

**TOWN OF AMHERST INDUSTRIAL
DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of
Amherst, New York)**

**Financial Statements as of
December 31, 2022 and 2021
Together with Independent
Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of Amherst, New York)

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INDEPENDENT AUDITOR'S REPORT

February 17, 2023

To the Board of Directors of the
Town of Amherst Industrial Development Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Town of Amherst Industrial Development Agency (the Agency), a discretely presented component unit of the Town of Amherst, New York, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

171 Sully 's Trail
Pittsford, New York 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 about 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 we 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying Schedules 1 and 2 (the schedules) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2023 on our consideration of the 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 solely 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 effectiveness of the Agency's 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 the Agency's internal control over financial reporting and compliance.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of Amherst, New York)

Management's Discussion and Analysis (Unaudited)
December 31, 2022 and 2021

The following Management's Discussion and Analysis (MD&A) of the Town of Amherst Industrial Development Agency's (the Agency) financial position provides an overview of the Agency's financial activities for the years ended December 31, 2022 and 2021. The MD&A should be read in conjunction with the Agency's financial statements and related notes, which follow the MD&A.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded its liabilities at December 31, 2022 and 2021 by \$2,722,663 and \$1,786,413, respectively.
- The Agency's net position increased by \$936,250 in 2022 and increased by \$341,306 in 2021, as a result of 2022 and 2021 operations.
- The Agency's total revenues (operating and non-operating) were \$1,593,420 and \$960,401 in 2022 and 2021, respectively.
- The Agency's total expenses were \$657,170 and \$619,095 in 2022 and 2021, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The statements of net position and the statements of revenue, expenses, and change in net position report information about the Agency as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Agency's net position and changes in them from one year to the next. The Agency's net position, the difference between assets and liabilities, is one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net position are one indicator of whether its financial health is improving or deteriorating. Consideration should also be given to other factors, such as changes in the Agency's fee income and the fluctuation of the Agency's expenses, to assess the overall health of the Agency.

NOTES TO FINANCIAL STATEMENTS

The financial statements also include notes that explain the information in the financial statements. They are essential to a full understanding of the data provided in the financial statements.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
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Management's Discussion and Analysis (Unaudited)
December 31, 2022 and 2021

FINANCIAL ANALYSIS

The analysis below summarizes the statements of net position (Table 1) and changes in net position (Table 2) of the Agency as of and for the years ended December 31, 2022, 2021, and 2020.

Table 1 - Statements of Net Position (in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS:			
Current assets	\$ 2,432	\$ 1,497	\$ 1,379
Capital assets, net	520	530	552
Restricted and other assets	<u>66</u>	<u>66</u>	<u>66</u>
Total assets	<u>3,018</u>	<u>2,093</u>	<u>1,997</u>
LIABILITIES:			
Current liabilities	13	12	246
Long-term liabilities	<u>284</u>	<u>295</u>	<u>306</u>
Total liabilities	<u>297</u>	<u>307</u>	<u>552</u>
NET POSITION:			
Net investment in capital assets	225	224	236
Restricted	66	66	66
Unrestricted	<u>2,430</u>	<u>1,496</u>	<u>1,143</u>
Total net position	<u>\$ 2,721</u>	<u>\$ 1,786</u>	<u>\$ 1,445</u>

A large portion of the Agency's net position (89% in 2022, 84% in 2021, and 79% in 2020) is unrestricted and available to meet ongoing and future liabilities. The increase in net position from 2021 to 2022 was largely due to an approximate \$730,000 increase in administrative fees related to an increase in project activity. Expenses increased approximately \$38,000; however, the increase in administrative fees far exceeded that increase. Similarly, net position increased from 2020 to 2021 related to an increase in administrative fees revenue due to an increase in project activity. While there was an increase in revenue, expenses remained relatively consistent with the prior year.

Long-term liabilities consist of the Agency's mortgage on its office building and continue to decline as payments are made. This mortgage was refinanced in January 2020 to eliminate a balloon payment that was originally due January 2020.

Overall, the Agency continues to report a positive net position.

Table 2 shows the changes in net position for the years ended December 31, 2022, 2021, and 2020.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
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Management’s Discussion and Analysis (Unaudited)
December 31, 2022 and 2021

Table 2 - Changes in Net Position (in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUES:			
Administrative fees	\$ 1,583	\$ 857	\$ 270
Application fees	3	4	2
Other and interest income	<u>7</u>	<u>99</u>	<u>48</u>
 Total revenues	 <u>1,593</u>	 <u>960</u>	 <u>320</u>
 EXPENSES:			
Salaries and benefits	407	430	426
Mortgage interest	15	15	17
Professional fees	43	40	36
Depreciation	23	22	22
Other general and administrative	<u>169</u>	<u>112</u>	<u>110</u>
 Total expenses	 <u>657</u>	 <u>619</u>	 <u>611</u>
 Change in net position	 <u>\$ 936</u>	 <u>\$ 341</u>	 <u>\$ (291)</u>

Agency revenues increased in both 2022 and 2021 as there were more projects that closed each year than the previous year, and the projects were larger than each year prior. While the increase in administrative fees did exceed this decrease, the decrease in other income in 2022 compared to 2021 relates to the fact that no management fees were earned by the Agency for project administrative work done for the Town of Amherst Development Corporation (the Corporation), as the Corporation did not have any projects close in 2022.

In 2022, Agency expenses increased approximately \$38,000 or 6%. The Agency contracted with a company to conduct an agribusiness park feasibility study for approximately \$19,000, hired a marketing group to advertise medical corridor branding and other efforts within the Town of Amherst for approximately \$23,000, and engaged another company to assist with lobbying efforts for capital funding for the Town for \$6,000. These additional costs were partially offset by the retirement of the Director of Business Development in June 2022, which contributed to an approximate \$23,000 decrease in salaries and benefits. In 2021, Agency expenses remained consistent with the year prior. 2021 expenses were within 2% of 2020 expenses.

FUTURE FACTORS

While there are still some lingering effects to public health, COVID-19 is behind us with respect to closings and severe business interruption. The Agency had significant project activity the past two years due to pent-up demand in the development community. It is too early to tell if this will continue into 2023 as inflation has impacted material costs along with issues supplying those materials. Rising interest rates are also having a sobering effect on investment as several projects on the drawing board have been delayed or are in jeopardy due to affected returns.

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Management's Discussion and Analysis (Unaudited)
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At the State level, the push to electrify everything and eliminate fossil fuel supply and equipment is cause for alarm in the business community. While full emission reduction and phasing out of gas equipment is a few years off, the effects are likely to be felt in the near term as companies and workforce may decide to eliminate investment and move to a less costly and regulated location. In addition to the costs to convert to all electric, the issue of reliability of the power grid is in question as experts from the utility industry question its ability to manage the anticipated increase of load on the system without causing rolling blackouts and failure. Companies need certainty and reliability in their utilities.

We continue to monitor past legislation requiring prevailing wages to be paid on any project that receives a defined amount of state or local incentives throughout the economic development community. Already approved as part of a previous year's budget package, this requirement was scheduled to go into effect in January 2022 but remains in an uneasy place due to the lack of guidance on the implementation of the statute or the sitting of an incentives board that can provide guidance. Our best expectation is that the requirement will be delayed due to the State's economic picture, which still hasn't reached pre-COVID employment levels.

At a local level, we are only starting to experience the accelerated effect COVID-19 had on increasing remote work and the provision of services. It is still too early to determine what the impact will be on the need for office space as hybrid models evolve. We are aware of a few larger office spaces that are available for sublease. The full effect will not be realized until leases start expiring the next several years, but it is safe to assume that a general uptick in office space vacancy will occur and require a plan to repurpose obsolete buildings to other uses. Industrial and Warehousing sectors remain strong.

CONTACTING AGENCY'S ADMINISTRATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the accountability for the money received. If you have questions about this report or need additional financial information, contact the Town of Amherst Industrial Development Agency, 4287 Main Street, Amherst, New York 14226.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of Amherst, New York)

Statements of Net Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,427,347	\$ 1,395,100
Due from Town of Amherst Development Corporation	-	97,155
Prepaid expenses	<u>5,027</u>	<u>5,027</u>
Total current assets	2,432,374	1,497,282
Capital assets not being depreciated	100,000	100,000
Capital assets, net of accumulated depreciation	420,298	430,136
Restricted cash	<u>66,369</u>	<u>66,312</u>
Total noncurrent assets	<u>586,667</u>	<u>596,448</u>
Total assets	<u>3,019,041</u>	<u>2,093,730</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	922	922
Current portion of mortgage payable	<u>11,674</u>	<u>11,143</u>
Total current liabilities	12,596	12,065
MORTGAGE PAYABLE, less current portion	<u>283,782</u>	<u>295,252</u>
Total liabilities	<u>296,378</u>	<u>307,317</u>
NET POSITION		
Net investment in capital assets	224,842	223,741
Restricted	66,369	66,312
Unrestricted	<u>2,431,452</u>	<u>1,496,360</u>
Total net position	<u>\$ 2,722,663</u>	<u>\$ 1,786,413</u>

The accompanying notes are an integral part of these statements.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
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Statements of Revenue, Expenses, and Change in Net Position
For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUE:		
Administrative fees	\$ 1,583,061	\$ 857,397
Application fees	3,000	4,000
Other revenue	<u>5,560</u>	<u>98,455</u>
Total operating revenue	<u>1,591,621</u>	<u>959,852</u>
OPERATING EXPENSES:		
Salaries and benefits, net	<u>406,563</u>	<u>429,595</u>
General and administrative -		
Professional fees	42,613	40,321
Building mortgage interest	14,518	15,031
Buffalo Niagara Enterprise participation	20,000	20,000
Maintenance and landscaping	24,673	19,705
Insurance	19,144	17,257
Special events and projects	28,862	4,000
Office supplies and postage	13,663	12,323
Real property taxes	8,583	8,287
Utilities	6,757	5,088
Telephone	6,573	6,335
Equipment rental and repair	4,979	5,472
Dues and subscriptions	5,072	4,892
Marketing	25,495	2,335
Education	2,425	5,114
Meetings and conferences	3,116	811
Auto and travel	<u>1,008</u>	<u>286</u>
Total general and administrative	<u>227,481</u>	<u>167,257</u>
Depreciation	<u>23,126</u>	<u>22,243</u>
Total operating expenses	<u>657,170</u>	<u>619,095</u>
Operating income (loss)	<u>934,451</u>	<u>340,757</u>
NON-OPERATING REVENUE (EXPENSES):		
Interest income	<u>1,799</u>	<u>549</u>
Total non-operating revenue (expenses)	<u>1,799</u>	<u>549</u>
CHANGE IN NET POSITION	936,250	341,306
NET POSITION - beginning of year	<u>1,786,413</u>	<u>1,445,107</u>
NET POSITION - end of year	<u>\$ 2,722,663</u>	<u>\$ 1,786,413</u>

The accompanying notes are an integral part of these statements.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of Amherst, New York)

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Fees and other revenue received	\$ 1,688,776	\$ 862,697
Payments to employees and vendors	(634,044)	(596,852)
PILOT payments collected	3,616,412	4,292,946
PILOT payments disbursed	<u>(3,616,412)</u>	<u>(4,527,470)</u>
Net cash flow from operating activities	<u>1,054,732</u>	<u>31,321</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Additions to property and equipment	(13,288)	-
Principal payments on long-term debt	<u>(10,939)</u>	<u>(10,426)</u>
Net cash flow from capital and related financing activities	<u>(24,227)</u>	<u>(10,426)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest income	1,799	549
Withdrawals (income) from restricted deposits	<u>(57)</u>	<u>(6)</u>
Net cash flow from investing activities	<u>1,742</u>	<u>543</u>
CHANGE IN CASH	1,032,247	21,438
CASH - beginning of year	<u>1,395,100</u>	<u>1,373,662</u>
CASH - end of year	<u><u>\$ 2,427,347</u></u>	<u><u>\$ 1,395,100</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 934,451	\$ 340,757
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	23,126	22,243
Changes in:		
Due from Town of Amherst Development Corporation	97,155	(97,155)
Due to Erie County Industrial Development Agency	<u>-</u>	<u>(234,524)</u>
Net cash flow from operating activities	<u><u>\$ 1,054,732</u></u>	<u><u>\$ 31,321</u></u>

The accompanying notes are an integral part of these statements.

**TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of Amherst, New York)**

**Notes to Basic Financial Statements
December 31, 2022 and 2021**

1. AGENCY

The Town of Amherst Industrial Development Agency (the Agency) is a public benefit corporation created in 1973 in accordance with Article 18-A of New York State (the State) General Municipal Law for the purpose of encouraging financially sound companies to locate and expand in the Town of Amherst, New York (the Town). The Agency is exempt from federal, state, and local income taxes. The Agency is a discretely presented component unit of the Town.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds.

Basis of Presentation

GASB requires the classification of net position into three classifications defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, if applicable. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted net position - This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of net position that do not meet the definition of "net investment in capital assets" or "restricted."

When both restricted and unrestricted resources are available for use for the same purpose, the Agency uses restricted resources first and then unrestricted resources, as needed.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of Amherst, New York)

Notes to Basic Financial Statements
December 31, 2022 and 2021

Nature of Activities

- *Industrial Development Revenue 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. The conduit debt arising from bonds and notes are not obligations of the Agency. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its financial statements since its primary function is to facilitate the financing between the borrowing companies and the bond holders. The Agency receives bond administrative fees from the borrowing companies for providing this service. Such fees are recognized immediately upon issuance of the funds. As of December 31, 2022, there is one tax-exempt bond with \$45,000,000 outstanding. At December 31, 2021, there were no tax-exempt bonds outstanding with an aggregate amount payable. See additional detail on the conduit debt footnote.

- *Lease, Second and Collateral Mortgage Agreements, and Other Financing Programs*

Lease agreements are used for projects when no financing is needed. Typically, the project is financed internally by the company or developer. Second and collateral mortgage agreements are a financing tool used only when there is a mortgage already on the property. There are typically two types of second mortgages available: (1) a fixed asset second mortgage which is used for tenant improvements and/or equipment when the builder/owner needs to borrow additional money; and (2) an equity asset mortgage which is used for permanent working capital when the borrower/owner borrows the appreciated value or equity in an existing building. There are a variety of other financing programs, such as equipment purchase mortgages, leasehold mortgages, installment sales, acquisitions, and expansions that the Agency offers to participating companies.

The Agency does not record the assets or liabilities resulting from these activities in its financial statements since its primary function is to arrange the financing. Funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives administrative fees from the borrowing companies. Such fees are recognized when earned.

- *Lease with Mortgage Transactions*

Lease agreements with mortgages are used where financing is required but the borrower and lender do not want to enter into a bond transaction. In lease with mortgage transactions, the Agency signs the mortgage to subject its interest in the real property to the lien of the mortgage but does not execute and deliver a bond. The borrower company signs a note and joins in signing the mortgage with the Agency. Agency participation in the mortgage provides for the mortgage tax exemption. Agency policy has been to not take fee title to any additional real estate and instead for all new transactions involving real estate, the Agency takes a leasehold interest in the real estate which is sufficient to provide for real property tax abatement.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
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Notes to Basic Financial Statements
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- *Payments in Lieu of Taxes*

The Agency has entered into contractual arrangements with each of the client companies that have outstanding industrial development revenue bonds, whereby the client companies make payments in lieu of taxes to the Agency. Upon receipt of such payments, the Agency remits them to various taxing jurisdictions (Town of Amherst, County of Erie and various school districts) within the Town. The Agency typically does not reflect transactions regarding payments in lieu of taxes in its financial statements since its function in this area is to collect and remit the payment. The Agency does not charge a fee for this service. For the year ended December 31, 2022, the Agency collected and remitted \$3,616,412 of payments in lieu of taxes to the taxing jurisdictions. In 2021, the Agency collected \$4,292,946 of payments in lieu of taxes and remitted \$4,527,470 to the taxing jurisdictions, as \$234,524 of the collections made in 2020 were not remitted until 2021.

Related Parties

The Agency is related to the Town of Amherst Development Corporation (the Corporation), a not-for-profit corporation, through common membership of its Board of Directors.

Cash

Cash includes cash on hand, demand deposits, money market funds, and savings accounts.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. Generally accepted accounting principles require the use of the allowance method for recording bad debts. However, the use of the direct write-off method is not materially different from the results that would be obtained under the allowance method. Amounts for which no payments have been received for several months are considered delinquent and when customary collection efforts are exhausted, the account is written-off.

Capital Assets

Assets purchased or acquired with a useful life exceeding one year are capitalized. Contributed capital assets are recorded at fair value at the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. The Agency capitalizes assets over \$1,000 and depreciates assets on the straight-line basis over the asset's estimated useful lives ranging from 3 to 10 years.

Revenue Recognition

Operating revenue consists of revenue from fees earned on new projects when bonds are issued, mortgages are issued or a refinancing occurs. The Agency charges an amount equal to 1% of the project amount. For second mortgages, the Agency charges an administrative fee of .50%. For lease assignments and assumptions, the Agency charges an administrative fee of 1%. For the tax-exempt financing, the Agency charges an administrative fee of .50%. Fee income is recorded as revenue when the financing closes, regardless of when the related cash is received. For projects receiving a sales tax letter, 25% of the fee is recognized as revenue when the sales tax letter is issued. Fee income received prior to closing is recorded as deferred revenue. The Agency defines non-operating revenue as interest earnings.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
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Notes to Basic Financial Statements
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Income Taxes

The Agency is a not-for-profit public benefit corporation and is exempt from income taxes under the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Agency’s investment policies are governed by State statutes. In addition, the Agency has its own written investment policy. Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC)-insured commercial banks or trust companies located within the State and which have a branch office located within the Town. The Agency is authorized to use only demand deposit accounts and certificates of deposit. Collateral is required for demand deposit accounts and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Cash

At December 31, 2022 and 2021, the Agency’s cash was covered by FDIC insurance, or by eligible securities held in the Agency’s name by a third-party custodial bank or by the bank’s trust department. The Agency’s deposits were insured and collateralized as follows at December 31:

	<u>2022</u>		<u>2021</u>	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Demand deposits	\$ 50,756	\$ 43,801	\$ 58,780	\$ 50,825
Time deposits	<u>2,449,915</u>	<u>2,449,915</u>	<u>1,410,588</u>	<u>1,410,587</u>
	<u>\$ 2,500,671</u>	<u>\$ 2,493,716</u>	<u>\$ 1,469,368</u>	<u>\$ 1,461,412</u>
Covered by FDIC insurance	\$ 367,125		\$ 375,093	
Collateralized by third party	<u>2,176,217</u>		<u>1,116,195</u>	
Total FDIC insurance and collateral	<u>\$ 2,543,342</u>		<u>\$ 1,491,288</u>	

Restricted cash and equivalents at December 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Funds restricted for mortgage escrow - cash on deposit	<u>\$ 66,369</u>	<u>\$ 66,312</u>

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of Amherst, New York)

Notes to Basic Financial Statements
December 31, 2022 and 2021

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital assets being depreciated:				
Leasehold improvements	22,710	-	-	22,710
Equipment	89,997	5,703	-	95,700
Building	719,835	7,585	-	727,420
Total capital assets being depreciated	<u>832,542</u>	<u>13,288</u>	<u>-</u>	<u>845,830</u>
Less: Accumulated depreciation:				
Leasehold improvements	(21,272)	(704)	-	(21,976)
Equipment	(79,560)	(3,800)	-	(83,360)
Buildings	(301,574)	(18,622)	-	(320,196)
Total accumulated depreciation	<u>(402,406)</u>	<u>(23,126)</u>	<u>-</u>	<u>(425,532)</u>
Total capital assets being depreciated, net	<u>430,136</u>	<u>(9,838)</u>	<u>-</u>	<u>420,298</u>
Capital assets, net	<u>\$ 530,136</u>	<u>\$ (9,838)</u>	<u>\$ -</u>	<u>\$ 520,298</u>

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of Amherst, New York)

Notes to Basic Financial Statements
December 31, 2022 and 2021

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital assets being depreciated:				
Leasehold improvements	22,710	-	-	22,710
Equipment	89,997	-	-	89,997
Building	719,835	-	-	719,835
Total capital assets being depreciated	832,542	-	-	832,542
Less: Accumulated depreciation:				
Leasehold improvements	(20,465)	(807)	-	(21,272)
Equipment	(76,286)	(3,274)	-	(79,560)
Buildings	(283,412)	(18,162)	-	(301,574)
Total accumulated depreciation	(380,163)	(22,243)	-	(402,406)
Total capital assets being depreciated, net	452,379	(22,243)	-	430,136
Capital assets, net	\$ 552,379	\$ (22,243)	\$ -	\$ 530,136

5. RELATED PARTIES

The Agency provides administrative and staffing services to the Corporation. In consideration for these services, the Corporation compensates the Agency through a management fee. The management fee charged to the Corporation is relative to any bond obligation issued by the Corporation and any other sources of income the Corporation may have. For the year ended December 31, 2022, the Agency did not bill the Corporation for any management fees, as the Corporation did not have any income during the fiscal year. For the year ended December 31, 2021, the Corporation paid the Agency \$97,155 in management fees for the Agency's services associated with the Corporation's project activity that year.

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of Amherst, New York)

Notes to Basic Financial Statements
December 31, 2022 and 2021

6. MORTGAGE PAYABLE

The Agency’s mortgage with Key Bank (the Lender) amounted to \$295,456 and \$306,395 at December 31, 2022 and 2021, respectively. The mortgage is a direct borrowing. The original mortgage agreement stated that the mortgage bore interest at 6% per year and was payable in 60 monthly installments of \$6,225 comprising of principal and interest through December 31, 2014. At January 1, 2015, the interest rate adjusted daily to 2% above the Regular Fixed Advance Rate offered by the Federal Home Loan Bank of New York for instruments having a term of five years. The rate was never to fall below 6%. Payments were to be made in 60 monthly installments based on a 10-year amortization of the outstanding balance at January 1, 2015. A balloon payment for the remaining balance was due in January 2020 per the original agreement; however, in January 2020, the Agency refinanced its mortgage, extending the maturity date to January 1, 2040 with the remaining balance to be paid in 240 monthly installments of \$2,121 comprising both principal and interest. The interest rate is 4.75% until January 1, 2025, the first adjustment date, upon which time the interest rate will be adjusted.

The mortgage contains a provision that in the event of default, other than default due to bankruptcy proceedings or insolvency, the Lender has the right to declare immediately due and payable all unpaid amounts of principal and interest on this mortgage. Upon default related to bankruptcy or insolvency, the Lender's obligations shall be cancelled immediately, automatically and without notice, and all amounts outstanding under this mortgage, and all other sums payable at the time or, or as the result of, such declaration under this mortgage or any other document securing this mortgage, shall become immediately due and payable without presentation, demand or notice of any kind to Borrower. If any payment due under this mortgage is unpaid for ten days or more, the Agency shall pay, in addition to any other sums due under this mortgage (and without limiting Lender's other remedies on account thereof), a late charge in an amount equal to the greater of 5% of the monthly payment or \$25.

The aggregate maturity of the mortgage payable for the years ending December 31 is as follows:

	Principal	Interest
2023	\$ 11,674	\$ 13,782
2024	12,241	13,215
2025	12,835	12,621
2026	13,459	11,998
2027	14,112	11,345
2028-2032	81,526	45,757
2033-2037	103,333	23,950
2038-2040	46,276	2,216
	\$ 295,456	\$ 134,884

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of Amherst, New York)

Notes to Basic Financial Statements
December 31, 2022 and 2021

Long-term debt relating to the Agency consisted of the following at December 31:

	Beginning Balance <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>2022</u>	Due Within <u>One Year</u>
Direct borrowing:					
Mortgage - KeyBank	\$ 306,395	\$ -	\$ (10,939)	\$ 295,456	\$ 11,674

	Beginning Balance <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>2021</u>	Due Within <u>One Year</u>
Direct borrowing:					
Mortgage - KeyBank	\$ 316,821	\$ -	\$ (10,426)	\$ 306,395	\$ 11,143

Cash paid for interest amounted to \$14,518 and \$15,031 for the years ended December 31, 2022 and 2021, respectively.

7. DEFINED CONTRIBUTION PLAN

The Agency sponsors a defined contribution pension plan covering all employees who are age 21 or older and have completed one year of service. Contributions to the plan are made by the Agency at the rate of 7.7% of the employee’s compensation. Employees are required to contribute at least 3% but not over 10% of their compensation in order to receive the 7.7% Agency matching contribution. The total expense relating to the plan incurred by the Agency amounted to \$23,705 and \$25,152 during the years ended December 31, 2022 and 2021, respectively.

8. CONDUIT DEBT

The Agency has issued revenue bonds on behalf of various organizations who are third-party obligors of the debt. Each of these revenue bonds will be solely paid back by the obligor and is only being disclosed as conduit debt by the Agency, as the Agency has no obligations to make payments on this debt.

The aggregate principal amounts outstanding as of December 31 for conduit debt issued by the Agency are as follows:

<u>Project Name</u>	<u>Issued Date</u>	<u>2022</u>	<u>2021</u>
Sutton Place Preservation LP	April 2022	\$ 45,000,000	\$ -

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of Amherst, New York)

Schedule 1

Schedule of Financing Activity
1979 - 2022

	Date Issued/Closed	Basis for Computing Administrative Fees
INDUSTRIAL DEVELOPMENT REVENUE BONDS	1979	\$ 2,090,000
	1980	10,599,000
	1981	4,030,000
	1982	5,375,000
	1983	4,305,000
	1984	24,809,665
	1985	28,593,000
	1986	20,565,250
	1987	26,520,200
	1988	50,173,000
	1989	31,270,000
	1990	17,217,000
	1991	28,473,300
	1992	13,541,452
	1993	20,697,393
	1994	19,381,125
	1995	16,700,291
	1996	45,622,164
	1997	67,256,562
	1998	34,667,822
	1999	58,229,176
	2000	81,840,506
	2001	31,662,263
	2002	20,975,000
	2003	<u>7,985,516</u>
Total industrial development revenue bonds		<u>672,579,685</u>
LEASE AGREEMENTS	1988	15,200,000
	1989	9,150,421
	1990	7,001,692
	1991	15,935,832
	1993	1,306,428
	1994	25,928,673
	1995	750,000
	1997	500,000
	1999	1,503,455
	2000	19,660,620
	2001	2,577,833
	2002	41,792,658
	2003	6,503,499
	2004	32,290,592
	2005	52,124,726
	2006	41,785,178
	2007	35,484,598
	2008	32,236,000
	2010	14,960,000
	2011	28,990,300
	2012	43,605,993
	2013	48,461,796
	2014	51,307,547
	2015	70,097,325
	2016	17,549,000
	2017	16,784,052
	2019	22,344,829
	2020	17,314,352
	2021	30,736,908
	2022	<u>123,612,787</u>
Total lease agreements		<u>827,497,094</u>

Schedule of Financing Activity
1979 - 2022

	Date Issued/Closed	Basis for Computing Administrative Fees
SECOND MORTGAGE AGREEMENTS	1988	1,110,000
	1989	250,000
	1990	1,585,000
	1992	125,000
	1995	95,000
	1996	1,985,000
	1997	1,000,000
	2001	287,000
	2002	800,000
	2003	4,655,957
	2004	2,600,000
	2005	235,000
	2006	874,000
	2007	2,662,798
	2008	3,625,984
	2010	1,150,000
	2011	2,872,551
	2012	124,309
	2017	500,000
Total second mortgage agreements		<u>26,537,599</u>
THIRD MORTGAGE AGREEMENTS	2010	2,800,000
	2011	700,000
Total third mortgage agreements		<u>3,500,000</u>
MORTGAGE AND MODIFICATION TRANSACTIONS	2009	250,000
ASSIGNMENT OF LEASES	2002	5,048,750
	2004	17,029,930
	2005	13,861,726
	2006	10,500,000
	2007	12,967,258
	2012	3,800,000
	2013	6,005,000
	2016	23,073,623
	2019	11,100,000
	2020	3,000,000
	2022	47,437,505
Total assignment of leases		<u>153,823,792</u>
COLLATERAL MORTGAGES	1991	200,000
	1992	530,000
	1994	673,000
	1996	300,000
	2003	1,576,915
Total collateral mortgages		<u>3,279,915</u>
EQUIPMENT PURCHASE MORTGAGES	1994	1,850,000
	1995	824,064
Total equipment purchase mortgages		<u>2,674,064</u>

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of Amherst, New York)

Schedule 1

Schedule of Financing Activity
1979 - 2022

	Date Issued/Closed	Basis for Computing Administrative Fees
LEASEHOLD IMPROVEMENTS	1994	<u>1,020,000</u>
INSTALLMENT SALES	1991	466,494
	1993	312,000
	1994	303,113
	1996	3,854,000
	1997	918,631
	1998	2,361,315
	2000	61,069,108
	2001	2,338,546
	2003	1,757,976
	2004	12,763,495
	2005	8,474,818
	2006	9,830,000
	2007	32,085,780
	2008	18,870,000
	2009	15,443,508
	2010	6,580,000
	2011	28,500,000
	2012	25,197,500
	2013	85,000,000
	2015	32,800,000
	2017	11,000,000
	2018	1,000,000
	2019	33,900,000
	2020	1,100,000
	2021	<u>37,100,000</u>
Total installment sales		<u>433,026,284</u>
ACQUISITIONS	1994	<u>2,865,700</u>
EXPANSIONS	1995	<u>1,300,000</u>
REFINANCING TRANSACTIONS	2001	8,600,000
	2002	960,000
	2003	559,750
	2004	5,491,750
	2005	26,384,367
	2006	20,327,894
	2007	24,808,265
	2008	34,860,000
	2009	5,380,779
	2012	7,380,737
	2013	1,495,802
	2014	2,611,953
	2015	28,844,297
	2017	200,000
	2019	<u>6,187,226</u>
Total refinancing transactions		<u>174,092,820</u>
TAX EXEMPT BONDS	2007	14,860,000
	2022	<u>45,000,000</u>
Total tax exempt bonds		<u>59,860,000</u>
PROJECTS WITH PREDETERMINED FEES	2001	46,121,000
	2007	<u>866,686,576</u>
Total projects with predetermined fees		<u>912,807,576</u>
Total basis for computing administrative fee		<u>\$ 3,275,114,529</u>

TOWN OF AMHERST INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the Town of Amherst, New York)

Schedule 2

Schedule of Detailed Financing Activity
For the year ended December 31, 2022

	<u>Date</u> <u>Issued/Closed</u>	Basis for Computing Administrative <u>Fees</u>
LEASE AGREEMENTS:		
3980 Bailey LLC	6/22	\$ 3,950,000
Amherst Community Solar, LLC	11/22	6,658,400
Amherst NY Properties KP6, LLC - Aspen Heights Project	2/22	65,566,882
UBMD-111 N. Maplemere LLC	3/22	<u>47,437,505</u>
		<u>123,612,787</u>
ASSIGNMENT OF LEASES:		
2022 Amherst 111 APL RKC, LLC	6/22	<u>47,437,505</u>
TAX EXEMPT BONDS:		
Sutton Place Preservation LP	9/22	<u>45,000,000</u>
Total 2022 Projects		<u>\$ 216,050,292</u>

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

February 17, 2023

To the Board of Directors of the
Town of Amherst Industrial Development Agency

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 the Town of Amherst Industrial Development Agency (the Agency), a discretely presented component unit of the Town of Amherst, New York, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

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 results 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.