

THESE MINUTES HAVE NOT YET BEEN APPROVED

County of Chautauqua Industrial Development Agency (CCIDA), Chautauqua Region Economic Development Corporation (CREDC) & Chautauqua County Capital Resource Corporation (CRC)

AUDIT & FINANCE COMMITTEE MEETING

**BWB Building
201 West Third Street, Jamestown, NY
2nd Floor Board Room
&
Electronically via Live Stream on YouTube and Zoom**

March 19, 2024
8:05 a.m.

CCIDA Staff Present:

Mark Geise, CEO
Richard Dixon, CFO
Kayla Strandburg, Controller
Jeanette Lo Bello – CCIDA Staff

Committee Members Present:

Gary Henry
Sagan Sheffield-Smith

Also Present:

Dave DiTanna, BWB
Justin Isaman, BWB

Gary Henry

I'll go ahead and start us off. Good Morning and then we'll turn it over to you.

Justin Isaman

Alright.

Gary Henry

I would like to welcome everybody to the Audit & Finance Committee Meeting of the CCIDA, CREDC & CRC. We are at the BWB Building at 201 West Third Street Jamestown New York. It is 8:05a.m. Also, streaming live via YouTube and Zoom. It's March 19, 2024. We'll start with a roll call.

Board

Aye. Unanimous. (2 Members Present)

Gary Henry

You should have already had a chance to review those. Do we have a motion to approve the minutes?

Sagan Sheffield-Smith

So moved.

Gary Henry

I'll second it.

Gary Henry

All in favor.

Board

Aye. Unanimous.

Gary Henry

The minutes have been approved. We'll move right into New Business –Discussing the Audit of the 2023 Financials.

Dave DiTanna

Thank you very much. What we have in front of you is a copy of the draft audit report. For the most part it's complete. There's a couple yellow highlights that we're just waiting on some information. We also want to talk a little bit about the reserves that we have on the loans which I think is usually during this meeting that we talk through that a little bit, and we have a Management Letter and also a Governance Letter that we'll go through. So, why don't we start with the independent audit report. Justin is going to kind of walk us through it. I'll certainly chime in as well.

Justin Isaman

If you want to go to page one of the of the independent audit report we'll talk about the opinion. This is a clean opinion. Page 1 of this report, the Auditors Opinion –the whole point of us coming out here is that they're in accordance with GAP. Obviously that's a clean audit opinion –no modified (difficulty hearing audio) Good job Rich and Kayla because that's the whole goal of us coming out-to provide that opinion.

Rich Dixon

Thank you.

Pages 3-7 are what's called the Management Discussion Analysis. We won't go through that in detail-there is one section that we have a highlight on page 7-we often get from you guys – really a bullet point talking about future items-things coming down the pipe that you would like to be mentioned in here. So, that is one thing I kind of wanted to point out. Maybe you guys can look at that and try to come up with something to add to that.

Mark Geise

Well, I just read it and it looks pretty good. You nailed it.

Dave DiTanna

I thought it was pretty applicable.

Rich Dixon

As long as it remains the same their basically.

Mark Geise

We can give more details there but...

Justin Isaman

Ok. Then we can go to Page 8 and start talking about numbers. This is you're Consolidated Balance Sheet. It shows each of the funds, what's under the CCIDA umbrella and what's under the CREDC umbrella. Balance sheet wise – the big thing to talk about – one if you were to compare this to last year –pull out last year's financials and look at it – the first thing is property and equipment line is down quite a bit. The Talcott Street building –that is the big driver. It actually pops up in a couple of spots here. The sale of that and the payment of that debt-that's on the CCIDA's books itself. Other than that the other balances –pretty consistent-we do have in our current notes receivable there we have our cash and cash equivalents – about \$11 million. Other assets – the big change here and we'll talk about it when we get to that one sheet where we have to talk about the loans but that allowance for uncollectible notes receivable is kind of always a talking point here. Do you want to go over that now and talk about it? You can see the levels we have right there in parenthesis – about \$1.8 for AL Tech, \$1.8 for EDA Cares and we have a supplemental sheet-the landscape we provided. That kind of breaks out what the reserves were, what the outstanding loan balances are, and what the federal reserve tool – that ELE tool percentage came back with –so that's the levels like this federal reserve document that I utilized to come up with the new kind of allowance method that's what's called CECL required.

Dave DiTanna

Do you want to talk through what some of the inputs are?

Justin Isaman

I had to get ten years historical average write-offs for each of the loan portfolios-each fund. So, I went back in time, went through ten years of financials, pulled out your write-offs –the actual write-offs not the change in the allowance –but the write-offs for each of the funds that had loan portfolios and then applied it along with the average balances to those loan portfolios. Then, also I had to get every single loan you had, and all the interest rates and populate this large document. There was a lot of data input into it but once it worked it created quite a nice document for us. I clicked a button and it calculated what I think they call the warm method of allowance.

Not sure what that weighted average something and that's what came out with these nineteen percent, seventeen percent, thirteen percent.

Mark Geise

Sounds reasonable.

Dave DiTanna

That's the average over time. Over a ten year period which is a pretty long period. Obviously the EDA Cares is relatively new.

Justin Isaman

Yeah.

Dave DiTanna

So, that hasn't been around very long but certainly the AL Tech has. The AL Tech had ten years of data with our history and some years we've written off nothing and other years we had a big write off. So, it's over time and it's kind of the weighted average as Justin mentioned.

Justin Isaman

So that ELE tool came out with \$1.7 for AL Tech – you were at \$1.8 so we kind of felt pretty good with that. We actually rounded them up and got them to twenty percent for the AL Tech, the CRLF and the EDA Cares and we brought up the EDA Cares-even though that ELD tool came out with thirteen percent – part of it is that there is just not as much history as Dave mentioned. So, it's a little bit lower. So, we bumped that up to twenty percent as well figuring it probably will have similar experience as the AL Tech fund. Then, the CREDC –that one is only at five percent but really that is kind of hard. You had \$1.2 million dollars of loans outstanding but more than half of that are deferred-that you have a deferred amount offsetting it already so it's almost like you reserved against it already one hundred percent.

Rich Dixon

Those are the ones that will be forgiven.

Justin Isaman

Yeah. You don't recognize them.

Mark Geise

As long as they comply with the (difficulty hearing audio)

Justin Isaman

So, that's why it's only at five. So, that's where we put you in the financials. We made some slight adjustments. I think the EDA Cares got a little bit more of an adjustments then the other funds but we took you up to those levels and rounded them off.

Kayla Strandburg

Now, can you save all that data and just keep compounding each year?

Dave DiTanna

Yes.

Justin Isaman

Yes. I think I could. It's all in there so I think all I will need to know is what loans are forgiven or paid off and then to take them off I will need new loans.

Kayla Strandburg

Awesome.

Rich Dixon

Justin, you sent me the tool?

Justin Isaman

Yup.

Rich Dixon

I didn't look at it. I just didn't have time. Did you send me the one that you populated or just the blank?

Justin Isaman

The one I populated. So, the one that's got all of your data in it.

Kayla Strandburg

That's great.

Justin Isaman

It actually calculates down to the loan level- what we anticipate your loan one from the AL Tech is going to be –the write-offs on that over time based on the percentage historically written off on each loan. Now, you don't need that much detail really because the majority of your loans are going to get paid. It's kind of a signing of that percentage to all the loans in the bucket but really you know the more likely situation is that you have one bad apple that kind of brings out that balance.

Kayla Strandburg

Is that something I could populate for you in future years?

Justin Isaman

Yeah.

Dave DiTanna

Absolutely. Yup. That would be wonderful.

Kayla Strandburg

Save me time from doing those spreadsheets and sending them to you and then you input.

Rich Dixon

What was the amount on our books? I'm just curious.

Dave DiTanna

So, I think your books were this middle column.

Rich Dixon

The three million three five forty-five?

Dave DiTanna

The three million five forty-five. That's typically how you in prior years- the reserve was kind of set.

Rich Dixon

Right.

Dave DiTanna

It was fifteen percent plus any loans that we thought were troubled were reserved against it as well. So, it was a combination of both and so really for the most part it looks like—actually was that their number? Do you know? That \$1.4?

Justin Isaman

No, I think this was after I adjusted.

Rich Dixon

I think mines a little higher.

Justin Isaman

Yours was higher.

Dave DiTanna

Yours was higher. Yours was actually higher for the AL Tech and lower for the EDA.

Rich Dixon

Right.

Dave DiTanna

This is like historically how it was calculated in the past and so literally the AL Tech fund in 2023 like every single loan was pretty much current. Maybe one exception.

Rich Dixon

That was that little Emergency Working Capital

Dave DiTanna

So, you could argue at the end of the year like everybody was paying for the AL Tech but again I think that history shows us that there are some that are going to be bad. So, seems like it's reasonable to use either nineteen or twenty percent. The EDA loans again their new and you could say the history is showing thirteen percent. If we use fifteen like we did last year we would only be at the \$1.3 but there are a couple of loans there that were a little bit iffy.

Kayla Strandburg

Yeah.

Mark Geise

We don't have a large sample size. It's better to be conservative.

Kayla Strandburg

I agree.

Dave DiTanna

Seems like it.

Rich Dixon

The one we got an appraisal and the forced liquidation value is three times what my loan and STEDO's loan was. So, I was very pleased. Mark and I were a little skeptical. The forced liquidation was a lot higher the other way.

Mark Geise

Right.

Rich Dixon

We're going to find out.

Dave DiTanna

So, what do you think are you comfortable using (difficulty hearing audio)

Rich Dixon

I think it makes a lot of sense.

Dave DiTanna

It kind of mirrors the tool.

Mark Geise

I'd rather be more conservative than not.

Kayla Strandburg

Yes.

Dave DiTanna

Ok.

Justin Isaman

Now, we'll go back to the financials. So, the other asset item to probably talk about is this real property held for resale on the bottom. That's where the north county purchases are fitting. So, as you purchase and add to those properties with the intent to sell –that line is going to grow each year.

Mark Geise

It includes all the Phase I parcels?

Justin Isaman

All the Phase I. About \$1.8 million.

Mark Geise

Before the end of last year?

Justin Isaman

Yup.

Mark Geise

That makes sense.

Justin Isaman

Current Liabilities – the big thing to talk about here is the middle line – the unearned revenue. We have a really nice footnote on it that talks about each program you have and what you have unearned. You have about \$5.8 million dollars in the IDA right now that's unearned revenue. The majority of it is – its two programs right now – it's the North County site – that's got about \$3 million of it and I believe the Broadband is \$2.5. So, that's what's making up that balance. Then, on the CREDC column to the far right \$1.8 million dollars – that's a lot smaller grants for the most part. I think probably the largest one at this point is the Ralph Wilson.

Kayla Strandburg

Yes.

Justin Isaman

There is some money in there. Let's go to page nine.

Dave DiTanna

Just a couple items to mention. So, obviously your cash levels at the end of December, particularly in the IDA, were significant, and that's really again because we received a lot of the funds from the County that were advances and we just haven't spent the money yet. So, its cash and unearned revenue. As Justin mentioned, just like the property and equipment went down, your long-term debt went down because there was a loan related to the Talcott property that basically was forgiven. The County provided something but it was more just like a cash receipt. I'd like to get something a little more definitive that says that they've forgiven the loan. The loan was like \$2 million dollars.

Rich Dixon

The bond.

Mark Geise

Bond- they paid a million down and then we gave them \$1.5.

Rich Dixon

I'm going to email Kitty and copy you. That's the only way we'll get it.

Mark Geise

Even if we have to draft the language I mean I don't know.

Dave DiTanna

That would be fine.

Rich Dixon

Anything from Kitty.

Dave DiTanna

Then, remember last year we had a lot of discussion about the new lease standard which required us to compile the rental primarily for this office space and cost it out and say ok how much do we have remaining on the leases and capitalize that as an asset and then also show it as a liability. So, you'll see included in our liabilities there's a lease liability and that's related to the space primarily. It's also included in your property and equipment and right to use assets. That's probably the predominant asset that we have.

Justin Isaman

Yeah, you have about \$700,000 of the million asset you have in the IDA is really the lease related to this space and smaller portion to the other space you have. Page 9 – if you want to look at each of the funds –you'll see the change here for economic development service agreements- the audit committee's perspective of you were to look at last years –some of that was on the grant income line. So, we created this new line called economic development service agreements so the way we had been treating the ARPA monies coming from the County was really a grant in the past and after further discussion with it they're not viewing it as a pass through grant. They're viewing it as a contract service agreement. So, that changes the single audit –the federal audit we have to do for you guys some because it no longer – it's a requirement for you guys – it also probably really effect how we report it here. It probably isn't (difficulty hearing audio) to call it grant income so we moved it down a line.

Rich Dixon

It makes sense.

Mark Geise

Yeah, it does.

Justin Isaman

So, we have the \$2.4 there – a lot of it is the North County. You've got to recognize \$1.8 of the revenue when you bought that land. So, that's what really driving that. You can see over on the other side – CREDC – you spent a lot of it and a lot of that is grant income. So, there's a lot of the Ralph Wilson, the smaller grants- they do kind of add up over time. Overall, your expenditures if you want to look at the excess revenue over expenditures sources pass-through's you made \$1.6 million dollars in the IDA. Now, that is a little bit misleading because you have an asset sitting on the books now so instead of a normal grant you have income and expense. Here you have income and an asset. It's not hitting your income statement yet. That's what's driving that revenue. You've got to recognize the revenue but we really don't have an expense offsetting it that's hitting our books yet it's a balance sheet item.

Rich Dixon

So, Dave and Justin in three years (difficulty hearing audio) is a big box buys that whole thing and pays the IDA a lot of money how do we account for that?

Dave DiTanna

If the amount equals what you put into it, it's just going to be debit cash and credit the land held for resale. It will have no effect on your income statement. If it's more than what you put into it-

Mark Geise

It won't be.

Dave DiTanna

Some of it will flow – yeah it probably won't be. Some of it would flow through here. If its equivalent to what you paid for it, that's what's sitting in the land held for resale. So, it will be just a balance sheet wash.

Rich Dixon

We no longer feel that any excess or any cash that we would receive the IDA would be able to keep and reinvest in other property, correct? We don't have to turn that back to the County?

Dave DiTanna

That's a good question. I'm not sure.

Mark Geise

There was never any discussion about paying it back. What we want to do is keep it in a separate account and use it to keep buying more land and creating more industrial parks.

Dave DiTanna

Exactly.

Mark Geise

Dedicated. By the way this isn't one and done.

Dave DiTanna

Right. It's going to continue. One of the items – we can talk about this now- we've got a Management Letter, and as Justin mentioned, this funding that ultimately is coming to the IDA is through federal money that was received by the County and ultimately the County – I think the money probably originated at the federal government, went to the State and then went to the County. In the federal world there's what's called a pass-through entity and there is also a sub recipient and there is also a contractor.

A pass through entity is an entity that gets a federal award and passes it through to what's called a sub recipient.

Mark Geise

County.

Dave DiTanna

That would be-

Mark Geise

The State, the County

Dave DiTanna

NYS is for sure a pass through entity, because their getting the federal money originally and their passing it through the County. The State still has some responsibility with respect to that federal money. They have to what's called monitor the sub recipient. They have to do a risk assessment on whether or not they're going to comply with laws and regulations. They might do some follow-up potential- send me some information so we can monitor it. They would look at the County's audit to see if there were any findings with respect to that money and that's part of the monitoring. Well, there can be more than just one pass-through. It can go to multiple folks but ultimately the sub-recipient is the one that's responsible for insuring that the grant requirements are being met. They're the ones responsible. The pass-through entity monitors it but ultimately the sub-recipient is required to follow the letter of the law with regards to the federal money and so the discussion we had with the County was how are you treating the IDA? Are you treating the IDA as a contractor which doesn't pass through the requirement or are you treating them as a sub-recipient? Ultimately the discussion we made the determination –the County – that we're treating the IDA as a contractor not a sub-recipient which ultimately means the laws and regulations are still with the County as prescribed by the federal government. The IDA still has to follow the contract –the agreement – but as far as the federal guidelines, that still lies with the County. That's important for how it gets treated on the financial statements. What are Management Letter kind of says is there are some stipulations with any federal grant on how you can spend it, how you if you for instance earn interest on funds does it have to go back to the federal government or not. If you buy property or if you buy equipment and then you sell it what happens to that. So, our comment is even though we're designated as a contractor because there is a relationship between the IDA and the County I think it would be prudent for the two parties just to make sure –like is there any potential issues-like if we do sell this property and recoup some dollars are we allowed to keep it or does it have to go up to the federal government. Those are kind of the discussions-we're just kind of saying it would be prudent to do because ultimately if you know five years from now the federal government comes in and says no we've still got property that needs to go back to the federal government –yeah that's more the county's problem but would it trickle down to the IDA. We're just kind of leaving it up there.

Rich Dixon

Dave, every state got an allocation on the ARPA money. NYS, every county, every city or just the metropolitan areas- I don't know how they did it –they have a lot of contracts.

Dave DiTanna

Oh yeah.

Rich Dixon

How do other states do it? Do you know?

Dave DiTanna

Pretty similar. I think everybody did a little bit different-would be my guess. Just like all this federal money it was really ultimately whoever got the money they decided what was the most need in our area. That was the beauty of it really. I think that was the intention of it.

Rich Dixon

It was kind of like the Cares money. They called us and said can you spend this. Yes. Then they said spend it as fast as you can.

Dave DiTanna

Exactly and some of the money actually the majority of the money at least that's coming to the IDA was through this revenue loss and so the county- some of that funding had a little less restrictions on it. As an example is under normal courses like federal interest does have to go back to the federal government right in the regs. There was an exception for some of this ARPA funds that basically said we're going to exclude that portion of the federal guidelines because this was revenue lost type stuff. Maybe the same applies if we sell property but those are the kinds of things where we can say hey let's make sure we're kind of reviewing and understanding so that something doesn't come back five years from now and bite us.

Rich Dixon

How would that look? Would that be in another agreement with the County or just a letter of explanation?

Mark Geise

A conversation.

Dave DiTanna

Yeah. Just a conversation and a review. If you think there are items where it might not necessarily be black, white and grey you might ultimately go to the program administrator at the federal government and say hey this is our plan, we just want to make sure what we're thinking is going to work going forward and get their buy off on it.

Mark Geise

Well, I can tell you I was involved obviously the conversations about the ARPA from early on. There is not thought that this money needs to get paid back. Zero thought of that so I feel pretty good about that. We'll have that conversation just to make sure so we can put it to rest.

Dave DiTanna

I think it would be worth wild.

Kayla Strandburg

Who and when ultimately makes that decision?

Mark Geise

Well it would be in the regs right?

Dave DiTanna

Yeah. The regs are the ones that dictate it. Then you know who would require it. I mean it would be us to follow the regs. Certainly if we didn't follow the regs, the federal government is eventually going to do audits of these types of funds and then potentially, it doesn't say it's absolutely going to happen, but there's the chance that they could come in and review it and say (difficulty hearing audio)

Kayla Strandburg

(difficulty hearing audio)

Mark Geise

Understood.

Dave DiTanna

Thank you.

Justin Isaman

So then talking about the other funds and where they kind of ended up – revolving loan fund lost about \$30,000 but if you really look there's that bad debt expense recovery line –that's really what's driving that loss. That's an expense adjusting that reserve up. AL Tech fund gained made about \$157,000- that's really just interest-we didn't adjust that reserve too much. It's really just the interest being earned on the loans. EDA Cares lost about \$300,000 again you can go up to that bad debt expense line and see what's driving that. If it wasn't for adjusting the bad debt expense you would have made about \$140,000 and similarly in the CREDC. You made \$115,000 – the \$82,000 of it is really –its's a bad debt recovery because we adjusted that debt expense down so it's adding to your net income. Without that you would have made about \$30,000 which us what you would expect. Those programs really for the most part are money in money out. You don't expect to make a lot of money there. Talking about this little group called other financing sources, as Dave mentioned the sale of the building and the loan forgiveness –so we have that broken out- what you actually lost on the sale of the building which was about \$118,000 then what you've gained by being able to right off that debt related to it. So, you lost \$118,000 lost gained \$978,000. So, a net positive for the IDA of \$860,000.

Dave DiTanna

So, basically included in the property and equipment was a cost that was more than your proceeds, so that was a loss, and the loan balance plus in addition to the loan because the loan agreement had wording that there was interest to be accrued on it, there was also interest that had accumulated on the loan that was also recorded as a forgiveness. So, again the total amount that we remitted to the County were the proceeds were less than the original loan balance plus the accrued interest and that totaled \$978,000 as a forgiveness.

Justin Isaman

The accrued interest was three hundred and twenty-something dollars.

Mark Geise

Exactly. It was like \$2.3 total.

Rich Dixon

And the County never recognized on their balance sheet any revenue. They didn't think they were ever going to get it so they never even recorded it. The highest it ever was was a million –two million –their accounts receivable. Then, they wrote off a million a few years ago. Mark was involved with that and then so again they were pretty happy when they got \$1.34. We'll get that letter from Kitty.

Rich Dixon

Can I ask one question?

Justin Isaman

Yeah. Go ahead.

Rich Dixon

The prior period adjustment in CREDC?

Justin Isaman

Yeah. That is the-so there was revenue that was recognized in the prior year that really should have been deferred. So, one of the programs we recognized \$56,000 of revenue in that program, but then Kayla and Nate were reviewing it. They said not we should have deferred that we are spending that now. So, they pulled it out of equity put it into a deferral.

Rich Dixon

Thank you.

Justin Isaman

We'll move over to the cash flow but this shows the ins and outs. It can be kind of complicated to follow along at times but it's a good summary of where your cash came from and what you spend your cash on.

Dave DiTanna

So, ultimately the sale of the Talcott was kind of an in and out. Really ultimately it affected our cash right when we got it but then we distributed it to the County. So, it really had no overall impact on our total cash balance. Again, the biggest thing is the fact that we got a lot of money for the economic development service agreements. Most of which is deferred at the end of the year.

Mark Geise

Yup.

Rich Dixon

I hated this sheet.

Dave DiTanna

I'll tell you your cash flow is complexity. It's not an easy cash flow. I can tell you that.

Rich Dixon

I'm sure. What did it used to be called Dave? It wasn't cash flow it was something else. It was a little easier.

Justin Isaman

Pages 11 and 12 –these are your fiduciary accounts – so what it really is is the retirement accounts you hold for your employees. You'll see the one column is highlighted. We just haven't got the information from Nationwide yet.

Kayla Strandburg

I'll call customer service. They don't want to seem to respond to emails.

Justin Isaman

So, then we'll go to footnotes. Let's go to Page 15 actually. Many of the footnotes start there-similar to prior years. Page 15 you have the real property held for resale-that's where the North County items are being held so you can see there you had \$1.8 to get to your total property held for resale balance of \$2.7. It's quite the addition there. If you want to go to the next page you have the property and equipment footnote. You can see there the effect of Talcott and getting rid of that asset or selling off that asset now that it went to zero this year-actually some other equipment that went with the building that had been recorded there with that as well and that's what the \$59,000 is. Page 17-As I mentioned earlier we have a nice footnote where kind of have a narrative format of each of your unearned revenues-each of your programs where you haven't spent all of the money yet. The one thing Dave and I kind of discussed the idea of possibly turning this into a chart instead of a page and a half of paragraphs just because you have so much more activity then you used to. When you had two or three of them it kind of made sense to just have a couple of blurbs on it but now that you've gotten to the point where you gave close to twenty it might make sense to have more of a chart to follow along. Ultimately these are your financials so whichever.

Rich Dixon

I like the notes. I'll be honest with you. It's very helpful for me. Kayla probably understands it a little more.

Mark Geise

You love spreadsheets.

Rich Dixon

I do. This is my momma's spreadsheet. This is helpful. Helpful for the Board too Gary. I'll be honest with you.

Gary Henry

Yes.

Justin Isaman

Any of the programs you'll see where the monies came from, what its meant to be spent for, how much you spent in the current year and how much is left in that program- denoted in each of those.

Rich Dixon

I think it's helpful to have the narrative because we use this in some of our reports to the state and their not big chart people. It's just helpful when we do our reporting as well.

Mark Geise

I wonder if you shouldn't label that column as the numbers. You've got the balance, you've got the debt that was paid – on page 19

Justin Isaman

Page 19 starting with the loans. So these are the notes receivable- these are the balance owed. Maybe add that. So these are- we have each of your loan portfolios, your revolving loan, your AL Tech trust fund, your EDA Cares, and what each loan is at –the balance, the current monthly payment should be or if it's some other payment schedule -most of yours are monthly and what the interest is and maturity date. So, every single loan in your portfolio is in here.

Justin Isaman

Incredible amount of work. Nice work.

Justin Isaman

The one thing on Page 20 – I can't remember if I asked you for this. We usually disclose the loans committed that haven't been paid out, so I think EDA Cares there are none because you've spent all that money so far so there's nothing coming down the pipe but AL Tech I think there were two loans I saw approved later in the year that hadn't been released yet.

Mark Geise

Makes sense.

Justin Isaman

Page 23 note 10 your long-term debt – you’ll see here the big change compared to last year. That \$2 million gone for the Talcott and it talks about the interest paid on your debt –currently \$44,000. As Dave mentioned the right of use assets and the liability it’s kind of a nice footnote to show what those numbers he’s talking about are. The present value of the lease is \$796,000 but the asset (difficulty hearing audio) the two items.

Mark Geise

What is the 2029 and thereafter? That \$320?

Justin Isaman

So, it goes through 2031 so that’s three years of payments.

Mark Geise

Ok.

Justin Isaman

The final three years. Note 12 – Kayla does a lot of work on those pass-through transactions for the PILOTS but that’s an important footnote. Trust is put in you guys to manage that program so I think that’s an important footnote. No issues this year. I think it’s been three or four years since we reported on that.

Rich Dixon

It’s interesting as we’ve had some other legal people in to look at some of the things we do –our policies and procedures – as far as they know we’re the only county that elects and disperses PILOT payments. The only IDA. The other IDA’s will make the deal and then they will take the PILOT to the assessor and hand it to them and to the taxing jurisdiction and say here. You go figure it out. You go collect.

Kayla Strandburg

I’m actually on board with that.

Rich Dixon

I’m sure. In my twenty years the reason it happened was it was so hard that the county just never quite got a handle on it and then they just pushed it back to the IDA. It is a tremendous amount of work and I agree Kayla’s done a great job with that. I mean it’s complicated. Very complicated.

Kayla Strandburg

(difficulty hearing audio) that was rough.

Rich Dixon

If you have a tax rate of 17.01378 and you put in .01375- that's sixty bucks and you might get written up for that someday. Kayla has a great relationship with a lot of the assessors and there's a lot of them. She's done a great job. Great job Kayla.

Justin Isaman

Also on Page 24 you'll notice the yellow highlight –that's the Nationwide again – as soon as we get that information we can put that in. Notes 17 and 18 – these have gotten a little smaller the last couple of years. When I first took the job from Kyle I think years ago you had like seven wind farms there was a lot of them. You're down to just one last one to pay-Cassadaga. Then you have the other projects – the future payments broken out there for Pages 24 and 25.

Dave DiTanna

All the projects through now have basically – we recognized the income when a project had commenced- when there were shovels in the ground and then set up the schedule, recorded the receivable –every single project has followed the (difficulty hearing audio). We had one that actually paid a little bit ahead of time.

Rich Dixon

Yeah they did.

Dave DiTanna

But everybody else paid exactly according to schedule.

Rich Dixon

This year our very large solar farm-papers are flying to close on that.

Mark Geise

Is that three? Are they going to pay over three years?

Rich Dixon

No. It's like five or six-1.9 altogether 1.8 we're stretching that out.

Dave DiTanna

Great.

Rich Dixon

I just sent Mark an article yesterday. The price of solar panels has dropped seventy percent. It was interesting. China operates much like the United States with states but the states are a lot more autonomous. They have their own funding so they all funded these solar panel plants and they started making them. It wasn't enough.

Mark Geise

Huge.

Rich Dixon

Then all of the sudden China realizes wow we can't sell these so their just dumping them on the market- seventy percent. So, we're going to see a lot of activity here soon. Their stockpiled not only there but in the states. States have stock piles too.

Dave DiTanna

Interesting.

Rich Dixon

Amazing.

Justin Isaman

So, continuing on Page 25 -some good footnotes on your EDA Cares and your Partnership for Economic Growth Funds- talks about what you've spent so far on both. EDA Cares now it's kind of a revolving phase in the next couple of years that footnote will drop off. We didn't always disclose the AL Tech like that. This was the last year you gave out a loan so we kept that in there. Note 23 – sale of Talcott Street- just a lost transaction –so that was disclosed – talking about the balances – how much was received – how much was paid – how much you had on your books for the asset. So, that's all broken out there. Then 24 the property adjustment you asked about there -\$56,000 of revenue that could've or should've been deferred. So, there's a bunch of good supplemental schedules. I won't go over them in detail. The CREDC information is broken out between CPEG and CREDC itself. Rich, your page 27, I've heard back from three of them. JCC Foundation, Jamestown Center City Development and NRG.

Rich Dixon

I think Lutheran that was M & T right?

Justin Isaman

Yeah, I think I may have gotten another one yesterday.

Rich Dixon

Yeah. I think we got all the M & T's. Two of the M & T's came from somebody else and the third came from Kevin himself. I'll make sure I forward the emails if I didn't.

Justin Isaman

The one thing I noticed though NRG and I think Jamestown Center City Development were paid or refunded.

Rich Dixon

Yeah. Refunded.

Justin Isaman

So, if they're refunded do they come off your schedule?-because you really weren't a part of that refunding correct?

Rich Dixon

Well, I had to sign papers so we're still in it. I have to report the balance.

Dave DiTanna

You do.

Justin Isaman

Ok.

Rich Dixon

Yeah. Absolutely and NRG never paid. That bond has been the same. That's how they operate. They just keep it on the books until – they don't mind paying interest I guess.

Justin Isaman

So, then you want to go to page 32. So, we were required to provide you two other letters. The first one is Government Auditing Standards since you're technically a government entity. So, we do have this letter. There is one finding that we are reporting on that. Its finding 22301 and then Page 34 the Uniform Guidance. This is because you're receiving federal funds over \$750 so we're required to audit your programs. We looked at your EDA Cares Fund and there is a finding relating to that. It's the same finding that's on the Government Auditing Standards. So, if you want to go to Page 37 we can talk about that. Page 37 breaks out the finding. What that finding is really related to –it's the Weber Knapp loan in the EDA Cares Fund- it was for the purchase of stock. So, you loaned a million dollars for those local individuals to be able to buy the company. There are pretty clear language in the loan that or in the compliance requirements for that grant that if you do that, one it's not allowed but you could get around doing that if it met a couple of stipulations, and those stipulations really need to be documented. I think that's really what our finding is about-that you felt it met one of the stipulations so you would approve it like you approved any other loan. It may have been discussed in Executive Session but it wasn't memorialized in the minutes that we understand that this may be an exception.

Rich Dixon

So, did it just need to be in the minutes or did it need to be in the Resolution?

David DiTanna

Probably both.

Kayla Strandburg

Both.

Rich Dixon

Ok. Alright.

Dave DiTanna

So, the three justifications are one imminent closure of the facility, two would be a significant expansion, and three was a significant additional jobs – so job growth. So, one of those three have to really be the rationale for providing the stock ownership.

Rich Dixon

While it was in the application that there was good possibility that it would be sold – assets would have left – we didn't have it in the minutes and we didn't also put it in the Resolution. So, we are having Greg Peterson review that Resolution and we will amend that next week at the March Board Meeting. That will be the same for a loan that's coming that we just had at the Loan Committee. Same situation – we know that was going to close – we will document it in the minutes and we will also put a whereas in the Resolution.

Dave DiTanna

So, there's a spot for agency response. I think if ultimately we're going to do the amended and it's going to happen I think it's worth putting that right in here.

Mark Geise

Let's do it.

Gary Henry

I recall discussing on this Weber Knapp one that we were afraid that it was going to leave the area if it was bought by some capital company or whatever so that was our justification but we can certainly get it in writing and add that in there so that way it's real clean and tidy.

Dave DiTanna

Exactly.

Justin Isaman

So, yeah, in that finding you'll notice also kind of appears down below as 2302 because the government auditing standards that comes across as a compliance finding but similarly it's a compliance finding on the single audit. So, it's kind of on both schedules but it's the same finding. So, then we also provided you two other letters. We'll talk about the Management letter first. Dave kind of talked to through it already but this is – they're talking about the service contracts – this is the one titled we have completed your audit at the top of the one page. That is the Management Letter on the service contracts just making sure you're following-up on those agreements. Making sure they're actually written as service contracts and that the requirements are being adhered to if they are required by you. That's ultimately if you're going to be held responsible for those federal requirements you need to make sure you are complying. Then the other letter is the Governance Letter. This is

to the Audit Committee and Management talking about the audit, whether we had any difficulties, whether there was any issues during the audit. It's a normal clean letter but we have one audit difference that we report to you every year. You guys don't report accrued payroll. So, instead of accruing payroll- this would be when you pay people the first week in January it's really December's time. You should have recorded that as a liability. You have never done that. So, because of that it's actually only a \$2,000 difference because really the real difference to your financials is the change in that accrual not the whole balance. So, it's a minor difference.

Kayla Strandburg

We talked about this – a month ago or two ago.

Rich Dixon

Yeah. You know it's interesting. Every seventeen years you have twenty-seven pays in a year-bi-weekly. I found that out the hard way. I was working at JCC and they gave me a raise and by the way we're dividing it by twenty-seven because there's twenty-seven pays in a year. I said what?

Mark Geise

That happened with the County this year. People were going wait a minute.

Rich Dixon

Mike Metzger was livid, so what he said to do, and maybe we should talk about that at some other point. He said pay people every two weeks. Make their letters say your salary will be x every two weeks. Now, the accrual still comes into place but we won't have to divide by twenty-seven because that's what it says.

Justin Isaman

Our pay at BWB is the fifteenth and thirtieth. That really never comes into play because it's always the fifteenth and thirtieth. We audit a lot of lecture cooperatives and they had that same thing happen. It was a big stink because what do we do. Are we going to go back and ask people because they didn't divide by twenty-seven? They forgot to do that. They didn't realize it was going to work out that way.

Rich Dixon

On December 31st they've got to write another paycheck.

Justin Isaman

So, everybody got an extra paycheck. Then it was like well what do we do? Do we ask for money back from all of our employees? It happened to all of them.

Mark Geise

Bonus.

Justin Isaman

Well most of them chose to do. It was a big topic of discussion.

Rich Dixon

It would be hard at that point. I mean it was hard enough to do it in January let alone in December.

Kayla Strandburg

Wow. I better pay more attention to that then- huh?

Mark Geise

Well, nice work. I mean my God.

Rich Dixon

It's been a pleasure Dave. Thank you.

Mark Geise

Amazing amount of work.

Rich Dixon

You know, Dave and I talk throughout the year too. It's helpful for me to have someone I can call and run stuff off of. It's getting more and more complex every day. Thank you Dave. Thank you Justin.

Kayla Strandburg

Thank you.

Dave DiTanna

One of the items- Rich and I had a little bit of a discussion on that I would like to bring up- Obviously, you had an ABO Audit you created a lot of policies recently and then modified some procedures as well. One of the things that I mentioned to Rich is that you could consider, one of the engagements that we could provide, is called an agreed upon procedures agreement where we would kind of like – and it would really be you – it would be outlining – we could work with you but ultimately you would accept like here's the procedures that would take place – an example might be I know one of the items was not to pay credit cards via electronically. So, maybe one of the procedures would be review three months of activity and were there any credit cards paid – it would just be yes or no – the report would say reviewed and nothing to report. You could list ten or twelve procedures.

Justin Isaman

Go through the audit and go through the recommendations

Mark Geise

Without procedures the policy doesn't mean a lot right? I mean you sort of have to have the procedures that follow the policy and it's something that we have been talking about with everything else going on, but I think

that that's a good idea. Maybe we start with the low hanging fruit. Some things will be really simple. Other ones might be more complex.

Rich Dixon

I think the biggest thing is the credit cards because that's the thing we changed the most.

Mark Geise

Yeah.

Kayla Strandburg

So, are we talking about some form of internal controls narrative as well?

Dave DiTanna

Well, this would be more like

Kayla Strandburg

Higher level?

Dave DiTanna

Well, I think this would be more like here's what you said you were going to do, did you do it? Another example is like the pass-throughs. There were a couple of comments on the pass-throughs. So we would say this is what we're going to test and did it happen or didn't it happen. Obviously a lot of the policies you just put in place so as time pass are you doing it or not? (difficulty hearing audio)

Mark Geise

It could even be something like – it would sort of dictate – somebody uses the credit card and buys lunch. They get the receipt, and they do an agenda from that meeting, and then they attach the three together. They give it to Kayla and then Kayla enters it into the system and then she waits for the billing statement to come and then checks it against the receipts – you know what I mean right? So, it's like a procedure. It follows the policy.

Dave DiTanna

What I'm recommending isn't necessarily us developing the procedures.

Mark Geise

No, I know.

Dave DiTanna

It's more testing.

Kayla Strandburg

Are you following what we said?

Dave DiTanna

Are you following what you said?

Mark Geise

We have to have the procedure in place then you would test it.

Dave DiTanna

You've got to have the procedure in place.

Rich Dixon

Those are those internal – what do you call them?

Kayla Strandburg

It starts with internal control narratives.

Mark Geise

Same thing.

Rich Dixon

Yeah. Can we pick three now Dave and look at them at the end of the year? July or June?

Dave DiTanna

Yeah

Rich Dixon

What would be your recommendation – where we start? That would be helpful for us.

Dave DiTanna

Why don't we look at the report and then we can

Justin Isaman

You pick a couple that you think are the highest priority.

Rich Dixon

I know you'll have that Mark.

Mark Geise

Yeah.

Kayla Strandburg

Find a new engagement letter and all that - I'm assuming

Dave DiTanna

That make sense.

Mark Geise

I like that.

Dave DiTanna

So, we've got a meeting next Tuesday.

Rich Dixon

Dunkirk.

Dave DiTanna

Dunkirk. So, again we'll get the Nationwide information which we need and you're going to contact the County to try and get something on the forgiveness.

Rich Dixon

I got it down,

Dave DiTanna

The response to the finding – maybe we can write something up on that- you can write something up on that and we can plot that in there.

Rich Dixon

Would it be appropriate to just say from point forward – can we say it was discussed extensively at both Loan Committee and in Executive Session – we will document it in the minutes and also have it in the resolution. Does that sound like a good response?

Dave DiTanna

I think if it does get amended on the 26th -I would even say that because this will be dated the 26th.

Mark Geise

So, we'll say it was amended on the 26th to include language about the imminent closure.

Rich Dixon

That will be the first order of business before they do the audit. We'll do it before they actually do the audit. I think that makes sense.

Mark Geise

That will be on the agenda. Resolution number- it will be the same Resolution number -it won't be a new one.

Jeanette Lo Bello

Ok.

Rich Dixon

I've sent the draft to Greg. He is reviewing it. Wherever Greg is. I forget where he went this time.

Jeanette Lo Bello

Gary do you want to adjourn?

Gary Henry

All set. Was there any Old Business to come before the Committee? Hearing none we will consider the meeting adjourned.

The meeting was adjourned at 9:01 a.m.

Secretary

Chairman

