

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

**REPORT ON AUDITED
FINANCIAL STATEMENTS**

**YEARS ENDED
DECEMBER 31, 2015 AND 2014**

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

We have audited the accompanying financial statements of the ***Allegany County Industrial Development Agency*** and its component unit, the Allegany County Capital Resource Corporation, as of and for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, 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 information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise **Allegany County Industrial Development Agency's** basic financial statements. The Schedule of Tax-Exempt Bonds and Sale-Leaseback Transactions is presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Tax-Exempt Bonds and Sale-Leaseback Transactions has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22 2016, 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
March 22 2016**

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015. 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, 2015:

- Overall net position of the Agency decreased approximately \$88,000 and \$82,000 during the years ended December 31, 2015 and 2014, respectively.
- The Agency's total support and revenue were approximately \$327,000 during 2015 as compared with approximately \$246,000 during 2014. This \$81,000 increase was primarily the result of an increase in application and administrative fees primarily related to the Agency issuing tax exempt bonds for Alfred University.
- The Agency's total expenses and other uses were approximately \$415,000 during 2015 as compared to approximately \$328,000 during 2014. This increase was primarily the result of an increase in legal costs, along with increases in maintenance costs and the transfer of administrative fees from the Capital Resource Center to the IDA.
- The Agency had approximately \$69,000 capital purchases during the current year related to the installation of a new heating system. In addition, during the current year, the Agency purchased property held for resale in the amount of \$399,000.

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, 2015**

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IV. Financial Analysis of the Agency as a Whole

Net Position

The Agency's total net position was at a deficit of approximately \$345,000 as of December 31, 2015.

Revenue

The Agency's total revenue and other sources were approximately \$327,000 during the year ended December 31, 2015.

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 59% of the Agency's total revenue increased approximately \$3,000 or 1% during the year ended December 31, 2015. This increase resulted from a new lease agreement entered into with a new tenant.
- Revenue from application fees increased approximately \$46,000 during the current fiscal year. The increase is related to the Agency issuing tax exempt bonds for Alfred University and receiving a fee associated with PILOT payments received.
- During the current year, the Agency had in-kind donations of \$36,000 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 \$415,000. 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 \$415,000 during the year ended December 31, 2015 as compared with \$328,000 during the year ended December 31, 2014.
- The Agency's utility costs were approximately \$34,000 during the year ended December 31, 2015 as compared with \$42,000 during the year ended December 31, 2014.
- The Agency's salaries and benefits were all in-kind services provided by employees of Allegany County and totaled approximately \$36,000 and \$39,000 for the years ended December 31, 2015 and 2014, respectively.
- All other costs of the Agency totaled \$345,000 in 2015 as compared with \$247,000 in 2014. This increase is predominately the result of an increase in legal and professional fees and maintenance costs, along with the transfer from the Capital Resource Corporation to the IDA in the amount of \$41,000.
- The Agency is responsible for collecting payment-in-lieu of taxes (PILOT) payments and remitting them to corresponding municipalities and collections and payments are included as a pass-through transaction on the statement of activities. During 2015 and 2014, pass-through transactions totaled approximately \$75,000 and \$0, respectively. As described in Note 1 of the financial statements, the Agency's existing PILOT program was restructured in 2014, however, limited payments were made during 2015.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Figure A-1 – Statement of Net Position

| Allegany County Industrial Development Agency | | | |
|--|-----------------------|---------------------|------------|
| Statement of Net Position | | | |
| | Total Government-wide | | |
| | 2015 | 2014 | % Change |
| Assets | | | |
| Current and other assets | \$ 3,279,553 | \$ 3,388,967 | -3% |
| Property and equipment, net | 1,102,443 | 1,094,939 | 1% |
| Total assets | \$ 4,381,996 | \$ 4,483,906 | -2% |
| Liabilities | | | |
| Current liabilities | \$ 161,660 | \$ 238,478 | -32% |
| Long-term liabilities | 4,565,713 | 4,502,520 | 1% |
| Total liabilities | 4,727,373 | 4,740,998 | 0% |
| Net position | | | |
| Unrestricted accumulated deficit | (345,377) | (257,092) | 34% |
| Total liabilities and net position | \$ 4,381,996 | \$ 4,483,906 | -2% |

Figure A-2 Statement of Activities

| Allegany County Industrial Development Agency | | | |
|--|-----------------------|--------------------|------------|
| Statement of Activities (in thousands of Dollars) | | | |
| | Total Government-wide | | |
| | 2015 | 2014 | % Change |
| Revenue | | | |
| Application & administration fees | \$ 46,082 | \$ - | n/a |
| In-kind donations | 36,284 | 39,157 | -7% |
| Rental income | 191,521 | 188,871 | 1% |
| Other income | 11,348 | 18,029 | -37% |
| Transfer from CRC | 41,403 | - | n/a |
| Total revenue | 326,638 | 246,057 | 33% |
| Expenses | | | |
| Payroll and benefits - in-kind | 36,284 | 39,157 | -7% |
| Utilities | 33,836 | 41,882 | -19% |
| Cleaning | 13,658 | 11,800 | 16% |
| Lawn | 5,006 | 4,610 | 9% |
| Plowing | 7,978 | 4,366 | 83% |
| Maintenance | 23,903 | 13,047 | 83% |
| Legal and professional | 58,029 | 29,711 | 95% |
| Interest expense | 126,261 | 121,102 | 4% |
| Office expenses | 250 | - | n/a |
| Taxes | 6,245 | 590 | 958% |
| Depreciation | 43,706 | 44,769 | -2% |
| Advertising | 351 | 673 | -48% |
| Insurance | 10,394 | 6,786 | 53% |
| Loss on sale of asset | 2,221 | - | n/a |
| Miscellaneous | 5,398 | 9,218 | -41% |
| Transfer to IDA | 41,403 | - | n/a |
| | 414,923 | 327,711 | 27% |
| Change in net position | (88,285) | (81,654) | |
| Pass-through transactions | | | |
| Revenue | 75,172 | - | n/a |
| Expenditures | (75,172) | - | n/a |
| Net pass-through transactions | - | - | - |
| Change in net position | \$ (88,285) | \$ (81,654) | |

Figure A-3 Sources of Revenue

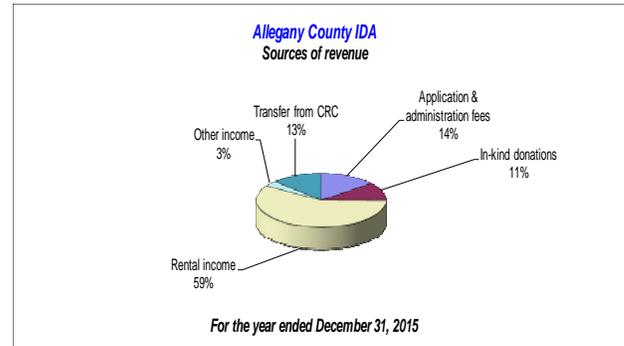
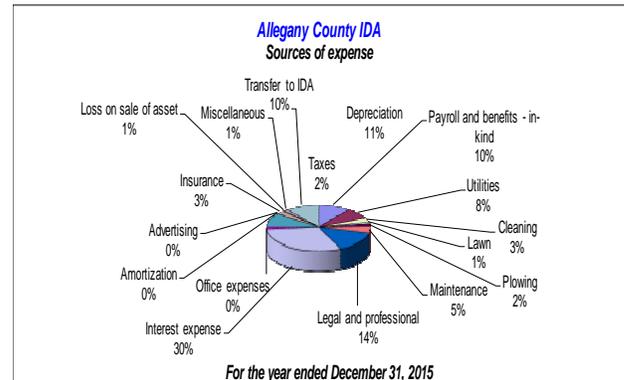


Figure A-4 - Expenses



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.

Net Position

The Allegany County Capital Resource Corporation's total net position was approximately \$2,000 as of December 31, 2015.

Revenue

During the current year the Allegany County Capital Resource Corporation reported approximately \$43,000 in revenue related to application and administrative fees associated with issuing tax exempt bonds for Alfred University.

Expenses

The Allegany County Capital Resource Corporation reported \$41,000 as expenses for the year ended December 31, 2015 related to a transfer to the IDA.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

VI. Capital Asset and Debt Administration

Capital Assets

As depicted in Figure A-5, as of December 31, 2015, the Agency had invested approximately \$1,102,000 in a broad range of capital assets, including improvements, vehicles and furniture and equipment. Capital additions during the December 31, 2015 totaled \$69,000 which consisted primarily of the installation of a new heating system. Land and construction-in-process associated with development of 5884 County Road, Belmont, New York were previously recorded as capital assets. During 2015, these assets were reclassified as property held for resale. Property held for resale totaled \$881,915 as of December 31, 2015 and included property purchased in the current year in the amount of \$399,000.

Long-term Debt

As depicted in Figure A-6, as of December 31, 2015, the Agency had approximately \$4,626,130 in notes payable, a an increase of approximately 1% as compared with the previous year. This was due issuance of a new mortgage payable with the proceeds utilized to pay off a note payable, vehicle note payable and provide operating capital.

Figure A-5 – Capital Assets

| <i>Allegany County Industrial Development Agency</i> | | | | |
|--|---------------------|---------------------|-----------|--|
| Capital Assets | | | | |
| | 2015 | 2014 | Change | |
| Land | \$ 16,704 | \$ 16,704 | 0% | |
| Building and improvements | 1,303,047 | 1,284,172 | 1% | |
| Construction-in-progress | 50,056 | -- | n/a | |
| Equipment | 17,659 | 17,659 | 0% | |
| Vehicle | -- | 24,810 | -100% | |
| Accumulated depreciation | (285,023) | (248,406) | 15% | |
| Capital Assets - net | \$ 1,102,443 | \$ 1,094,939 | 1% | |

Figure A-6 – Long-term Debt

| <i>Allegany County Industrial Development Agency</i> | | | | |
|--|---------------------|---------------------|-----------|--|
| Long-term debt | | | | |
| | 2015 | 2014 | Change | |
| Notes payable - long-term | \$ -- | \$ 22,320 | -100% | |
| Notes payable - vehicle | -- | 13,516 | -100% | |
| Mortgage payable - crossroads | 641,184 | 668,356 | -4% | |
| Mortgage payable - building | 340,603 | 358,884 | -5% | |
| Mortgage payable - equity loan | 144,343 | -- | n/a | |
| Bond Payable - infrastructure | 3,500,000 | 3,500,000 | 0% | |
| Long-term debt | \$ 4,626,130 | \$ 4,563,076 | 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 fall of 2016. 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
COMBINED STATEMENTS OF NET POSITION - ALL FUNDS**

As of December 31,

| | 2015 | | 2014 | |
|---|--|------------------------------------|---------------------|---------------------|
| | Allegany County Industrial Development Agency | Capital Resource Corporation | Total | Total |
| Assets | | | | |
| Current | | | | |
| Cash | \$ 22,942 | \$ 2,179 | \$ 25,121 | \$ 16,082 |
| Accounts receivable | 5,273 | -- | 5,273 | 5,273 |
| Total current assets | 28,215 | 2,179 | 30,394 | 21,355 |
| Property and equipment, net | 1,102,443 | -- | 1,102,443 | 1,094,939 |
| Other assets | | | | |
| Restricted cash - building reserve | 341 | -- | 341 | 339 |
| Restricted cash- infrastructure project | 2,366,681 | -- | 2,366,681 | 2,884,136 |
| Property held for resale | 881,915 | -- | 881,915 | 482,915 |
| Security deposits | 222 | -- | 222 | 222 |
| Total other assets | 3,249,159 | -- | 3,249,159 | 3,367,612 |
| Total assets | \$ 4,379,817 | \$ 2,179 | \$ 4,381,996 | \$ 4,483,906 |
| Liabilities and Net Position | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 31,243 | \$ -- | \$ 31,243 | \$ 23,840 |
| Line of credit | -- | -- | -- | 4,632 |
| Advances from grantors | -- | -- | -- | 950 |
| Due to Allegany County - PILOT reimbursement | -- | -- | -- | 78,500 |
| Due to Allegany County - Accrued interest | 70,000 | -- | 70,000 | 70,000 |
| Mortgages payable - current portion | 60,417 | -- | 60,417 | 46,392 |
| Notes payable - current portion - vehicle, refinanced LOC | -- | -- | -- | 14,164 |
| Total current liabilities | 161,660 | -- | 161,660 | 238,478 |
| Long-term liabilities | | | | |
| Mortgages payable - long-term portion | 1,065,713 | -- | 1,065,713 | 980,848 |
| Bond payable - long-term portion | 3,500,000 | -- | 3,500,000 | 3,500,000 |
| Notes payable - long-term portion - vehicle, refinanced LOC | -- | -- | -- | 21,672 |
| Total long-term liabilities | 4,565,713 | -- | 4,565,713 | 4,502,520 |
| Total liabilities | 4,727,373 | -- | 4,727,373 | 4,740,998 |
| Net position | | | | |
| Net investment in capital assets | (275,091) | -- | (275,091) | (86,922) |
| Unrestricted (deficit) | (72,465) | 2,179 | (70,286) | (170,170) |
| Total net position (deficit) | (347,556) | 2,179 | (345,377) | (257,092) |
| Total liabilities and net position | \$ 4,379,817 | \$ 2,179 | \$ 4,381,996 | \$ 4,483,906 |

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

Years ended December 31,

| | 2015 | | 2014 | |
|---|--|------------------------------------|---------------------|---------------------|
| | Allegany County Industrial Development Agency | Capital Resource Corporation | Total | Total |
| Support and revenue | | | | |
| Fees | \$ 2,500 | \$ 43,582 | \$ 46,082 | \$ -- |
| Rental income | 191,521 | -- | 191,521 | 188,871 |
| In-kind donations | 36,284 | -- | 36,284 | 39,157 |
| Other income | 6,170 | -- | 6,170 | 12,429 |
| Interest income | 5,178 | -- | 5,178 | 5,600 |
| Transfer from Capital Resource Corporation | 41,403 | -- | 41,403 | -- |
| Total support and revenue | 283,056 | 43,582 | 326,638 | 246,057 |
| Expenses | | | | |
| Payroll and benefits - in-kind | 36,284 | -- | 36,284 | 39,157 |
| Utilities | 33,836 | -- | 33,836 | 41,882 |
| Cleaning | 13,658 | -- | 13,658 | 11,800 |
| Lawn care | 5,006 | -- | 5,006 | 4,610 |
| Plowing | 7,978 | -- | 7,978 | 4,366 |
| Maintenance | 23,903 | -- | 23,903 | 13,047 |
| Legal and professional | 58,029 | -- | 58,029 | 29,711 |
| Interest expense | 126,261 | -- | 126,261 | 121,102 |
| Office expenses | 250 | -- | 250 | -- |
| Taxes | 6,245 | -- | 6,245 | 590 |
| Depreciation | 43,706 | -- | 43,706 | 44,769 |
| Advertising | 351 | -- | 351 | 673 |
| Insurance | 10,394 | -- | 10,394 | 6,786 |
| Loss on sale of vehicle | 2,221 | -- | 2,221 | -- |
| Miscellaneous | 5,398 | -- | 5,398 | 9,218 |
| Transfer to Industrial Development Agency | -- | 41,403 | 41,403 | -- |
| Total expenses | 373,520 | 41,403 | 414,923 | 327,711 |
| Change in unrestricted net position before pass-through transactions | (90,464) | 2,179 | (88,285) | (81,654) |
| Pass-through transactions | | | | |
| Revenue | 75,172 | -- | 75,172 | -- |
| Expenditures | (75,172) | -- | (75,172) | -- |
| Net pass-through transactions | -- | -- | -- | -- |
| Change in unrestricted net position | (90,464) | 2,179 | (88,285) | (81,654) |
| Net position (deficit), beginning of year | (257,092) | -- | (257,092) | (175,438) |
| Net position (deficit), end of year | \$ (347,556) | \$ 2,179 | \$ (345,377) | \$ (257,092) |

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENTS OF CASH FLOWS

Years ended December 31,

| | 2015 | | 2014 | |
|--|--|------------------------------------|------------------|------------------|
| | Allegany County Industrial Development Agency | Capital Resource Corporation | Total | Total |
| Net cash from operating activities | | | | |
| Reconciliation of decrease in unrestricted net position to net cash provided by (used in) operating activities: | | | | |
| Decrease in unrestricted net position | \$ (90,464) | \$ 2,179 | \$ (88,285) | \$ (81,654) |
| Adjustments for items not affecting cash flows: | | | | |
| Depreciation | 43,706 | -- | 43,706 | 44,769 |
| Loss on sale of vehicle | 2,219 | -- | 2,219 | -- |
| Change in assets and liabilities | | | | |
| Accounts receivable | -- | -- | -- | (440) |
| Accounts payable | 7,403 | -- | 7,403 | 4,057 |
| Deferred revenue/advances | (950) | -- | (950) | 950 |
| Due to Allegany County | (78,500) | -- | (78,500) | 70,000 |
| Net cash provided by (used in) operating activities | (116,586) | 2,179 | (114,407) | 37,682 |
| Net cash from investing activities | | | | |
| Decrease in restricted cash | 517,455 | -- | 517,455 | 7,205 |
| Proceeds from sale of vehicle | 15,500 | -- | 15,500 | -- |
| Purchase of property held for resale | (399,000) | -- | (399,000) | -- |
| Building improvements and construction in progress | (68,931) | -- | (68,931) | -- |
| Net cash provided by investing activities | 65,024 | -- | 65,024 | 7,205 |
| Net cash from financing activities | | | | |
| Net borrowings (payments) on line of credit | (4,632) | -- | (4,632) | 4,632 |
| Proceeds from long-term debt | 150,000 | -- | 150,000 | -- |
| Repayment of long-term debt | (86,946) | -- | (86,946) | (56,574) |
| Net cash provided by (used in) financing activities | 58,422 | -- | 58,422 | (51,942) |
| Change in cash | 6,860 | 2,179 | 9,039 | (7,055) |
| Cash, beginning balance | 16,082 | -- | 16,082 | 23,137 |
| Cash, ending balance | \$ 22,942 | \$ 2,179 | \$ 25,121 | \$ 16,082 |
| Supplemental Disclosure of Cash Flow Information: | | | | |
| Cash paid during the year for: | | | | |
| Interest | \$ 126,261 | \$ -- | \$ 126,261 | \$ 121,102 |

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

Allegany County Capital Resource Corporation

In July 2009, the Agency formed a non-profit organization under the name of Allegany County Capital Resource Corporation. This entity has the ability to provide such financing to non-profit organizations in the future. During the year ended December 31, 2015, the Corporation issued tax exempt bonds on behalf of Alfred University and received \$43,582 in administrative fees. There was no activity during the year ended December 31, 2014.

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.

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.

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Lease Program (continued)

Only \$75,172 related to the PILOT agreement was received during 2015 and the Agency is currently considering its options with regards to enforcement of the PILOT agreement. Because the PILOT payments received are ultimately disbursed and included as pass-through revenue and expenditures, the PILOT payments are recorded on a cash basis. No receivable or payable is not recognized as of December 31, 2015 and 2014 in the Statements of Financial Position related to the 2015 and 2014 PILOT payments.

Industrial Development Revenue Bonds/Civic Facility Bonds

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

NOTE 2 - RESTRICTED CASH/RESERVES

As discussed in Note 4, when the Agency executed its mortgage agreement, \$50,000 was received to be utilized towards building improvements. As of December 31, 2015 and 2014, \$341 and \$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, 2015, \$2,366,681 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:

| | 2015 | 2014 |
|--------------------------------|---------------------|---------------------|
| Land | \$ 16,704 | \$ 16,704 |
| Building and improvements | 1,303,047 | 1,284,172 |
| Furniture and equipment | 17,659 | 17,659 |
| Vehicle | - | 24,810 |
| Construction-in-progress | 50,056 | - |
| | <u>1,387,466</u> | <u>1,343,345</u> |
| Less: accumulated depreciation | 285,023 | 248,406 |
| | <u>\$ 1,102,443</u> | <u>\$ 1,094,939</u> |

Depreciation expense for the years December 31, 2015 and 2014 totaled \$43,706 and \$44,769, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT (CONTINUED)

During the year ended December 31, 2015, the Agency incurred engineering costs related to a water project that are included within construction-in-progress.

NOTE 4 - PROPERTY HELD FOR RESALE

On January 10, 2012, the Allegany County Industrial Development Agency purchased 18.5 acres of land located at 5884 County Road, Belmont, New York for \$286,500 and improvement costs of \$196,415. The intended use of the land is for potential future site development. The purchase of the 5884 County Road land, improvements and property were funded from proceeds received from the issuance of a \$3.5 million bond. During the year ended December 31, 2015, Allegany County Industrial Development purchased a truck stop and land adjacent to the 5884 County Road land in the amount of \$399,000.

NOTE 5 - LONG-TERM DEBT

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, 2015 and 2014 was \$- and \$13,516, respectively. Total interest expense for the vehicle loan during the years ended December 31, 2015 and 2014 was \$302 and \$674, respectively. The outstanding balance was paid off in June, 2015 with proceeds received from the issuance of the \$150,000 mortgage discussed below.

On January 23, 2012, the Agency refinanced its line of credit with a balance of \$49,981 into a term loan. This loan was 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, 2015 and 2014 was \$1,274 and \$1,274 respectively. The outstanding balance as of December 31, 2015 and 2014 was \$- and \$22,320, respectively. The outstanding balance was paid off in June, 2015 with proceeds received from the issuance of the \$150,000 mortgage discussed below.

Bonds Payable

On February 1, 2012, the Allegany County Industrial Development Agency entered into a bond purchase and disbursing agreement with Allegany County. Allegany County issued a Series 2012A bond in the amount of \$3.5 million with interest at 2%. The net proceeds of \$3,453,280 (after bond issuance costs of \$46,720) were utilized for the acquisition of an interest in various parcels of land along Route 20 in the towns of Friendship and Amity and the construction of water, sewer, and other related infrastructure. Principal payments are not due until 2018. The balance outstanding as of December 31, 2015 was \$3,500,000.

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Bonds Payable (continued)

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

| | <u>Principal</u> | <u>Interest</u> |
|-----------|---------------------|---------------------|
| 2016 | \$ -- | \$ 70,000 |
| 2017 | -- | 70,000 |
| 2018 | 80,000 | 70,000 |
| 2019 | 85,000 | 68,400 |
| 2020-2024 | 445,000 | 316,200 |
| 2025-2029 | 510,000 | 269,000 |
| 2030-2034 | 575,000 | 215,600 |
| 2035-2039 | 640,000 | 155,600 |
| 2040-2044 | 705,000 | 88,800 |
| 2045-2047 | 460,000 | 18,500 |
| Total | <u>\$ 3,500,000</u> | <u>\$ 1,342,100</u> |

The annual interest payment remained unpaid at the end of December 31, 2015 and 2014 and is recorded as due to Allegany County Treasurer on the Statement of Net Position.

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 \$288,000. The balance outstanding as of December 31, 2015 was \$340,603.

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

| | <u>Principal</u> | <u>Interest</u> |
|-------|-------------------|------------------|
| 2016 | \$ 19,473 | \$ 16,588 |
| 2017 | 20,469 | 15,592 |
| 2018 | 300,661 | 9,816 |
| Total | <u>\$ 340,603</u> | <u>\$ 41,996</u> |

NOTE 5 - 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 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 \$483,000. The balance outstanding as of December 31, 2015 was \$641,184.

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

| | <u>Principal</u> | <u>Interest</u> |
|-------|-------------------|-------------------|
| 2016 | \$ 29,025 | \$ 31,400 |
| 2017 | 30,510 | 29,915 |
| 2018 | 32,071 | 28,354 |
| 2019 | 33,712 | 26,713 |
| 2020 | 515,866 | 24,988 |
| Total | <u>\$ 641,184</u> | <u>\$ 141,370</u> |

On June 16, 2015, the Agency entered into a \$150,000 mortgage with Community Bank, N.A. The mortgage is being repaid over a term of 5 years with monthly payments of \$1,630, including interest, at a fixed interest rate of 5.50%. The unpaid principal and interest will be due in full at June 16, 2020 as the mortgage is based on a 10 year amortization period with a five year call. The final balloon payment due on June 16, 2020 will be approximately \$86,000. The balance outstanding as of December 31, 2015 was \$144,343.

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

| | <u>Principal</u> | <u>Interest</u> |
|-------|-------------------|------------------|
| 2016 | \$ 11,919 | \$ 7,641 |
| 2017 | 12,591 | 6,969 |
| 2018 | 13,301 | 6,259 |
| 2019 | 14,051 | 5,509 |
| 2020 | 92,481 | 2,460 |
| Total | <u>\$ 144,343</u> | <u>\$ 28,838</u> |

ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6 - OPERATING LEASES

The Agency leases office space at the Crossroads Commerce Center in Belmont, New York to tenants under various leases expiring through 2016. The leases are cancelable with a stipulation that the tenant provides sixty days' notice. The two most significant leases are with Allegany County. On February 23, 2016, the County Legislature approved two new leases that are effective January 1, 2016 through December 31, 2020. One lease is for 8,000 square feet of space for the Allegany County Department of Aging, Veterans Services and NY Connects and calls for monthly payments of \$8,700, while the other lease is for 4,275 square feet of space for the Allegany County Tourism Center and Conference Center and calls for monthly payments of \$5,800.

NOTE 7 - DONATED SERVICES

The employees of Allegany County provide administrative, accounting and other support services to the Agency. The value of donated services included in these financial statements are recorded as revenue and as a corresponding expense. In-kind salaries and receipts during the years ended December 31, 2015 and 2014 respectively, totaled \$36,284 and \$39,157.

NOTE 8 - 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, 2015 and 2014. As disclosed in Note 1, the PILOT agreement was renegotiated in December 2014, however, only a portion of the payments were made in accordance with the agreement. The Agency is considering its options with regards to the PILOT agreement. As of December 31, 2015 and 2014, the Agency owed a balance of \$- and \$78,500, respectively, to Allegany County for their share of the 2015 and 2014 PILOT receipts.

| Pass-through transactions | Receipts | Disbursements |
|---|-----------------|----------------------|
| <u>December 31, 2015</u> | | |
| PILOT payments collected from businesses and remitted to local governments. | \$ 75,172 | \$ 75,172 |
| <u>December 31, 2014</u> | | |
| PILOT payments collected from businesses and remitted to local governments. | \$ - | \$ - |

NOTE 9 – TRANSFER TO INDUSTRIAL DEVELOPMENT AGENCY

During the year ended, Capital Resource Corporation transferred \$41,403 to the Allegany County Industrial Development Agency to reimburse costs incurred by the Agency for legal fees and administrative expenses.

NOTE 10 – 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 11 – SUBSEQUENT EVENTS

Subsequent events were evaluated by management through March 22, 2016, 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, 2015

| | Employees | Original Amount | Outstanding Principal | Date of Issuance | Date of Maturity | Interest Rate |
|-------------------------------------|-----------|-----------------|-----------------------|------------------|------------------|---------------|
| Tax-exempt bonds | | | | | | |
| Alfred University | 592 | 8,716,483 | 8,091,957 | 2015 | 2028 | 2.90% |
| Cuba Memorial Hospital | 148 | 3,000,000 | -- | 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 | 2029 | n/a |
| Lufkin Industries, Inc | 60 | 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.



**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, 2015, 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 March 22, 2016.

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.2015-001 and II.A.2015-002 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Allegany County Industrial Development Agency Responses to Findings

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

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 March 22, 2016.

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
March 22, 2016**

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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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 were no instances of noncompliance material to the financial statements of *Allegany County Industrial Development Agency* reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards".

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended December 31, 2015

2015-001 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 refined and improved the daily recordkeeping of the agency and refined policies and procedures related to the recording and reporting of revenues and expenditures throughout the year. These efforts have focused on the implementation of a complete and reconcilable record keeping system with monthly reporting to the Board.

Year ended December 31, 2014

A similar finding was reported in the prior year as finding 2014-001.

2015-002 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. In addition, although the Agency prepares a monthly bank reconciliation, it does not have the ability to agree the reconciliation to the cash balance on a trial balance or general ledger.

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. In addition, because cash can not be adequately reconciled on a monthly basis, errors could exist and not be detected in a timely manner.

**ALLEGANY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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II. FINANCIAL STATEMENTS AUDIT – FINDINGS (CONTINUED)

A. INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2015-002 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 to monitor its financial position and includes a balance sheet focus. In addition, maintaining a trial balance will allow the Agency to properly complete the bank reconciliation process.

Agency's Response: A budget variance report and cash flow statement was prepared on a monthly basis by the Board Treasurer and it was reviewed 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, 2016. Additional steps have been implemented by the Agency to reconcile monthly records to the underlying bank statements from all accounts and to the Monthly Income Statement and Cash Flow being presented to the Board. The Agency will begin to develop a balance sheet that can be presented at Board meetings, at least quarterly.

Year ended December 31, 2014

A similar finding was reported in the prior year as finding 2014-002.

B. COMPLIANCE

Year ended December 31, 2015

No compliance findings are being reported upon during the year ended December 31, 2015.

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.

Current year status: During the current year the Agency received \$75,172 in pilot payments that were remitted to the municipalities within 60 days.