

**ALLEGANY COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF
THE ALLEGANY COUNTY**

**REPORT ON AUDITED
FINANCIAL STATEMENTS**

**YEARS ENDED
DECEMBER 31, 2013 AND 2012**

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

TABLE OF CONTENTS

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



BUFFAMANTE WHIPPLE BUTTAFARO, P.C.
Certified Public Accountants • Business Advisors

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the *Allegany County Industrial Development Agency* and its component unit, the Allegany County Capital Resource Corporation (which had no activity), as of and for the years ended December 31, 2013 and 2012, 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 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on 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 financial statement presentation.

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, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 regarding 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 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 Matters (continued)

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 are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Tax-Exempt Bonds and Sale-Leaseback Transactions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Schedule of Tax-Exempt Bonds and Sale-Leaseback Transactions have 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 June 5, 2014, 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
June 5, 2014

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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, 2013. 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, 2013:

- Overall net position of the Agency decreased approximately \$94,000 and increased approximately \$58,000 during the years ended December 31, 2013 and 2012, respectively.
- The Agency's total revenue and other sources were approximately \$224,000 during 2013 as compared with approximately \$317,000 during 2012. This decrease is primarily the result of a decrease in project management fees, in-kind donations, and other income.
- The Agency's total expenses and other uses were approximately \$317,000 during 2013 as compared to approximately \$259,000 during 2012. This increase was primarily the result of an increase in interest expense and occupancy costs.
- The Agency had capital purchases during the current year in the amount of \$22,531 which was primarily related to the purchase of a new vehicle and costs from the infrastructure 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, 2013**

IV. Financial Analysis of the Agency as a Whole

Fund Equity

The Agency's total net position was at a deficit of approximately \$123,000 as of December 31, 2013.

Revenue

The Agency's total revenue and other sources were approximately \$224,000 during the year ended December 31, 2013. The Agency also received \$506,454 of pass-through revenue during the year ended December 31, 2013. The Agency acts as an intermediary for these funds, and appropriately recognizes each pass-through amount as an expenditure upon distribution.

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 80% of the Agency's total revenue increased approximately \$2,000 or 1% during the year ended December 31, 2013. This increase resulted from a new lease to Audiocare, Inc.
- Revenue from application fees decreased approximately \$62,000 during the current fiscal year. The decrease is related to the relative absence of any assistance provided in the issuance of tax exempt industrial development bonds during the current year.
- During the current year, the Agency had in-kind donations of \$34,000 which related to estimated time spent for the Agency by employees of Allegany County.

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

Expenses

The total cost of all programs and services of the Agency was approximately \$317,000. 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 \$317,000 during the year ended December 31, 2013 as compared with \$259,000 during the year ended December 31, 2012. This increase was the result of an increase in interest expense and occupancy costs.
- The Agency's occupancy costs were approximately \$58,000 during the year ended December 31, 2013 as compared with \$50,000 during the year ended December 31, 2012. This increase in costs was primarily the result of the increase in utilities.
- The Agency's salaries and benefits were all in-kind services provided by employees of Allegany County and totaled approximately \$34,000 and \$49,000 for the years ended December 31, 2013 and 2012, respectively. The decrease is related to one employee no longer being paid by Allegany County to perform IDA duties.
- All other costs of the Agency totaled \$225,000 in 2013 as compared with \$160,000 in 2012. This is predominately the result of the escalation in interest expense relating to the infrastructure bond.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Figure A-1 – Statement of Net Position

Allegany County Industrial Development Agency Statement of Net Position			
	Total Government-wide		
	2013	2012	% Change
Assets			
Current and other assets	\$ 2,972,766	\$ 3,068,415	-3%
Capital assets, net	1,622,623	1,643,151	-1%
Total assets	\$ 4,595,389	\$ 4,711,566	-2%
Liabilities			
Current liabilities	\$ 155,845	\$ 137,970	13%
Long-term liabilities	4,562,088	4,602,588	-1%
Total liabilities	4,717,933	4,740,558	0%
Net position			
Unrestricted accumulated deficit	(122,544)	(28,992)	323%
Total liabilities and net position	\$ 4,595,389	\$ 4,711,566	-2%

Figure A-2 Statement of Activities

Allegany County Industrial Development Agency Statement of Activities (in thousands of Dollars)			
	Total Government-wide		
	2013	2012	% Change
Revenue			
Application & administration fees	\$ 250	\$ 62,000	-100%
In-kind donations	33,630	48,947	-31%
Rental income	178,296	176,396	1%
Other income	11,397	29,376	-61%
Total revenue	223,573	316,719	-29%
Expenses			
Payroll and benefits - in-kind	33,630	48,947	-31%
Occupancy expenses	58,396	49,847	17%
Professional fees	33,380	28,003	19%
Interest expense	127,113	62,244	104%
Office expenses	7,581	9,686	-22%
Depreciation	43,059	42,760	1%
Amortization	2,563	2,593	-1%
Advertising	827	349	137%
Insurance	9,293	7,002	33%
Miscellaneous	1,283	7,478	-83%
	317,125	258,909	22%
Change in net position	(93,552)	57,810	
Pass-through transactions			
Revenue	506,454	486,975	4%
Expenditures	(506,454)	(486,975)	4%
Net pass-through transactions	--	--	--
Change in net position	\$ (93,552)	\$ 57,810	

Figure A-3 Sources of Revenue

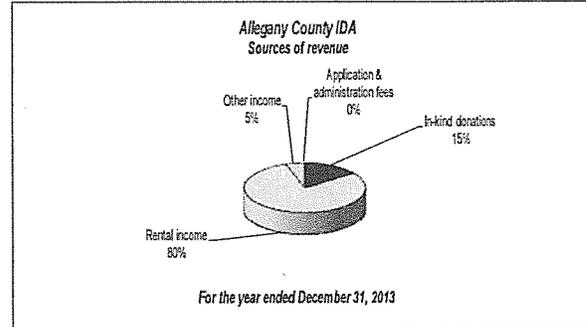
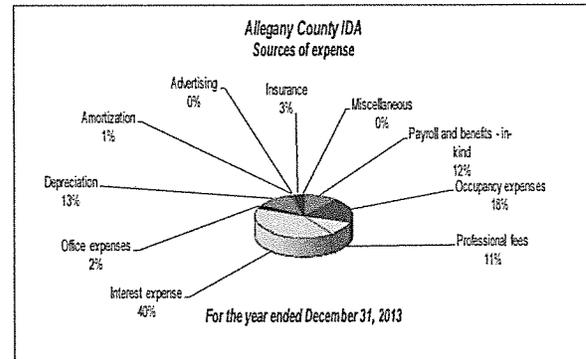


Figure A-4 - Expenses



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 in the future. The Allegany County Capital Resource Corporation did not have any activity during the years ended December 31, 2013 and 2012.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

VI. Capital Asset and Debt Administration

Capital Assets

As depicted in Figure A-5, as of December 31, 2013, the Agency had invested approximately \$1,623,000 in a broad range of capital assets, including improvements, vehicles and furniture and equipment. Capital additions during the year ended December 31, 2013 totaled \$22,531, which consisted primarily of the purchase of a new vehicle and fees associated with the infrastructure project.

Long-term Debt

As depicted in Figure A-6, as of December 31, 2013, the Agency had approximately \$4,619,650 in notes payable, an difference of approximately -1% as compared with the previous year. The reductions in principal from payments on note and mortgage were offset by the refinancing of the Agency's line of credit and issuance of a new vehicle note.

Figure A-5 – Capital Assets

Allegany County Industrial Development Agency			
Capital Assets			
	2013	2012	Change
Land	\$ 303,205	\$ 303,205	0%
Building and improvements	1,284,172	1,284,172	0%
Construction-in-progress	196,414	192,527	2%
Equipment	17,659	17,659	0%
Vehicle	24,810	13,999	77%
Accumulated depreciation	(203,637)	(168,411)	21%
Capital Assets - net	\$ 1,622,623	\$ 1,643,151	-1%

Figure A-6 – Long-term Debt

County of Allegany Industrial Development Agency			
Long-term debt			
	2013	2012	Change
Notes payable - long-term	\$ 32,243	\$ 46,383	-30%
Notes payable - vehicle	16,975	1,580	974%
Mortgage payable - crossroads	694,170	718,728	-3%
Mortgage payable - building	376,262	392,790	-4%
Bond Payable - infrastructure	3,500,000	3,500,000	0%
Long-term debt	\$ 4,619,650	\$ 4,659,481	-1%

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. A 30 acre project for warehouse/distribution and hospitality/lodging that is projected to have \$25 million in investment and create several hundred new jobs which could generate substantial revenue streams.
- A Strategic Plan for the Agency is currently under development and is expected to be unveiled during the summer of 2014. The strategic plan will have a focus on generating additional and new sources of funding for the Agency.

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. John Foels, Executive Director
Allegany County Industrial Development Agency
6087 State Route 19N
Belmont, New York 14813

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF NET POSITION**

<i>As of December 31,</i>	2013	2012
Assets		
Current		
Cash	\$ 23,137	\$ 53,159
Accounts receivable	4,833	--
Total current assets	<u>27,970</u>	<u>53,159</u>
Property and equipment, net	<u>1,622,623</u>	<u>1,643,151</u>
Other assets		
Restricted cash - building reserve	339	339
Restricted cash- infrastructure project	2,891,341	2,959,238
Security deposits	222	222
Loan issuance fees, net of amortization	52,894	55,457
Total other assets	<u>2,944,796</u>	<u>3,015,256</u>
Total assets	<u>\$ 4,595,389</u>	<u>\$ 4,711,566</u>
Liabilities and Net Position		
Current liabilities		
Accounts payable	\$ 19,783	\$ 4,996
Advances from grantors	--	600
Due to Allegany County - PILOT reimbursement	78,500	75,481
Mortgages payable - current portion	44,061	41,917
Notes payable - current portion - vehicle, refinanced LOC	13,501	14,976
Total current liabilities	<u>155,845</u>	<u>137,970</u>
Long-term liabilities		
Mortgages payable - long-term portion	1,026,371	1,069,601
Bond payable - long-term portion	3,500,000	3,500,000
Notes payable - long-term portion - vehicle, refinanced LOC	35,717	32,987
Total long-term liabilities	<u>4,562,088</u>	<u>4,602,588</u>
Total liabilities	<u>4,717,933</u>	<u>4,740,558</u>
Net position		
Net investment in capital assets	(20,549)	46,328
Accumulated deficit	(101,995)	(75,320)
Total accumulated deficit	<u>(122,544)</u>	<u>(28,992)</u>
Total liabilities and net position	<u>\$ 4,595,389</u>	<u>\$ 4,711,566</u>

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

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

For the years ended December 31,

	2013	2012
Support and revenue		
Fees	\$ 250	\$ 62,000
Rental income	178,296	176,396
In-kind donations	33,630	48,947
Other income	5,307	18,249
Interest income	6,090	11,127
	<hr/>	<hr/>
Total support and revenue	223,573	316,719
Expenses		
Payroll and benefits - in-kind	33,630	48,947
Occupancy expenses	58,396	49,847
Legal and professional	33,380	28,003
Interest expense	127,113	62,244
Office expenses	7,581	9,686
Depreciation	43,059	42,760
Amortization	2,563	2,593
Advertising	827	349
Insurance	9,293	7,002
Miscellaneous	1,283	7,478
	<hr/>	<hr/>
Total expenses	317,125	258,909
<i>Increase (decrease) in unrestricted net position before pass-through transactions</i>	(93,552)	57,810
Pass-through transactions		
Revenue	506,454	486,975
Expenditures	(506,454)	(486,975)
	<hr/>	<hr/>
Net pass-through transactions	--	--
<i>Increase (decrease) in unrestricted net position</i>	(93,552)	57,810
Net position - accumulated deficit, beginning of year	(28,992)	(86,802)
	<hr/>	<hr/>
Net position - accumulated deficit, end of year	\$ (122,544)	\$ (28,992)

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

<i>For the years ended December 31,</i>	2013	2012
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	\$ (93,552)	\$ 57,810
Adjustments for items not affecting cash flows:		
Depreciation	43,059	42,760
Amortization	2,563	2,593
Change in assets and liabilities		
Accounts receivable	(4,833)	600
Accounts payable	14,787	(38,071)
Deferred revenue/advances	(600)	600
Due to Allegany County (PILOT Reimbursements)	3,019	2,902
Net cash provided by (used in) operating activities	(35,557)	69,194
Net cash from investing activities		
Decrease (increase) in restricted cash	67,897	(2,959,238)
Property improvements and equipment purchases	(22,531)	(482,314)
Net cash provided by (used in) investing activities	45,366	(3,441,552)
Net cash from financing activities		
Bond issuance costs	--	(46,720)
Proceeds from long-term debt	18,644	3,500,000
Repayment of long-term debt	(58,475)	(53,513)
Net cash provided by (used in) financing activities	(39,831)	3,399,767
Change in cash	(30,022)	27,409
Cash, beginning balance	53,159	25,750
Cash, ending balance	\$ 23,137	\$ 53,159
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 127,113	\$ 62,244

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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.

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.

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.

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.

The Agency's PILOT program generated \$506,454 and \$486,975 for the years ended December 31, 2013 and 2012, respectively for local municipalities.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Industrial Development Revenue Bonds and 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. The Agency received \$250 and \$62,000 in administrative fees, during 2013 and 2012, respectively.

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 in the future. The Capital Resource Corporation did not have any activity during the years ended December 31, 2013 and 2012.

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, 2013 and 2012, \$339 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, 2013, \$2,891,341 of the bond proceeds remained unspent and is required to be utilized towards to project.

NOTE 3 - PROPERTY AND EQUIPMENT

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

	2013	2012
Land	\$ 303,205	\$ 303,205
Building and improvements	1,284,172	1,284,172
Furniture and equipment	17,659	17,659
Vehicle	24,810	13,999
Construction in process	196,414	192,527
	1,826,260	1,811,562
Less: accumulated depreciation	203,637	168,411
	<u>\$ 1,622,623</u>	<u>\$ 1,643,151</u>

NOTE 3 - PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the years December 31, 2013 and 2012 totaled \$43,059 and \$42,760, respectively.

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. The intended use of the land is for potential future site development. During the years ended December 31, 2013 and 2012, Allegany County Industrial Development Agency incurred \$3,887 and \$265,018, respectively, in costs related to the infrastructure project, of which \$196,414 was included as construction in-progress. The purchase of the 5884 County Road property and infrastructure improvements were funded from proceeds received from the issuance of a \$3.5 million bond.

NOTE 4 - LONG-TERM DEBT

Notes Payable

During 2008, the Agency converted a \$24,091 short-term note payable into a five year-term note payable. The note carries a 7.25% interest rate and had an outstanding balance of \$0 and \$3,931 as of December 31, 2013 and 2012, respectively. Interest expense during the years ended December 31, 2013 and 2012 totaled \$111 and \$443, respectively.

On January 14, 2009, the Agency obtained a loan for the purchase of a vehicle from First Citizens National Bank in the amount of \$10,629. The loan calls for fifty-four monthly payments in the amount of \$232 including interest at 7.25% with final payment due on July 14, 2013. The outstanding balance on the loan as of December 31, 2013 and 2012 was \$0 and \$1,580, respectively. Interest expense during the years ended December 31, 2013 and 2012 totaled \$37 and \$221, respectively.

During June 2013, the Agency obtained a loan for the purchase of a vehicle from Community Bank N.A. for the amount of \$18,644. This loan calls for 60 monthly payments of \$357 including interest at 4.75%, with final payment in June, 2018. The outstanding balance on the loan as of December 31, 2013 was \$16,975. Total Interest expense for the vehicle loan during the years ended December 31, 2013 was \$356.

On January 23, 2012, the Agency refinanced its line of credit with a balance of \$49,981 into a term loan. This loan is to be repaid in sixty consecutive payments of \$944 including interest at 5%, beginning February 24, 2012. Interest expense paid on long-term debt during the years ended December 31, 2013 and 2012 was \$1,127 and \$3,012 respectively. The outstanding balance as of December 31, 2013 and 2012 was \$32,243 and \$45,452, respectively.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Notes Payable (continued)

Current maturities of long-term debt existing at December 31, 2013 are as follows:

Community Bank (Car)	Principal	Interest
2014	\$ 3,552	\$ 651
2015	3,705	497
2016	3,867	337
2017	4,034	169
2018	1,817	19
Total	\$ 16,975	\$ 1,673

Current maturities of long-term debt existing at December 31, 2013 are as follows:

Community Bank	Principal	Interest
2014	\$ 9,949	\$ 1,387
2015	10,458	878
2016	10,993	342
2017	843	4
Total	\$ 32,243	\$ 2,611

Bonds Payable

On February 1, 2012, the Allegany County Industrial Develop 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. Principal payments are not due until 2018.

The bond issuance costs are being amortized over the life of the bonds payable. Amortization expense for the year ended December 31, 2013 and 2012 was \$1,297 and \$1,335, respectively.

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Bonds Payable (continued)

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

	Principal	Interest
2014	\$ --	\$ 70,000
2015	--	70,000
2016	--	70,000
2017	--	70,000
2018-2022	425,000	333,400
2023-2027	490,000	288,800
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	\$ 3,500,000	\$ 1,482,100

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 (\$400,000) of the Crossroads Commerce Center 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 call for monthly payments of \$3,005 with an interest rate of 5.00%. The maturity date will remain at August 14, 2018. The unpaid principal and interest balance will be due on that date as the mortgage is based on a twenty year amortization period, with a ten year call. The final balloon payment principal and interest due on August 14, 2018 will be approximately \$297,000.

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

	Principal	Interest
2014	\$ 17,699	\$ 18,288
2015	18,604	17,379
2016	19,556	16,423
2017	20,557	15,418
2018	299,846	9,695
Total	\$ 376,262	\$ 77,203

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

NOTE 4 - LONG-TERM DEBT (CONTINUED)

Mortgages Payable (continued)

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 incurred loan fees of \$12,580 relating to the closing of the commercial mortgage loan. The costs are being amortized over the life of the mortgage loan. Amortization expense for the years ended December 31, 2013 and 2012 was \$1,266 and \$1,258, respectively.

The Agency began making principal payments on the \$762,000 mortgage beginning January 5, 2011. The mortgage was being repaid over a term of ten years with monthly payments of \$5,500, 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 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 \$478,000.

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

	<u>Principal</u>	<u>Interest</u>
2014	\$ 26,362	\$ 34,058
2015	27,710	32,710
2016	29,128	31,292
2017	30,618	29,802
2018	32,185	28,235
2019-2020	548,167	53,437
Total	<u>\$ 694,170</u>	<u>\$ 209,534</u>

NOTE 5 - OPERATING LEASES

The Agency leases office space to tenants under various operating leases expiring through 2014. The leases are cancelable with a stipulation that the tenant provides sixty days notice. The Allegany County lease is effective through April 2013 but contains options for renewal. The organization plans to renegotiate this contract in 2014.

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, 2013 and 2012 respectively, totaled \$33,630 and \$48,947.

NOTE 7 - 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, 2013 and 2012. As of December 31, 2013 and 2012, the Agency owed a balance of \$78,500 and \$75,481, respectively, to Allegany County for their share of the 2013 and 2012 PILOT receipts.

<u>Pass-through transactions</u>	<u>Receipts</u>	<u>Disbursements</u>
<u>December 31, 2013</u>		
PILOT payments collected from businesses and remitted to local governments.	\$ 506,454	\$ 506,454
<u>December 31, 2012</u>		
PILOT payments collected from businesses and remitted to local governments.	\$ 486,975	\$ 486,975

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Page 14

**NOTE 8 – ACCUMULATED DEFICIT AND
MANAGEMENT’S PLANS**

A Strategic Plan for the Agency is currently under development and is expected to be unveiled during the summer of 2014. The strategic plan will have a focus on generating additional and new sources of funding for the Agency. The Agency has also refined its recordkeeping so that its financial condition will be reviewed and evaluated by the Board of Directors on an ongoing basis throughout the year.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events were evaluated by management through June 5, 2014, 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, 2013

Tax-exempt bonds

	Employees	Original Amount	Outstanding Principal	Date of Issuance	Date of Maturity	Interest Rate
Alfred University	634	23,035,000	9,725,000	1998	2028	5.00%
Cuba Memorial Hospital	215	3,000,000	2,300,000	2004	2014	8.00%
Atlantic Richfield	--	7,000,000	6,025,000	2003	2037	Variable

Sale-lease back transactions

Alliance Energy **	n/a	n/a	n/a	1993	2018	n/a
Lufkin Industries, Inc	72	2,525,000	n/a	2012	2023	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

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

** Transfer of ownership from R,G&E on November 2013. Pilot agreement with Alliance is currently under negotiations.



BUFFAMANTE WHIPPLE BUTTAFARO, P.C.
Certified Public Accountants • Business Advisors

**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, 2013, 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 June 5, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over that we consider to be material weaknesses.

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control, such as that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the accompanying schedule of findings and questioned costs as items II.A.2013-001, II.A.2013-002, II.A.2013-003 and II.A.2013-004 to be material weaknesses.

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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item II.B.2013-005.

Allegheny County Industrial Development Agency Responses to Findings

Allegheny County Industrial Development Agency responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. *Allegheny 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.

Other Communication on Internal Control

We noted certain matters that we have reported to management of *Allegheny County Industrial Development Agency* in a separate letter dated June 5, 2014.

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
June 5, 2014**

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of *Allegheny County Industrial Development Agency*.
2. Four material weaknesses relating to the audit of the financial statements are 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 was one instance of noncompliance material to the financial statements of *Allegheny 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

Year ended December 31, 2013

2013-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

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.

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 statement 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 engaged a bookkeeping service company, Baldwin Business Services, to improve the creation of the Agency records prior to the review by the Auditors.

Year ended December 31, 2012

A similar finding was reported in the prior year as finding 2012-1.

2013-002 Segregation of Duties

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

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.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)

A. INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

Year ended December 31, 2013 (continued)

2013-002 Segregation of Duties (continued)

Auditor's recommendation: 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 has 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. Mail will be received and opened by the Agency's Clerk who is independent of the Staff responsible for preparing and making daily deposits. The Clerk will mail duplicate deposit slips on a weekly basis to Baldwin Business Service. Invoices and payments will be prepared on a biweekly basis by the Confidential Secretary to the Director and will be submitted on a biweekly basis to Baldwin Business Services for check preparation and General Ledger recording. Bank reconciliations will be prepared by Baldwin Business Services and reviewed and approved by the Treasurer of the Board on a monthly basis. The need and availability of a bond for all agency staff will be pursued with the Treasurer of the County of Allegany.

Year ended December 31, 2012

A similar finding was reported in the prior year as finding 2012-2.

2013-003 Purchasing

Condition and criteria: During the audit, we noticed that the Agency currently is lacking controls over approval of purchases of goods and services. The Agency did, however, prepare an operating budget for the fiscal year ended December 31, 2013, and as a result there were some guidelines or stipulations on expenditure levels as authorized by the Board of Directors.

Effect: In the event purchases are made prior to approval, the Agency could incur expenditures that were not authorized by the Board of Directors or management. Also, expenditures may be incurred which do not coincide with Board and management's expectations or philosophy in providing economic development to the County.

Auditor's Recommendations: An effective internal control system is necessary in the purchasing of goods and services to provide better control over expenditures. The Agency should develop an operating budget prior to the start of each fiscal year which is approved by the Board of Directors. Once approved, the Agency should continually monitor expenditures in comparison with the budget. During instances when purchases may exceed budgeted line items, management should seek Board approval to make appropriate budget transfers. Lastly, documentation should exist to substantiate that all purchases were first authorized by a member of management or the Board of Directors.

Agency's Response: The Agency has adopted a budget for the year ended December 31, 2014, which has been posted to the New York State site. Revised reporting to the Board compares year-to-date expenditures to the revised year-to-date budget. A monthly abstract of expenditure detail is reviewed by the Board Treasurer and is approved at the monthly Agency Board meetings.

Year ended December 31, 2012

A similar finding was reported in the prior year as finding 2012-3.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)

A. INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

Year ended December 31, 2013 (continued)

2013-004 Financial Reporting

Conditions and Criteria: During the year, the Agency did not maintain a detailed general ledger or trial balance. Rather, monthly receipts and disbursements are maintained by the Agency in a checkbook and inserted manually into a monthly treasurer's report. We should mention, however, that a trial balance and general ledger were prepared by the Agency in preparation for the audit.

Effect: The effect of not maintaining a detailed general ledger and trial balance is that the Agency does not have the ability to monitor total revenue and expenditures throughout the year, along with its financial position.

Auditor's Recommendation: We believe it is extremely important for the Agency to maintain a detailed general ledger and trial balance. We also recommend that budgeted information be entered into the Agency's general ledger software, so that actual revenue and expenditures can be compared against the budget on a regular basis. As part of this process, the Agency should investigate whether the general ledger software has the ability to generate a Treasurer's report electronically, which may provide efficiency gains.

Agency's Response: The Agency has engaged Baldwin Business Services to maintain the General Ledger on a monthly basis for the Agency including a Balance Sheet and an Income Statement comparing actual and budgeted revenues and expenses for 2014. A revised Cash Flow Statement is also in development. The Agency is also currently reviewing its options with regards to alternative financial software and will weigh the potential costs against the potential benefits of returning the recordkeeping to the existing available Agency staff.

Year ended December 31, 2012

A similar finding was reported in the prior year as finding 2012-4.

B. COMPLIANCE

Year ended December 31, 2013

2013-005 Reimbursement of Payment-In-Lieu Of Taxes (PILOT) Payments

Conditions and criteria: The Agency acts as a pass-through intermediary for a Payment in Lieu of Taxes (PILOT) arrangement established with a Corporation who holds real property located within Allegany County. The payouts were not timely in the current year. During the year, the Agency received semi-annual payments during January and June 2013 of approximately \$253,000 from the Corporation but failed to pass through these amounts to the participating municipalities in a timely manner. Approximately 161 days had lapsed from the date of the January 2013 receipt until full payment to the municipalities and the June 2013 receipt had not been paid to the participating municipalities as of the date of the audit. As of December 31, 2013 there was an outstanding balance of \$77,480 due to Allegany County.

Effect: The Agency is utilizing funds that are required to be passed through to participating municipalities to support its operations during certain times of the year.

Auditor's Recommendation: The Agency should take steps to ensure that funds received from the PILOT agreements are immediately paid to the participating municipalities.

Agency's Response: The Agency is aware of our prior situation and is taking strides to ensure payments are made timely. The Agency anticipates larger revenues with the completion of projects which will make it easier to make these payments in the future.

Year ended December 31, 2012

A similar finding was reported in the prior year as finding 2012-5.