COUNTY OF CHAUTAUQUA INDUSTRIAL DEVELOPMENT AGENCY ("CCIDA"), CHAUTAUQUA REGION ECONOMIC DEVELOPMENT CORPORATION ("CREDC") AND CHAUTAUQUA COUNTY CAPITAL RESOURCE CORPORATION ("CRC")

ACCOUNTING POLICIES AND PROCEDURES

The purpose of the Accounting Policies and Procedures is to outline the policies and procedures of the County of Chautauqua Industrial Development Agency (CCIDA) and its affiliates: Chautauqua Region Economic Development Corporation (CREDC), Chautauqua County Capital Resources Corporation (CRC) and such other affiliated entities that may hereafter be established by CCIDA (hereinafter collectively referred to as the "Agency").

Basis of Accounting

The Agency accounts are maintained on an accrual basis whereby revenue is recognized when earned and expenses are recorded when incurred.

Component Units – Cost Sharing

The Agency has two related entities; the Chautauqua Region Economic Development Corporation (CREDC) and Chautauqua County Capital Resource Corporation (CRC), which have the same Board of Directors, have common employees, and have similar missions to foster economic development. As a result, certain costs incurred by the Agency benefit each entity, such as leased space, shared employees, paper supplies, etc. The Agency will allocate costs proportionately to each entity based on a methodology which accurately represents utilization of resources. The Agency updates its allocation methodology annually through the budget process, which is approved by the Board of Directors of each entity.

Cash and Investments

The IDA, CREDC, and CRC will each maintain separate bank accounts (checking and savings). Sufficient collateral for balances that exceed FDIC thresholds will be maintained to limit the entity's exposure to financial risk. Bank accounts will be reconciled to the entity's accounting records monthly, by the Controller, no later than the end of the subsequent month-end. After completion, the bank reconciliations will be reviewed and approved by the Agency's Chief Financial Officer ("CFO"). A signature and date of completion by the preparer and reviewer will accompany the bank reconciliations to evidence its compliance with the policy. Bank reconciliations will be included in the monthly Board of Directors meeting documentation.

Fixed Assets

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated on the straight-line method for buildings and equipment over the estimated useful asset life, which ranges from three to thirty-nine years.

Capital expenditures are defined as expenditures for the acquisition cost of capital assets (land, buildings, equipment), or expenditures to make improvements to existing capital assets that materially increase the asset's value or useful life. For donated assets, the fair market value at the date of the gift will be used as the acquisition cost. Capital expenditures that exceed $5,000.00 shall be capitalized as fixed assets, whereas capital expenditures less than this threshold shall be expensed. Repairs and maintenance which do not materially add to the useful life of the asset or increase the asset's value shall be expensed, not capitalized.

Leases

Effective January 1, 2022, the Agency adopted GASB 87, Leases, as their new standard. GASB 87 establishes a right of use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the combined statement of net position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of less than 12 months will not be recorded as a right of use asset, and lease liability and the payments will be recognized into net income on a straight-line basis over the lease term. The Agency elected to adopt GASB 87, Leases, using the optional transition method that allows the Agency to initially apply the new lease standard at the adoption date, and recognize a cumulative effect adjustment to the opening net position in the period of adoption.

Budget Development and Adoption

Budget development for the Agency is an integral part of program planning so that the annual operating budget outlines programs and activities that will foster economic development in the County for the upcoming year. The CFO has the responsibility for the preparation of the annual budget in consultation with the Chief Executive Officer ("CEO"), which will be provided to the Board of Directors for review and approval. Board approval of the budget will take place no later than the October board meeting preceding the commencement of the new calendar year.

During the year, budget modifications and transfers may be required. Budget modifications under $20,000.00 can be approved by the CEO, while budget modifications in excess of $20,000.00 require approval by the Board of Directors.

Financial Reporting to the Board of Directors

The Agency will prepare and present a Statement of Financial Position and a Statement of Activity each month to the Board of Directors at their regularly scheduled monthly Board meetings. Other financial documents that will be provided to the Board of Directors on a monthly basis may include:

Budget versus actual revenue and expenditures report;
Bank reconciliations prepared and reviewed semiannually;
Cash receipts register showing all receipts received during the previous quarter;
Cash disbursement register showing all checks issued from the previous quarter;
A schedule of outstanding loan balances for each loan fund and a reserve for uncollectible balances;
Listing of new loans disbursed during the month;
Listing of loans written off;
Listing of loans granted special provisions, i.e. interest only provisions;

Schedule of PILOT payments received and paid semiannually;
Schedule of transfers to/from Component Units; and
Report from the Compliance Officer, if utilized.

Publication of Financial Reports

The Agency will publish on its website, prior to March 31st of each year, the audited financial statements, management letter, and governance letter.

IDA Accounting Policies

Loan Funds

Al-Tech Loan Funds

Pursuant to a letter dated April 20, 2006, the Economic Development Authority (EDA) authorized a transfer of the Al Tech Trust Fund to the County of Chautauqua Industrial Development Agency, which previously served as a project packager assisting local industry in preparing the loan packages and recommending local industries for loans from the fund. The Agency reviews and approves loans from the Al-Tech Loan Fund, and otherwise performs all administrative functions for the Fund that had previously been performed by the Job Development Authority. As principal and interest is repaid, the proceeds are used to extend financing to other companies and organizations.

CARES Loan Funds

On September 9, 2020, the County of Chautauqua Industrial Development Agency was selected as the recipient of a $10.5 million grant through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which enabled the Agency to establish a new Revolving Loan Fund (RLF). The RLF provides capital in the form of low-interest loans to both businesses and non-profit organizations to respond to economic injury resulting from the COVID-19 pandemic. The Agency reviews and approves loans from the RLF, and performs all administrative functions for the RLF. As principal and interest is repaid, the proceeds are used to extend financing to other companies and organizations.

Chautauqua Revolving Loan Fund

The Chautauqua Revolving Loan Fund originated from grant revenue received from the Appalachian Regional Commission for the purpose of extending loans to companies for eligible energy improvements. This fund is now operated on a revolving basis and is administered by the Agency. As principal and interest is repaid, the proceeds are used to extend financing to other companies. The Agency has developed standards for advancing proceeds from the fund. These standards have the broader purpose of fostering both job growth as well as the retention of existing jobs, by assisting existing businesses or for the purpose of providing seed capital to start-up ventures.

Administration

The Agency provides administration of the Al-Tech, CARES and Chautauqua Revolving Loan Funds through its Board of Directors, Loan Committee, and employees. The IDA loan application is filled out and is assigned to a Project Manager.

The Project Manager then reviews the application and gets further information such as financial statements, tax returns etc., to back up the applicants need for funding and to show their financial standing.

Upon being deemed complete, the loan application is then presented to the Loan Review Committee. If the Loan Review Committee deems the loan worthy of funding, the committee can then recommend the application to be sent to the Board of Directors for ultimate approval.

Upon recommendation from the Loan Committee, the Board of Directors resolves whether to approve the proposed loan. Once a loan is approved, the Agency Counsel and Company Counsel establish an escrow account supported by an ACH form with cancelled check, promissory note and amortization schedule. Executed loan documents are submitted to the Controller.

The Controller sets the new loan recipient up in the master spreadsheet with routing and account number and puts their amortization schedule as well as their ACH form in the loan binders. The Controller also establishes an online banking account for the new borrower with proper routing number and account number. As per a loan's amortization schedule, payments are then taken via ACH. If a payment is denied or declined, the Controller is notified by the bank whereafter the Controller will confirm the routing and account numbers and/or contact the loan recipient to determine how to process the returned payment.

Establishing allowance for uncollectible accounts

The Agency evaluates each loan for its credit worthiness, level of collateral, payment history, etc. to develop the allowance for uncollectible notes receivable. Because of these general lending uncertainties, the Agency has established a loan loss reserve of approximately 15%-20% of the outstanding loan balance at year end. Management and the Audit and Finance Committee will evaluate the reserve percentage annually based on the overall economic conditions that exist at that time.

Writing off uncollectible accounts

The CEO, CFO, and the CCIDA loan officer will make a recommendation to the Board that a loan be written off after all reasonable efforts to collect on the loan have been exhausted.

Payment in-lieu of taxes (PILOT)

The Agency maintains a PILOT program which is offered to companies who acquire, construct, or substantially renovate facilities suitable for manufacturing, warehousing, research and development, and other industrial purposes. The Agency can affix the tax abatement at a rate necessary to satisfactorily complete a project. The PILOT agreement is the instrument by which the discounted tax payments to be made are structured. All taxing jurisdictions receive PILOT payments in the same proportion as if the Agency did not have an interest in the project.

Per each individual PILOT agreement, a payment schedule is created and added to a master spreadsheet. Using this spreadsheet, Town, County, Village and School PILOT invoices are created separately, unless otherwise stated per the PILOT agreement (solar and wind bill annually for all taxes), for each individual PILOT recipient.

In general, Town and County invoices are sent to PILOT recipients around December 15th with a payment due date of January 15th. Village invoices are generally sent May 15th with a due date of June 15th. School invoices are generally sent August 15th with a due date of September 15th. All PILOT payments are to be paid to the IDA.

Once payment is received (via mail or wire transfer) by the IDA from the PILOT recipient, the Controller then cuts a physical check to the appropriate affected taxing jurisdiction for that amount and sends the payment via mail.

The master spreadsheet is updated with dates invoices were emailed or mailed, dates payments were received by the IDA, and the date and check number of the corresponding payment submitted by the IDA to each taxing jurisdiction. PILOT payments collected by the IDA are to be remitted to the affected taxing jurisdictions within 30 days upon receipt.

Revenue Recognition – Administrative Fees

The Agency receives administrative fees for planning, developing, and administering certain projects. Revenue is recognized when the fees have been earned, which typically parallels when the fees have been billed to the project. There are instances when fees are structured to be paid over multiple years. In these instances, the Agency recognizes revenue at the time construction of the project has commenced and considers collectability of future payments.

CRC Accounting Policies

Industrial Development Revenue Bonds and Civic Facility Bonds

Tax exempt and taxable bonds may be issued by the IDA and/or the CRC for their respective coronate purposes. Bonds are non-recourse to the IDA, CRC, and the County of Chautauqua. The IDA and/or CRC receive administrative fees upon bond issuances. Such administrative fee income is recognized immediately.

IDA, CRC, and CREDC General Financial Procedures

Journal Entries

All general ledger journal entries are required to be prepared by the Controller and reviewed and approved by the CFO. Any journal entries prepared by the CFO need to be reviewed and approved by the CEO. Journal entries are to be recorded in accordance with generally accepted accounting principles, and documentation to support each journal entry is to be maintained and available for review.

ACHs

1) For all loan recipients it is required that they submit ACH information about their bank to the CCIDA. The CCIDA will monthly process the ACH payments on the loans. Checks may be accepted on a case-by-case basis.
2) The CCIDA has an ACH form for loan recipients to fill out and they are asked to also provide a voided blank check so that the CCIDA can match up account and routing information.
3) The Controller maintains a master spreadsheet for all loans and their routing and account numbers that is updated each month with principal and interest according to the individual amortization schedules for each loan. Using this master spreadsheet the Controller adds the new loan and their banking information to the IDA's banking treasury account where the monthly ACH's are saved and subsequently taken. The updated template with the new loan added then gets copied and repeated each month.
4) The ACH form that is given to the CCIDA for the Controller to add to the master spreadsheet and IDA banking treasury account is also saved in the loan file for the client in paper form as well as on the I drive and also in the Controller's master binders with all amortization schedules.

Wire Transfer

1) When a transaction is closed for a PILOT, Sales Tax, or Mortgage Recording Tax exemption benefit and an administrative fee is to be paid to the CCIDA, a Wire Transfer form is sent to the project sponsor.
2) The Controller sends the Wire transfer form with the CCIDA's bank information, routing and account number and SWIFT listed on company letterhead.
3) The recipient then uses our information to submit our fee via wire transfer.
4) The Controller confirms receipt of the wire transfer.

Reviewed and Adopted this 26th day of September, 2023
by the respective Boards of each corporation referenced above.