

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

**REPORT ON AUDITED  
FINANCIAL STATEMENTS**

**YEARS ENDED  
DECEMBER 31, 2014 AND 2013**

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **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, 2014 and 2013, 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, 2014 and 2013, 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.

### **Emphasis-of-Matter**

As discussed in Note 9 to the financial statements, net position has been adjusted in the statement of net position as of January 1, 2013, resulting from the adoption of GASB 65 (Deferred Inflows and Outflows of Resources) where prior year bond issuance related costs are expensed when incurred, retroactively.

### **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 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 July 10, 2015, 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  
August 4, 2015**

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**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, 2014. 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, 2014:

- Overall net position of the Agency decreased approximately \$82,000 and decreased approximately \$91,000 during the years ended December 31, 2014 and 2013, respectively.
- The Agency's total support and revenue were approximately \$246,000 during 2014 as compared with approximately \$224,000 during 2013. This is primarily the result of an increase in rental income, in-kind donations, and other income.
- The Agency's total expenses and other uses were approximately \$328,000 during 2014 as compared to approximately \$314,000 during 2013. This increase was primarily the result of an increase in-kind payroll expenses and occupancy costs.
- The Agency had no capital purchases during the current year.

**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, 2014**

**Page 4**

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

Fund Equity

The Agency's total net position was at a deficit of approximately \$257,000 as of December 31, 2014.

Revenue

The Agency's total revenue and other sources were approximately \$246,000 during the year ended December 31, 2014.

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 77% of the Agency's total revenue increased approximately \$11,000 or 6% during the year ended December 31, 2014. This increase resulted from a new lease agreement entered into with a new tenant.
- Revenue from application fees decreased approximately \$250 during the current fiscal year. The decrease is related to the 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 \$39,000 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 \$328,000. 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 \$328,000 during the year ended December 31, 2014 as compared with \$314,000 during the year ended December 31, 2013.
- The Agency's occupancy costs were approximately \$66,000 during the year ended December 31, 2014 as compared with \$58,000 during the year ended December 31, 2013. 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 \$39,000 and \$34,000 for the years ended December 31, 2014 and 2013, respectively.
- All other costs of the Agency totaled \$222,000 in 2014 as compared with \$223,000 in 2013. This decrease is predominately the result of the decrease in interest expense related to long term debt.
- The Agency is responsible to 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 2014 and 2013, pass-through transactions totaled approximately \$0 and \$506,000, respectively. As described in Note 1 of the financial statements, the 2014 PILOT payment was restructured.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

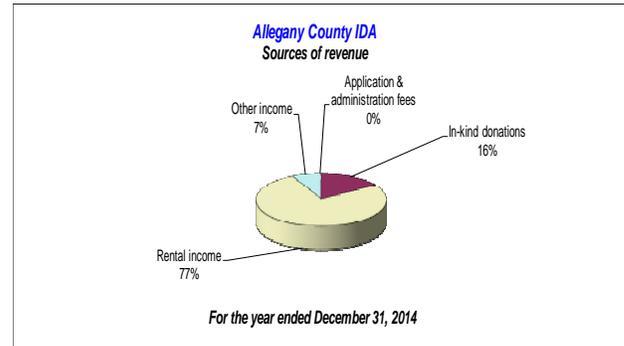
**Figure A-1 – Statement of Net Position**

<b>Allegany County Industrial Development Agency</b>			
<b>Statement of Net Position</b>			
	Total Government-wide		
	2014	2013	% Change
<b>Assets</b>			
Current and other assets	\$ 2,906,052	\$ 2,919,872	0%
Capital assets, net	1,577,854	1,622,623	-3%
<b>Total assets</b>	<b>\$ 4,483,906</b>	<b>\$ 4,542,495</b>	<b>-1%</b>
<b>Liabilities</b>			
Current liabilities	\$ 238,478	\$ 155,845	53%
Long-term liabilities	4,502,520	4,562,088	-1%
<b>Total liabilities</b>	<b>4,740,998</b>	<b>4,717,933</b>	<b>0%</b>
<b>Net position</b>			
Unrestricted accumulated deficit	(257,092)	(175,438)	47%
<b>Total liabilities and net position</b>	<b>\$ 4,483,906</b>	<b>\$ 4,542,495</b>	<b>-1%</b>

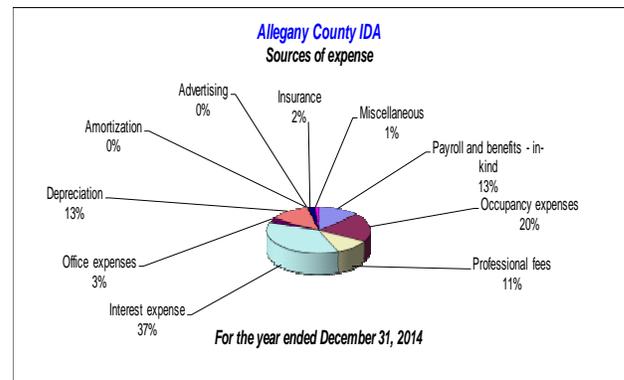
**Figure A-2 Statement of Activities**

<b>Allegany County Industrial Development Agency</b>			
<b>Statement of Activities (in thousands of Dollars)</b>			
	Total Government-wide		
	2014	2013	% Change
<b>Revenue</b>			
Application & administration fees	\$ --	\$ 250	-100%
In-kind donations	39,157	33,630	16%
Rental income	188,871	178,296	6%
Other income	18,029	11,397	58%
<b>Total revenue</b>	<b>246,057</b>	<b>223,573</b>	<b>10%</b>
<b>Expenses</b>			
Payroll and benefits - in-kind	39,157	33,630	16%
Occupancy expenses	66,063	58,396	13%
Professional fees	35,528	33,380	6%
Interest expense	121,102	127,113	-5%
Office expenses	9,400	7,581	24%
Depreciation	44,769	43,059	4%
Advertising	673	827	-19%
Insurance	6,786	9,293	-27%
Miscellaneous	4,233	1,283	230%
	327,711	314,562	4%
<b>Change in net position</b>	<b>(81,654)</b>	<b>(90,989)</b>	
<b>Pass-through transactions</b>			
Revenue	--	506,454	-100%
Expenditures	--	(506,454)	-100%
Net pass-through transactions	--	--	--
<b>Change in net position</b>	<b>\$ (81,654)</b>	<b>\$ (90,989)</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 in the future. The Allegany County Capital Resource Corporation did not have any activity during the years ended December 31, 2014 and 2013.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**VI. Capital Asset and Debt Administration**

Capital Assets

As depicted in Figure A-5, as of December 31, 2014, the Agency had invested approximately \$1,578,000 in a broad range of capital assets, including improvements, vehicles and furniture and equipment. There were no capital additions during the year ended December 31, 2014.

Long-term Debt

As depicted in Figure A-6, as of December 31, 2014, the Agency had approximately \$4,563,000 in notes payable, a decrease of approximately 1% as compared with the previous year. This was due to regular principal payments being made on debt.

**Figure A-5 – Capital Assets**

<i>Allegany County Industrial Development Agency</i>			
<b>Capital Assets</b>			
	2014	2013	Change
Land	\$ 303,205	\$ 303,205	0%
Building and improvements	1,284,172	1,284,172	0%
Construction-in-progress	196,414	196,414	0%
Equipment	17,659	17,659	0%
Vehicle	24,810	24,810	0%
Accumulated depreciation	(248,406)	(203,637)	22%
<b>Capital Assets - net</b>	<b>\$ 1,577,854</b>	<b>\$ 1,622,623</b>	<b>-3%</b>

**Figure A-6 – Long-term Debt**

<i>Allegany County Industrial Development Agency</i>			
<b>Long-term debt</b>			
	2014	2013	Change
Notes payable - long-term	\$ 22,320	\$ 32,243	-31%
Notes payable - vehicle	13,516	16,975	-20%
Mortgage payable - crossroads	668,356	694,170	-4%
Mortgage payable - building	358,884	376,262	-5%
Bond Payable - infrastructure	3,500,000	3,500,000	0%
<b>Long-term debt</b>	<b>\$ 4,563,076</b>	<b>\$ 4,619,650</b>	<b>-1%</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. 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 2015. 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. Jack Wood, Chair  
Allegany County Industrial Development Agency  
6087 State Route 19N  
Belmont, New York 14813

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

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<i>As of December 31,</i>	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 16,082	\$ 23,137
Accounts receivable	5,273	4,833
Total current assets	<b>21,355</b>	<b>27,970</b>
<b>Property and equipment, net</b>	<b>1,577,854</b>	<b>1,622,623</b>
<b>Other assets</b>		
Restricted cash - building reserve	339	339
Restricted cash- infrastructure project	2,884,136	2,891,341
Security deposits	222	222
Loan issuance fees, net of amortization	--	--
Total other assets	<b>2,884,697</b>	<b>2,891,902</b>
<b>Total assets</b>	<b>\$ 4,483,906</b>	<b>\$ 4,542,495</b>
<b>Liabilities and Net Position</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 23,840	\$ 19,783
Line of credit	4,632	--
Advances from grantors	950	--
Due to Allegany County - PILOT reimbursement	148,500	78,500
Mortgages payable - current portion	46,392	44,061
Notes payable - current portion - vehicle, refinanced LOC	14,164	13,501
Total current liabilities	<b>238,478</b>	<b>155,845</b>
<b>Long-term liabilities</b>		
Mortgages payable - long-term portion	980,848	1,026,371
Bond payable - long-term portion	3,500,000	3,500,000
Notes payable - long-term portion - vehicle, refinanced LOC	21,672	35,717
Total long-term liabilities	<b>4,502,520</b>	<b>4,562,088</b>
<b>Total liabilities</b>	<b>4,740,998</b>	<b>4,717,933</b>
<b>Net position</b>		
Net investment in capital assets	(82,225)	(56,468)
Accumulated deficit	(174,867)	(118,970)
Total accumulated deficit	<b>(257,092)</b>	<b>(175,438)</b>
<b>Total liabilities and net position</b>	<b>\$ 4,483,906</b>	<b>\$ 4,542,495</b>

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

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

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<i>Years ended December 31,</i>	<b>2014</b>	<b>2013</b>
<b>Support and revenue</b>		
Fees	\$ --	\$ 250
Rental income	188,871	178,296
In-kind donations	39,157	33,630
Other income	12,429	5,307
Interest income	5,600	6,090
<b>Total support and revenue</b>	<b>246,057</b>	<b>223,573</b>
<b>Expenses</b>		
Payroll and benefits - in-kind	39,157	33,630
Occupancy expenses	66,063	58,396
Legal and professional	35,528	33,380
Interest expense	121,102	127,113
Office expenses	9,400	7,581
Depreciation	44,769	43,059
Advertising	673	827
Insurance	6,786	9,293
Miscellaneous	4,233	1,283
<b>Total expenses</b>	<b>327,711</b>	<b>314,562</b>
<b><i>Decrease in unrestricted net position before pass-through transactions</i></b>	<b>(81,654)</b>	<b>(90,989)</b>
<b>Pass-through transactions</b>		
Revenue	--	506,454
Expenditures	--	(506,454)
Net pass-through transactions	--	--
<b><i>Decrease in unrestricted net position</i></b>	<b>(81,654)</b>	<b>(90,989)</b>
Net position - accumulated deficit, beginning of year	(175,438)	(84,449)
<b>Net position - accumulated deficit, end of year</b>	<b>\$ (257,092)</b>	<b>\$ (175,438)</b>

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

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

<b>Years ended December 31,</b>	<b>2014</b>	<b>2013</b>
<b>Net cash from operating activities</b>		
Reconciliation of decrease in unrestricted net position to net cash provided by (used in) operating activities:		
Decrease in unrestricted net position	\$ (81,654)	\$ (90,989)
Adjustments for items not affecting cash flows:		
Depreciation	44,769	43,059
Amortization	--	2,563
Change in assets and liabilities		
Accounts receivable	(440)	(4,833)
Accounts payable	4,057	14,787
Deferred revenue/advances	950	(600)
Due to Allegany County (PILOT Reimbursements)	70,000	3,019
<b>Net cash provided by (used in) operating activities</b>	<b>37,682</b>	<b>(32,994)</b>
<b>Net cash from investing activities</b>		
Decrease in restricted cash	7,205	67,897
Property improvements and equipment purchases	--	(22,531)
<b>Net cash provided by investing activities</b>	<b>7,205</b>	<b>45,366</b>
<b>Net cash from financing activities</b>		
Net borrowings on line of credit	4,632	--
Proceeds from long-term debt	--	18,644
Repayment of long-term debt	(56,574)	(58,475)
<b>Net cash used in financing activities</b>	<b>(51,942)</b>	<b>(39,831)</b>
<b>Change in cash</b>	<b>(7,055)</b>	<b>(27,459)</b>
Cash, beginning balance	25,700	53,159
<b>Cash, ending balance</b>	<b>\$ 18,645</b>	<b>\$ 25,700</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for:		
Interest	\$ 121,102	\$ 127,113

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

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

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.

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.

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

Tax Lease Program (Continued)

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 \$- and \$506,454 for the years ended December 31, 2014 and 2013, respectively for local municipalities.

During the prior year, 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 calls 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 four equal installments during years ending 2015 through 2018. 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. Because the PILOT payments received are ultimately disbursed and included as pass-through revenue and expenditures, a receivable and payable was not recognized as of December 31, 2014 in the Statements of Financial Position related to the 2014 PILOT payments.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**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 \$- and \$250 in administrative fees, during 2014 and 2013, 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, 2014 and 2013.

**NOTE 2 - RESTRICTED CASH/RESERVES**

As discussed in Note 4, when the Agency executed its mortgage agreement, \$50,000 was received to be utilized towards building improvements. As of December 31, 2014 and 2013, \$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, 2014, \$2,884,136 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:

	<u>2014</u>	<u>2013</u>
Land	\$ 303,205	\$ 303,205
Building and improvements	1,284,172	1,284,172
Furniture and equipment	17,659	17,659
Vehicle	24,810	24,810
Construction in process	196,414	196,414
	<u>1,826,260</u>	<u>1,826,260</u>
Less: accumulated depreciation	248,406	203,637
	<u>\$ 1,577,854</u>	<u>\$ 1,622,623</u>

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

Depreciation expense for the years December 31, 2014 and 2013 totaled \$44,769 and \$43,059, 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, 2014 and 2013, Allegany County Industrial Development Agency incurred \$- and \$3,887, respectively, in costs related to the infrastructure project, which 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 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, 2014 and 2013 was \$13,516 and \$16,975, respectively. Total Interest expense for the vehicle loan during the years ended December 31, 2014 and 2013 was \$674 and \$356, respectfully.

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, 2014 and 2013 was \$1,274 and \$1,127 respectively. The outstanding balance as of December 31, 2014 and 2013 was \$22,320 and \$32,243, respectively.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

**NOTE 4 - LONG-TERM DEBT (CONTINUED)**

Notes Payable (continued)

Current maturities of long-term debt existing at December 31, 2014 are as follows:

<b>Community Bank (Car)</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 3,706	\$ 497
2016	3,867	337
2017	4,034	169
2018	1,909	19
<b>Total</b>	<b>\$ 13,516</b>	<b>\$ 1,022</b>

Current maturities of long-term debt existing at December 31, 2014 are as follows:

<b>Community Bank</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 10,458	\$ 878
2016	10,993	343
2017	869	4
<b>Total</b>	<b>\$ 22,320</b>	<b>\$ 1,225</b>

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.

During the current year, a prior period adjustment was made to expense bond issuance costs due to the adoption of GASB 65 as disclosed in Note 9 that were previously being amortized over the life of the bonds payable. Amortization expense for the year ended December 31, 2013 was \$1,297.

**NOTE 4 - LONG-TERM DEBT (CONTINUED)**

Bonds Payable (continued)

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

	<b>Principal</b>	<b>Interest</b>
2015	\$ --	\$ 70,000
2016	--	70,000
2017	--	70,000
2018	80,000	70,000
2019-2023	435,000	324,900
2024-2028	500,000	279,000
2029-2033	560,000	226,800
2034-2038	625,000	168,100
2039-2043	695,000	102,700
2044-2048	605,000	45,600
<b>Total</b>	<b>\$ 3,500,000</b>	<b>\$ 1,427,100</b>

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:

	<b>Principal</b>	<b>Interest</b>
2015	\$ 18,682	\$ 17,379
2016	19,638	16,423
2017	20,642	15,418
2018	299,922	9,695
<b>Total</b>	<b>\$ 358,884</b>	<b>\$ 58,915</b>

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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.

During the current year, a prior period adjustment was made to expense loan costs due to the adoption of GASB 65 as disclosed in Note 9 that were previously being amortized over the life of the mortgage payable. Amortization expense for the year ended December 31, 2013 was \$1,266.

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>
2015	\$ 27,710	\$ 32,710
2016	29,128	31,292
2017	30,618	29,802
2018	32,185	28,235
2019	33,831	26,589
2020	514,884	26,848
Total	<u>\$ 668,356</u>	<u>\$ 175,476</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 2014 but contains options for renewal. The organization plans to renegotiate this contract in 2015.

**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, 2014 and 2013 respectively, totaled \$39,157 and \$33,630.

**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. As disclosed in Note 1, the PILOT agreement was renegotiated in December 2014 and there was no payments made during the current year. As of December 31, 2014 and 2013, the Agency owed a balance of \$148,500 and \$78,500, respectively, to Allegany County for their share of the 2014 and 2013 PILOT receipts.

<u>Pass-through transactions</u>	<u>Receipts</u>	<u>Disbursements</u>
<u>December 31, 2014</u>		
PILOT payments collected from businesses and remitted to local governments.	\$ -	\$ -
<u>December 31, 2013</u>		
PILOT payments collected from businesses and remitted to local governments.	<u>\$ 506,454</u>	<u>\$ 506,454</u>

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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**NOTE 8 – 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. 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 – PRIOR PERIOD ADJUSTMENTS**

A prior period adjustment in the amount of \$55,457 was recorded to beginning net position as of January 1, 2013 resulting from the adoption of GASB 65 (Deferred Inflows and Outflows of Resources) where prior year bond issuance related costs are expensed when incurred, retroactively.

**NOTE 10 – SUBSEQUENT EVENTS**

Subsequent events were evaluated by management through August 4, 2015, 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, 2014

	Employees	Original Amount	Outstanding Principal	Date of Issuance	Date of Maturity	Interest Rate
<b>Tax-exempt bonds</b>						
Alfred University	600	23,035,000	9,245,000	1998	2028	5.00%
Cuba Memorial Hospital	160	3,000,000	--	2004	2014	8.00%
Atlantic Richfield **	--	7,000,000	6,025,000	2003	2037	Variable
<b>Sale-lease back transactions</b>						
Alliance Energy *	n/a	n/a	n/a	1993	2029	n/a
Lufkin Industries, Inc	70	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. 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, 2014, 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 August 4, 2015.

**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.2014-001 and II.A.2014-002 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.2014-003.

**Allegany County Industrial Development Agency Responses to Findings**

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

**Other Communication on Internal Control**

We noted certain matters that we have reported to management of *Allegany County Industrial Development Agency* in a separate letter dated August 4, 2015.

**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  
August 4, 2015**

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**I. SUMMARY OF AUDIT RESULTS**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of *Allegany County Industrial Development Agency*.
2. Two 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 *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**

**Year ended December 31, 2014**

**2014-001 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 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 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, 2013**

A similar finding was reported in the prior year as finding 2013-001.

**2014-002 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 Quicken 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 its financial position throughout the year.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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

**2014-002 Financial Reporting (continued)**

*Auditor's Recommendation:* We believe it is extremely important for the Agency to maintain a detailed general ledger and trial balance, which includes accounts that allow the Agency for monitor its financial position and includes a balance sheet focus.

*Agency's Response:* The Agency engaged a third-party provider to maintain the general ledger on a monthly basis for the Agency. A budget variance report and cash flow statement was prepared on a monthly basis by the Board Treasurer and it was review and approved at the monthly Board meeting. At the end of the year, all record keeping was returned to the Agency for reporting beginning January 1, 2015. The Agency will begin to develop a balance sheet that can be presented at Board meetings, at least quarterly.

**Year ended December 31, 2013**

A similar finding was reported in the prior year as finding 2013-004.

**B. COMPLIANCE**

**Year ended December 31, 2014**

**2014-003 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. During 2014, the Agency did not receive any pilot payments. The payouts were not timely in the prior year and as of December 31, 2014 \$77,480 of the 2013 pilot had not been remitted 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 the 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, 2013**

A similar finding was reported in the prior year as finding 2013-005.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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**III. PRIOR YEAR FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)**

**C. INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

*Current Status:* A similar comment is being made in the current fiscal year as described in finding 2014-001 above.

**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.

*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 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.

*Current Year Status:* This finding is not being reported upon in the current year. During the current year, much of the recordkeeping responsibilities, including preparation of checks, was transferred to a third-party. In addition, the Board Treasurer received all cash receipts and disbursement transactions during each month from the third-party provider and reviewed activity while preparing Board reports.

**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, 2014, 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.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**III. PRIOR YEAR FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)**

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

**2013-003 Purchasing (continued)**

*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.

*Current Year Status:* This finding is not being reported upon in the current year. During the current year, a budget variance report was prepared on a monthly basis by the Board Treasurer and presented to the Board of Directors throughout the year. In addition, expenditures are reviewed by the Board during monthly meetings.

**2013-004 Financial Reporting**

*Current Status:* A similar comment is being made in the current fiscal year as described in finding 2014-002 above.

**D. COMPLIANCE**

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

*Current Status:* A similar comment is being made in the current fiscal year as described in finding 2014-003 above.