred engineering costs related to a water project that are included within construction-in-progress in the amounts of \$42,137 and \$6,697, respectively.

During the prior year the Agency purchased the property and equipment at 2475 Tarantine Boulevard Wellsville, NY for \$1 from Lufkin Industries. The assets were recorded at market value as capital assets in the Statements of Net Position and contribution revenue in the Statements of Activities in the amount of \$661,481 during 2017. The fair market value of the building was estimated based on the present value (using 4.75% discount factor) of the future cash flows to be received by the Agency from a twenty year lease to a third party for \$50,000 per year.

**NOTE 4 - PROPERTY HELD FOR RESALE**

On January 10, 2012, the 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.

**NOTE 5 - LONG-TERM DEBT**

Bonds Payable

On February 1, 2012, the 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 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, 2018 was \$3,420,000

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

Bonds Payable (continued)

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

	<u>Principal</u>	<u>Interest</u>
2019	\$ 85,000	\$ 68,400
2020	85,000	66,700
2021	85,000	65,000
2022	90,000	63,300
2023	90,000	61,500
2024-2028	500,000	279,000
2029-2033	560,000	227,800
2034-2038	625,000	168,100
2039-2043	695,000	102,700
2044-2047	605,000	30,600
Total	<u>\$ 3,420,000</u>	<u>\$ 1,133,100</u>

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 borrowings were to be repaid over a term of twenty years with monthly payments of \$3,224, including interest, at a fixed interest rate of 6.00%. The interest rate was to be reviewed every five years. On January 23, 2012, the mortgage was refinanced; the new terms called for monthly payments of \$3,005 with an interest rate of 5.00% and a balloon payment of \$289,000 on September 14, 2018. On September 13, 2018, the mortgage was refinanced; the new terms call for monthly payments of \$3,124 with an interest rate of 5.26%. The interest rate is to be reviewed every five years. The unpaid principal and interest balance will be due in full at September 14, 2028. The balance outstanding as of December 31, 2018 was \$279,637.

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

Mortgages Payable (continued)

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

	<u>Principal</u>	<u>Interest</u>
2019	\$ 23,300	\$ 14,152
2020	24,588	12,895
2021	25,912	11,570
2022	27,309	10,173
2023	28,780	8,702
2024-2028	149,748	18,717
Total	<u>\$ 279,637</u>	<u>\$ 76,209</u>

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.

The Agency began making principal payments on the \$762,000 mortgage beginning January 5, 2011. On January 23, 2012, the mortgage was refinanced. The new terms call for monthly payments of \$5,035 at an interest rate of 5.00%. The unpaid principal and interest balance will be due in full at December 21, 2020 as the mortgage is based on a 20 year amortization period, with a ten year call. The final balloon payment due on December 21, 2020 will be approximately \$484,000. The balance outstanding as of December 31, 2018 was \$550,968.

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

	<u>Principal</u>	<u>Interest</u>
2019	\$ 33,683	\$ 28,382
2020	517,285	26,743
Total	<u>\$ 550,968</u>	<u>\$ 55,125</u>

On June 16, 2015, the Agency entered into a \$150,000 mortgage with Community Bank, N.A. The mortgage is 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 will be due in full at June 16, 2020 as the mortgage is based on a 10 year amortization period with a five year call. The final balloon payment due on June 16, 2020 will be approximately \$87,000. The balance outstanding as of December 31, 2018 was \$106,880.

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

	<u>Principal</u>	<u>Interest</u>
2019	\$ 14,043	\$ 5,517
2020	92,837	2,464
Total	<u>\$ 106,880</u>	<u>\$ 7,981</u>



**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE 6 - OPERATING LEASES**

The Agency leases office space at the Crossroads Commerce Center in Belmont, New York to tenants under various leases. The two most significant leases are with Allegany County which were renewed on February 23, 2016, for the period from January 1, 2016 through December 31, 2020. 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 375 square feet of space for the Allegany County Area Foundation and calls for monthly payments of \$450 for the period of May 1, 2017 through April 30, 2020. 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 following schedule represents the future minimum lease payments:

2019	\$	229,710
2020		225,910
2021		50,010
2022		50,010
2023		50,010
2024-2028		250,050
2029-2033		250,050
2034-2038		250,050
2039-2040		20
Total	\$	<u>1,355,820</u>

**NOTE 7 - 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, 2018 and 2017 respectively, totaled \$81,829 and \$81,835.

**NOTE 8 – TRANSFER TO INDUSTRIAL DEVELOPMENT AGENCY**

During the year ended December 31, 2018 and 2017, Capital Resource Corporation transferred \$300 to the Allegany County Industrial Development Agency to reimburse costs incurred by the Agency for administrative expenses.

**NOTE 9 – ACCUMULATED DEFICIT AND MANAGEMENT'S PLANS**

Various strategic initiatives for the Agency are currently under development. These initiatives have a focus on generating additional and new sources of funding for the Agency.

**NOTE 10 - 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, 2018 and 2017. As disclosed in Note 1, the PILOT agreement was renegotiated in December 2014.

<b>Pass-through transactions</b>	<b>2018</b>	<b>2017</b>
<u>December 31,</u>		
PILOT payments collected from businesses.	\$ 68,400	\$ 203,705
Grant/awards received from businesses.	<u>24,822</u>	<u>- -</u>
	93,222	203,705
Less: administrative fee recorded as revenue by IDA	<u>(6,840)</u>	<u>(9,836)</u>
Amounts remitted to local governments and businesses	<u>\$ 86,382</u>	<u>\$ 193,869</u>

**NOTE 11 – SUBSEQUENT EVENTS**

Subsequent events were evaluated by management through April 11, 2019, which is the date the financial statements were available to be issued.

***SUPPLEMENTAL INFORMATION***



**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHEDULE OF TAX-EXEMPT BONDS AND SALE-LEASEBACK TRANSACTIONS**

As of December 31, 2018

	Employees	Original Amount	Outstanding Principal	Date of Issuance	Date of Maturity	Interest Rate
<b>Tax-exempt bonds</b>						
Atlantic Richfield **	--	7,000,000	6,025,000	2003	2037	Variable
R.S. Maher & Son**	10	225,000	165,329	2016	2026	3.56%
Sanzo GT, LLC**	--	389,000	--	2016	2031	4.57%
<b>Sale-lease back transactions</b>						
Alliance Energy *	5	n/a	n/a	1993	2029	n/a
Swain Ski Resort **	40	2,100,000	n/a	2012	2023	n/a
Sweet Water Media **	10	65,000	n/a	2013	2024	n/a
<b>Capital Resource Corporation</b>						
<b>Tax-exempt bonds</b>						
Alfred University**	600	8,716,483	7,525,248	2015	2028	2.90%

See Note 1 for descriptions on tax lease program and Industrial Revenue Bonds.

\* Transfer of ownership from R,G&E on November 2013. New pilot agreement with Alliance was adopted in 2015.

\*\* Information presented was not updated in current year.

**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* as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise *Allegany County Industrial Development Agency's* basic financial statements and have issued our report thereon dated April 11, 2019.

**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.2018-001 and II.A.2018-002.

**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 Response to Finding**

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

**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  
April 11, 2019**

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Page 17**

**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*.
2. Two material weaknesses relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "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**

**2018-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

**Year ended December 31, 2018**

*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 for GASB 34 purposes. 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, 2018**

**Page 18**

**II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)**

**2018-002 Segregation of Duties**

**Year ended December 31, 2018**

*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:* The Agency initiated a review of the duties assigned to each of the three staff members to improve the segregation of duties and to improve internal controls. The need and availability of a bond for all agency staff will be pursued with the Treasurer of the County of Allegany.

**B. COMPLIANCE AND OTHER MATTERS**

**Year ended December 31, 2018**

No compliance and other matters findings are being reported upon during the year ended December 31, 2018.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Page 19**

**I. FINANCIAL STATEMENTS AUDIT - FINDINGS**

**A. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**2017-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements**

**Year ended December 31, 2017**

**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 for GASB 34 purposes. 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, 2018 as finding 2018-001.

**B. COMPLIANCE AND OTHER MATTERS**

**Year ended December 31, 2017**

There were no findings related to compliance and other matters during the year ended December 31, 2017.

**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, 2018 of the Agency's financial statements and have issued our reports thereon dated April 11, 2019. 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, 2018, 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 2019. 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.***

### **Bond Infrastructure Account**

During the year, the Agency did not record transactions within its general ledger related to the bond infrastructure cash account. In addition, although the Agency prepares a monthly bank reconciliation for this account, it does not have the ability to agree the reconciliation to the cash balance within its general ledger. We recommend that the Agency record the activity for the bond infrastructure account throughout the year which will give the Agency a better perspective as to its financial position and operating results throughout the year. In addition, recording the transactions into Quicken will allow the Agency to properly complete the bank reconciliation process.

As of December 31, 2018, the bond infrastructure account has a balance remaining of \$1,906,352 from the original \$3,500,000 borrowed. The Agency has paid \$80,000 in principal payments and \$420,000 in interest to Allegany County since 2013 by using the cash from the bond proceeds. We recommend that the Agency consult with its attorney on whether principal and interest costs can continue to be paid from the bond proceeds as this diminishes the Agency's ability to acquire development property as intended.

***Agency Response: The Agency agrees that the transactions for the land should be recorded in Quicken and reviewed at ACIDA meetings and it is being done at this time.***

### **PILOT Agreement**

As discussed in Note 1 to the financial statements, a new PILOT agreement was entered into with a Corporation during 2014, 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.***

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 [\*Allegany County Industrial Development Agency\*](#).

Sincerely,

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO**

**Olean, New York  
April 11, 2019**