

THESE MINTUES 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**

February 10, 2025
9:03 a.m.

CCIDA Staff Present:

Mark Geise, CEO
Richard Dixon, CFO
Shelby Bilskie, Successor CFO
Kayla Strandburg, Controller
Rosie Strandburg – CCIDA Staff

Committee Members Present:

Gary Henry
Sagan Sheffield-Smith
Dan Heitzenrater (Arrived at 9:12 a.m.)

Also Present:

Dave DiTanna, BWB
Justin Isaman, BWB

Gary Henry

I would like to welcome everybody to the Audit & Finance Committee Meeting of the CCIDA, CREDC and CRC. We are at the BWB Building, 201 West Third Street, Jamestown NY. Were also streaming live via YouTube and Zoom. It's February 10, 2025 at 9:03 a.m. We'll go ahead and start with a roll call.

Committee

Aye. Unanimous. (2 Members Present)

Gary Henry

We'll move into the minutes. We already received the minutes from the March 19, 2024 meeting and had a chance to review those. Do we have a motion to accept those minutes?

Sagan Sheffield-Smith

So moved.

Gary Henry

I'll second.

Gary Henry

All in favor say Aye.

Committee

Aye. Unanimous.

Gary Henry

The minutes have been approved. We will move right into New Business discussing the Audit for the 2024 financials.

Justin Isaman

Alright. So, you got two documents in front of you. We'll run through the PowerPoint or the presentation but not a whole lot's changed. So, mostly, we're hoping to kind of discuss (difficulty hearing audio) with you guys. So you know, talking about the audit there's certain responsibilities that are under accounting standards. That's on page three. What we're here to do and ultimately we're here to provide an opinion on your financial statements - whether they're in accordance with GAAP. It's not a fraud audit. If we were to come across fraud, we would obviously act on it but that's not what the purpose of our audit is here for. It's just to make sure you're not in or out of compliance or out of free of material misstatements. So, that's really what we're here to do. Then, obviously if we were to come across anything, it doesn't have to be fraud. If it's anything that we thought would be a finding or anything that would be significant enough to communicate we communicate it to this group.

Under auditing standards we have to - government auditing standards we do have to look at your internal control processes and we do have to form tests of compliance with laws and regulations. So, this is really where findings may be developed or come across. That's usually on the internal control side or compliance and as you're technically a government entity you fall under government auditing standards. So, we do have to complete that audit and you know we will look at your internal control structure, which we do every year, we'll talk about where the checks and balances are, and make sure we think things are operating effectively, and if something were to happen you would catch it - then we also, you know, perform test of compliance. So, if there's specific rules that you're supposed to follow we will look at that.

The Uniform Guidance is, you know, kind of another level of that but on the Federal money, specifically. So, this is, we're going to look at your Federal grants that you receive. We're going to test them for compliance with the laws and regulations, and but also look at the internal controls related to those programs to make sure they're operating effectively. Historically, we will look at your loan funds because those are federally derived. AL Tech was defederalized now but you do have the other federal group. So, we'll, we look at that every year - just such a major component of your Federal monies. We just have to look at it but you know, we're going to look at the other monies you got, and see if any of those need to be tested for single audit purposes. So, we need to kind of dig into some of those revenue streams and see, you know - I think I saw an EPA Brownfield. You know that's

federal money, whether you've spent enough of it yet that we'd have to look into it, maybe not, but you know I did notice that on your books.

David DiTanna

I was going to mention last year we spent a lot of time - because you received a significant amount of federal dollars from the County and we had a lot of discussions with the County – what was the basis of those funds - were you a sub recipient, or were you a contractor?

Mark Geise

You're talking about the ARPA.

David DiTanna

The ARPA funds, and ultimately, after discussions with the County, we determined that you were more of a contractor than sub recipient and so those actually did not fall to your schedule of federal awards. They were reported on the County schedule of federal awards. So, it means, you know, you have contracts and you have agreements and contractual documents that you have to follow but you're not under the auspice of the federal government.

Justin Isaman

So then, you know, we do look at Fraud - page six. We do talk about fraud. We have fraud discussions with your team. We look at your internal controls and you know this kind of discusses each of your responsibilities - each of our responsibilities, whether it's management audit committee or ours, you know so we are, going to look at those internal controls and follow those discussions along and you know, if anything arises - yeah, like I mentioned, it's not a fraud audit, but we would follow up on that but you know, generally that's not what we're looking for here. So, just as a reminder. Then, out of materiality, this is, kind of you know, sometimes some people they, see us come in and they think we look at (difficulty hearing audio) and it's not really. We look at - we develop what we call materiality and it has quantitative and qualitative factors that go into it but from the dollar numbers, how big we're talking, the entity is, or the internal control structure that always impacts what we think the materiality level should be and we develop what we call the materiality thresholds performance materiality and we will look at things that are over that amount. Something's under that amount, you know it would be deemed immaterial to your financials. So, that goes into the financial statement reporting as a whole, you know, risk of material misstatement. Well, anything under that number would, you know wouldn't be a material misstatement. So, any - there could be, you know, differences that we come across throughout the audit you may report those as what we call an audit difference. So, we do have some of that here that I think we generally report, but you know we deem those to not be material to your financials. A material misstatement would, you know, we'd have to talk to you about and we'd probably have to adjust your numbers or work with you on how to get to be free of material misstatement in your financials.

Dave DiTanna

Yeah, I usually think of materiality is what's a material misstatement. It's basically if the correction wasn't made, the user of the financial statements would probably have a different opinion of the entity had it been made. So that's really kind of like what it means and you might say, well, jeez, that could be a big number. Well, it could be a big number, but it could be a really small number, too, you know, if an entity for instance, had a loan Covenant place that said your debt coverage ratio had to be a certain percentage, and you know you were just barely over it, and there was an adjustment that was really relatively insignificant, but it changed it from being a compliance, versus being out of compliance, well, that would be material, even though you know, you would think the amount is negligible and it really wouldn't have that much of a basis for the reader but in

that instance it would, because there's something in place that requires it to be a certain way, and that little change would make a big difference.

Justin Isaman

So, then Factors Influencing the Evaluations on page nine. Qualitative and quantitative factors like Dave mentioned the qualitative factor, you know yes, it'd be immaterial number, but it could be material in terms of what it could mean for your clients. You know the economic climate monitoring trends - we look at your, you know, the management's financial expertise as well as the Audit Committee and make sure that doesn't have an impact on what we deem to be, you know an internal control issue or anything like that. You know, we have faith that you guys have the ability to review the financials and have any questions that would arise if you know we didn't catch something. You know you have to think about that. Also, there's you know you've got your loan funds are pretty significant that fact, those factor into what we look at for your funds – GASB 101. So, that's a new GASB. We bring up any of the new GASB here when they come across, and that's on compensated absences. So, that's your vacation and sick time accruals, they added some new accounting for that, you know, not a big change for you, probably, but you have a lot of those balances - it's going to be a big (difficulty hearing audio) unusual transactions or new events - so this is kind of where we might open it up at when I'm done here, but you know I saw, and it was the EPA Brownfield - I noticed, you know you had a new Wells agreement that looked pretty large that came in last spring. So, there were some things that you know we'll look at. We'll definitely get substantiation backup documentation for and try to make sure we understand.

Then, you know, just the going through the financials, the disclosures, everything that goes into putting together the financial statements - we're going to look at make sure that you know, everything seems to be in place. So yeah, you know of the big things going on, I think, saw the solar fields where we saw some monies come in but those - I think we're kind of operating more on the - we don't have (difficulty hearing audio) - those that when they pay we're recognizing it. The old agreements you know, there's still a few out there at Phoenix - I think something and looks like Wells had a new one. Okay. Is that the ice cream place?

Mark Geise

Yeah. Phase III.

Rich Dixon

Mark - they had two new ones, Justin, so we had one that closed early in the year, and then there was one that closed in December as well. So, they originally were doing \$250 million and it ended up being almost half a billion right Mark?

Mark Geise

Two hundred and fifty then one hundred and seventy-five (difficulty hearing audio).

Justin Isaman

So yeah, I think we saw maybe close to - in the March one, like \$600,000.00 something like that of revenue.

Rich Dixon

Three hundred. I think it was three and the other one was three as well.

Mark Geise

Yeah. That's right.

Justin Isaman

So, we'll get the agreements on that. You know, make sure we're accounting for it right. You know - I think, in the past, historically, we've booked some of that as accounts receivable and only recognized each of the years as they happen. So we'll want to –

Rich Dixon

Well, Justin, so the Revenue Recognition Policy that we put together with Dave and you a long time ago said we would only recognize it when we receive the money, unless the project had substantially started with construction. So, like the wind farms we had - Ball Hill was actually the first wind farm we approved, but it was the last one to get built so we only recognize that money as it came in until they actually built it. Then we recognize the rest. So, that's what the Revenue Recognition Policy says that, you know, you recognize it once the project is started and you know it's going to happen and so that's the rest of - that's what we're following now.

Justin Isaman

So, both Phase II and Phase III of that have been kind of under construction?

Rich Dixon

They're rolling, let me tell you. The steel is up on the second floor - that was Phase III, and they're not wasting any time up there. It's amazing what they've done up there. Just amazing.

Justin Isaman

So that's kind of just going over your numbers. That's the big thing we saw. It looks like there's a lot of activity kind of spending down the ARPA funds that you deferred but you know, looking through the general ledger that we got last week, it looked like, so far everything's balancing. You know, the revenues, equals, expenditures, is being pulled out of deferred revenue, which is how we want to see it. So, I feel pretty good about that. Then so the EPA Brownfield - What is the story?

Rich Dixon

Before you get to EPA, Kayla can explain that. I just wanted to talk a bit about ConnectGen. There was an example of where our fee was extremely large but we only recognize the portion of it that was due - that we received, and then there was a portion that was due on February 15th that we recognized as well because we extended the date for them a little bit on that second payment but there I think there's over a million dollars in fees there that we have not recognized yet because they have not started construction. So, that that will be one. I'm sure you'll look at and see, but they're going to start in earnest in the spring.

Justin Isaman

Yeah, Dave, Dave actually asked about that before he came in. He's like I was expecting to see a big number from that and then we looked in the GL and it was well, now it's Wells agreement. That's the big number - so okay.

Rich Dixon

Yeah.

Mark Geise

We're spreading some of those payments, those fees out over time, too. So, we're not always recognizing all of it.

Rich Dixon

Well, no, Mark the revenue recognition has nothing to do with the payment stream, so we recognize the revenue when the project is substantially started. So, for a lot of the smaller ones, it's when you get the check as they start the next week, but for these big ones, you know, like I said, Ball Hill went three or four years where we only recognized the payments they made every year because they hadn't started construction and that's the same thing with ConnectGen. They plan to start in earnest in the spring so once they start, you know, it's 1,100 acres of solar panels, so we'll know when they start -trust me, and that's when we'll recognize the rest of that fee.

Dave DiTanna

And it'll be a receivable -

Rich Dixon

Spread - as Mark said, spread out over five years.

Mark Geise

Spread out over five years.

Kayla Strandburg

So, the EPA actually Mark might be able to elaborate more on this but it's an RLF so we're receiving funds from the EPA and we have STEL right?

Mark Geise

Yeah. STEL- three hundred and some thousand.

Kayla Strandburg

So, we're essentially the pass through just like a lot of the ARPA funds and it's a loan fund and what is there 2%? - Is there?

Mark Geise

Yup, interest rate and -

Mark Geise

There's no sort of limit to how much you can lend. Like if we had one deal that was \$600,000.00 we could just lend it all to one person and it has to be used for environmental remediation related activities. The hope is that we can not only keep turning that over, but then we'll once we demonstrate that we know what we're doing, you know, we're able to get the money out there we can go back to the EPA and get a bigger chunk and build that fund up.

Dave DiTanna

Nice.

Justin Isaman

So, that you guys are getting directly from Federal Governments and you'll be more of the pass through entity.

Kayla Strandburg

Very similar to the EDA.

Dave DiTanna

Sounds like it.

Kayla Strandburg

Once it starts to the revolving phase and it goes back to our standard package -would increase the interest rate and all that stuff.

Justin Isaman

So, is it the reporting? Is it similar to the EDA but just you're doing it to EPA? Or are they doing a lot? Is it -

Kayla Strandburg

Actually, I am not one hundred percent sure on the reporting I'm going to have to dive into that a little bit further once we get going with Nate.

Nate Aldrich

Yeah, Nate and Crystal - they've been doing all that reporting, so I guess we're not close enough to know exactly what that looks like, but they do.

Kayla Strandburg

I know that it is - I'm sure that it'll be similar like semi- annual reporting until they're in the revolving phase and then annual after that. That's how I do it for the EDA.

Rich Dixon

Niagara Falls has this similar fund with revolving, and they've been very successful. Once they got it every year they get it replenished when they need it. So, it's a - could be a great thing for the County - could be a great thing.

Mark Geise

Niagara County.

Rich Dixon

Yeah. Niagara County.

Dave DiTanna

That's wonderful.

Mark Geise

Yeah.

Kayla Strandburg

I do believe they have to spend it first in order for us to submit the receipts and then EPA reimburses - well, EPA pays us, and then we reimburse them.

Mark Geise

That's a large housing project over on the river over here in Jamestown -that they've been working on forever and that was a piece of it that they really had a hard time with the, you know, financing for that hard to get lending to do environmental stuff.

Dave DiTanna

Awesome.

Justine Isaman

Then other than that, though you know there's as I mentioned, there's other influencing factors, you know, we look at your PILOTS, we'll look at, you know, the transactions, especially between you and the County, you know, that can be, you know -That's kind of an arm's length transaction in a way. So, we kind of, you know, get those agreements, make sure we understand it as we did last year, making sure they're Federal or not.

Mark Geise

So, the ARPA money, the \$4.8 that we got from the County of ARPA for Ripley - that will be spent probably - I mean, we have until the end of 2026 to spend it, but we did receive all of that from the County. So, I expect that we'll probably end up spending it sometime this year.

Justin Isaman

Did they have any expectation on, you know, since you're holding those funds on the like cash management side of the interest like, or is that –

Mark Geise

No. Interest free?

David DiTanna

We looked at that a little bit last year, I think Rich, on the interest for that particular program it was the typical interest was waived.

Rich Dixon

Yes.

Dave DiTanna

That was positive.

Rich Dixon

Yeah, and again, as we were being a contractor, not a sub recipient, gave us a little more latitude as well.

Dave DiTanna

May not apply anyways.

Rich Dixon

Yeah, they were having a little - not that they had a hard time getting rid of it but I give Mark a lot of credit for following through and getting those funds that we really needed for these shovel ready sites. He did a lot of work on that and it's going to definitely be money well spent for the County. I know that.

Mark Geise

We're going - just a sidebar - we're doing an ARPA Project Summary Report - 84 projects were funded through the County's \$24.6 million and we're doing a report and we're identifying every single project that was funded through the County and how that money was even leveraged. Jason's working on it with Justin and myself. Yeah, it's going to be a nice report that just says this is what we did with the money.

Dave DiTanna

Showcase it.

Mark Geise

Yeah.

Justin Isaman

So, then we want to go next couple of pages - Audit Strategy - obviously myself and Dave on the engagement for a number of years, Rhiannon Zink who worked with you last year she's back she'll be on it. We added another individual to kind of do the internal control testing. So, we have a good team in place. We'll go through your controls, go through the, you know, testing of cash receipts, disbursements, payroll - make sure we understand those processes and then we get into what you really consider the audit - that substantiate substantive testing, looking at backup documentation things like that - doing our analytical tests and kind of wrapping it up, taking it to the financial statements - you know, we look at your prior comments. We look at review legal communications. So, there's a lot of little things that go into it but you know they all add to the final kind of product you receive in that financial statement, but you know, it's really at the end of the day about the risk, and where we need to focus our time and you know the big areas for you guys are those loan funds, especially because they're federal nature so we do spend a lot of time on that. The PILOTS - we spend a lot of

time on that - while it's not in and out for you guys, it is. There's a lot of fiduciary responsibility for you there. So, we do spend a lot of time on that. So, we have to kind of hone our approach to look at the riskier areas and where there might be risk and you know, really, for you guys, it's you it's you're a granting agency. So, there's the risk. So, we're looking at those items. That's where we spend the majority of our time.

So, timetable - you know, we have our Auditors Report our three letters on the Consolidated Statements. We try to hit your March meeting with those. We have a Governance Letter and Management Letter that go with that and then we also have the 990 for CREDC so that is required to file a 990. Now, that one we usually try to do sometime in summer once things kind of quiet down. We do typically extend it. It's due May 15th but historically we've extended it and tried to hit it in the summertime.

So, you know, our field work - this week, and a couple of people will be on site today, so we might come down and see you a little bit. We'll probably be onsite tomorrow some. I don't know if we'll need any other days. We'll kind of play by year as we go and then, you know we meet with the Audit Committee – usually, typically we do that like the week before we go to the full board and, you know, the board meeting usually in March.

Mark Geise

Yup.

Justin Isaman

When is your March Board Meeting? Does anybody know?

Rosie Strandburg

The 25th.

Justin Isaman

Typically, what we like to do is we like to have a good draft and come to you guys sometime the week prior - get the same group together and go over the financial statements in detail so then, when we go to the Board Meeting, that's more of a high level review of the financials.

David DiTanna

Week of the 10th – Later than the 10th you think?

Justin Isaman

Yeah, it's sometime, probably between the 10th and 25th would be good. I think by then we could have at least a decent draft.

Rosie Strandburg

The week of the 17th -are you thinking the week before?

Dave DiTanna

I think if we did it the week before we probably want to do it Monday.

Rosie Strandburg

The 17th.

Justin Isaman

If we did it the week before we would want it earlier just so we're not scrambling to make some change on the weekend before or something.

Rich Dixon

Oh, you're talking about Saint Patty's day, are you okay?

Justin Isaman

So, any questions for us while we're here? We'll probably get together that week. We'll have a good draft to go over. We'll probably send some things to some of you prior to that to review. Mark we usually send you some of the footnotes so you can read through it.

Kayla Strandburg

I'll keep going through the share filing.

Justin Isaman

Yeah. Start taking stuff off and I think we've got a meeting scheduled today to kind of do our ESS where we - a couple of staff together and kind of give them their game plan for the week. Should be a good week hopefully. We'll be down to see you and talk to you about some things.

Mark Geise

Awesome, great.

David DiTanna

Very good. Anything else Rich? Shelby?

Rich Dixon

I think Shelby is going to do an amazing job here at the IDA Dave. She's very smart. She and Kayla – you'll be in good hands with them.

David DiTanna

Awesome. Look forward to it. Sounds good.

Gary Henry

Great. Is there any other business to come before the Board before the Board – the Committee? Ok. Hearing none we will consider the Finance Committee Meeting adjourned. Thank you.

Mark Geise

Thanks everyone. Appreciate it.

Dave DiTanna

Thank you.

Power Point Slide Presentation Presented (Title of Slides)

- Communication with Those Charged with Governance
- BWB Responsibility under U.S. Generally Accepted Auditing Standards
- BWB Responsibility under Government Auditing Standards
- BWB Responsibility under Uniform Guidance
- Fraud Risk
- Audit Materiality
- Assessing Significant Risk of Material Misstatement
- Factors Influencing Evaluation
- Audit Strategy
- Audit Committee's Evaluation of Risk
- Audit Deliverables and Timetable

The meeting was adjourned at 9:27 a.m.

Secretary

Chairman