

**ERIENET LOCAL
DEVELOPMENT CORPORATION**
(A Component Unit of the County of Erie, New York)
*Basic Financial Statements, Supplementary Information,
Other Information, and Federal Awards Information for the
Year Ended December 31, 2023 and 2022
and Independent Auditors' Reports*

ERIENET LOCAL DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE COUNTY OF ERIE, NEW YORK)
Table of Contents
Years Ended December 31, 2023 and 2022

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements:	
Statements of Net Position	4
Statements of Revenues, Expenses, and Changes in Net Position	5
Statements of Cash Flows.....	6
Notes to the Financial Statements.....	7
Supplementary Information (For the Year Ended December 31, 2023):	
Schedule of Corporation Investments.....	14
Other Information (For the Year Ended December 31, 2023):	
Real Property Listing.....	15
Federal Awards Information:	
Schedule of Expenditures of Federal Awards.....	16
Notes to the Schedule of Expenditures of Federal Awards	17
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	20
Schedule of Findings and Questioned Costs	23

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
ErieNet Local Development Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the ErieNet Local Development Corporation ("ErieNet"), a component unit of the County of Erie, New York, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise ErieNet's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of ErieNet as of December 31, 2023 and 2022, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("GAS"), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ErieNet 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 opinions.

Responsibilities of Management for the Financial Statements

ErieNet's 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 ErieNet'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.

Auditors' 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 opinion. 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 GAAS and GAS 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 GAAS and GAS, 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 ErieNet'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 ErieNet'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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only ErieNet and do not purport to, and do not present fairly the financial position of the County of Erie, New York, as of December 31, 2023, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

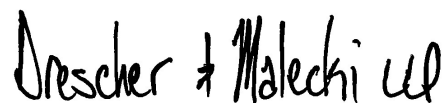
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ErieNet’s basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the Real Property Listing but does not include the financial statements and our auditor’s report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2024 on our consideration of the ErieNet’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 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 ErieNet’s internal control over financial reporting and compliance.



March 19, 2024

BASIC FINANCIAL STATEMENTS

ERIENET LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the County of Erie, New York)
Statements of Net Position
December 31, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 1,938,996	\$ 932
Restricted cash and cash equivalents	1,104,616	34,000,000
Restricted investments	28,763,343	-
Prepaid items	5,415	-
Noncurrent assets:		
Capital assets, not being depreciated	<u>3,291,403</u>	<u>-</u>
Total assets	<u>\$ 35,103,773</u>	<u>\$ 34,000,932</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,079,296	\$ -
Accrued liabilities	3,374	-
Unearned revenue	<u>29,867,959</u>	<u>34,000,000</u>
Total liabilities	<u>30,950,629</u>	<u>34,000,000</u>
 NET POSITION		
Net investment in capital assets	3,291,403	-
Unrestricted	<u>861,741</u>	<u>932</u>
Total net position	<u>\$ 4,153,144</u>	<u>\$ 932</u>

The notes to the financial statements are an integral part of this statement.

ERIENET LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the County of Erie, New York)
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022
Operating revenues:		
Other	\$ 230	\$ -
Total operating revenues	230	-
Operating expenses:		
Salaries and benefits	131,001	-
Professional services	647,646	-
Other	61,991	-
Total operating expenses	840,638	-
Operating (loss)	(840,408)	-
Nonoperating revenues:		
Grant income	4,132,041	-
Investment income	860,579	932
Total nonoperating revenues	4,992,620	932
Change in net position	4,152,212	932
Net position—beginning	932	-
Net position—ending	\$ 4,153,144	\$ 932

The notes to the financial statements are an integral part of this statement.

ERIENET LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the County of Erie, New York)
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid for employee wages and benefits	\$ (127,627)	\$ -
Cash paid to vendors and suppliers	(699,297)	-
Cash from other revenues	230	-
Net cash (used for) operating activities	(826,694)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(2,227,862)	-
Transfer from Erie County	-	34,000,000
Net cash (used for) provided by capital and related financing activities	(2,227,862)	34,000,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(27,998,170)	-
Interest received	95,406	932
Net cash (used for) provided by investing activities	(27,902,764)	932
Net change in cash and cash equivalents	(30,957,320)	34,000,932
Cash and cash equivalents—beginning	34,000,932	-
Cash and cash equivalents—ending	\$ 3,043,612	\$ 34,000,932
Reconciliation of operating (loss) to net cash (used for) operating activities:		
Operating (loss)	\$ (840,408)	\$ -
Adjustments to reconcile operating income to net cash (used for) operating activities:		
(Increase) in prepaid items	(5,415)	-
Increase in accounts payable for operating activities	15,755	-
Increase in accrued liabilities	3,374	-
Total adjustments	13,714	-
Net cash (used for) operating activities	\$ (826,694)	\$ -

The notes to the financial statements are an integral part of this statement.

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ERIENET LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the County of Erie, New York)
Notes to the Financial Statements
Years Ended December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

ErieNet Local Development Corporation (the “ErieNet”) was created in 2022 under Section 1411 of the New York Not-for-Profit Corporation Law for the purpose of creating a foundation to address the broadband needs of unserved areas, improve services in underserved areas of Erie County (the “County”), and enable world-class broadband investment and deployment countywide. ErieNet was established through a \$34,000,000 grant from the County which was passed through the County from the American Rescue Plan Act.

Financial Reporting Entity

In evaluating how to define ErieNet for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in ErieNet’s reporting entity is based on application of these criteria, there are no additional entities included in ErieNet’s financial statements.

Measurement Focus

Management has elected to present ErieNet as a stand-alone business-type activity (proprietary fund). Accordingly, the activities of ErieNet are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Basis of Presentation

The basic financial statements of ErieNet have been prepared in conformity with accounting principles generally accepted in the United States of America applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of ErieNet’s accounting policies are described below.

Basis of Accounting

The accounts of ErieNet are maintained on the accrual basis of accounting. As such, revenues are recognized in the period in which they are incurred. The significant accounting and reporting policies used by ErieNet are described below to enhance the usefulness and understandability of the financial statements.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Cash Equivalents and Investments—Cash management is governed by State laws and as established by ErieNet’s written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Management is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and its agencies, repurchase agreements, and obligations of the state or its localities.

Restricted Cash and Cash Equivalents and Investments—Restricted cash and cash equivalents and investments represent cash from unearned revenue, including amounts received from the County related to American Rescue Plan Act funds.

Prepaid Items—Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the statement of net position. The cost of prepaid items is recorded as an expense when consumed rather than purchased.

Capital Assets—Capital assets are recorded at cost. Depreciation is provided over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds to determine which asset purchases are added to capital accounts and the estimated useful lives of capital assets are presented below:

	Capitalization Policy	Estimated Useful Life in Years
Building and improvements	\$ 10,000	5 - 40
Furniture and equipment	10,000	3 - 10

At December 31, 2023, capital assets consist of construction in progress for the ongoing broadband infrastructure project.

Unearned Revenue—Certain cash receipts have not met the revenue recognition criteria and are reported as unearned revenue. At December 31, 2023, ErieNet reported \$29,867,959 of unearned revenues. ErieNet has received grant money in advance but has not performed the related services and, therefore, recognized a liability.

Net Position Flow Assumption—Sometimes ErieNet will fund outlays for a particular purpose from both restricted (e.g., restricted bond proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is ErieNet’s policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Revenues and Expenses

Operating Revenue and Expenses—ErieNet’s statements of revenues, expenses, and changes in net position distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with ErieNet’s principal ongoing

operations, which have not begun as of December 31, 2023. Operating expenses consist of program expenses incurred in connection with ErieNet’s programs, as well as salaries and benefits expenses for ErieNet’s employees.

Grants Revenues—Through the fiscal year ended December 31, 2022, ErieNet received \$34,000,000 through the American Rescue Plan Act funds passed through the County of Erie, New York. ErieNet believes that it has met the requirements for use of a portion of these funds and has recognized \$4,132,041 during the year ended December 31, 2023 as revenue under GAAP. ErieNet did not claim any additional funds as revenues during the year ended December 31, 2023, and therefore, the remaining \$29,867,959 is reported as unearned revenues.

Other

Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, deferred outflows of resources, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Pension—During the year ended December 31, 2023, ErieNet established a defined contribution retirement plan covering essentially all of ErieNet’s employees. The plan requires a safe harbor employer matching contribution. In addition, ErieNet may make other discretionary contributions at the option of the Board of Directors. Employer contributions to the plan for the year ended December 31, 2023 amounted to \$5,982.

Adoption of New Accounting Pronouncements—During the year ended December 31, 2023, ErieNet implemented GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and a portion of No. 99, *Omnibus 2022*. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnerships arrangements (“PPPs”). GASB Statement No. 96 improves financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements (“SBITAs”) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. A portion of GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and improves the consistency of authoritative literature related to GASB Statements No. 94 and 96. The implementation of GASB Statements No. 94, 96, and a portion of 99 did not have a material impact on ErieNet’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—ErieNet has not completed the process of evaluating the impact that will result from adopting the remainder of GASB Statement No. 99, *Omnibus 2022*; No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and No. 101, *Compensated Absences*, effective for the year ending December 31, 2024; and No. 102, *Certain Risk Disclosures*, effective for the year ending December 31, 2025. ErieNet is, therefore, unable to disclose the impact that adopting GASB Statements No. 99, 100, 101, and 102 will have on its financial position and results of operations when such statements are adopted.

Tax Status—ErieNet is exempt from federal income tax under section 501(a) of the Internal Revenue Code (IRC) as an organization described in section 501 (c)(3).

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

ErieNet’s investment policies are governed by New York State statutes. All deposits are carried at fair value. Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit not covered by Federal deposit insurance (“FDIC”). ErieNet has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents of ErieNet at December 31, 2023 and 2022 consisted of the following:

	2023	2022
Cash on deposit	\$ 3,043,612	\$ 34,000,932
Total	<u>\$ 3,043,612</u>	<u>\$ 34,000,932</u>

Deposits—All deposits including cash in bank and money market funds are carried at fair value, and are classified by custodial credit risk at December 31, 2023 and 2022 as shown below:

	2023		2022	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
FDIC insured	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Uninsured:				
Collateral held by pledging bank's agent in ErieNet's name	<u>2,909,899</u>	<u>2,793,612</u>	<u>33,750,932</u>	<u>33,750,932</u>
Total deposits	<u>\$ 3,159,899</u>	<u>\$ 3,043,612</u>	<u>\$ 34,000,932</u>	<u>\$ 34,000,932</u>

Custodial Credit Risk—Deposits—In the case of deposits, this is the risk that in the event of a bank failure, ErieNet’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2023, ErieNet’s deposits were FDIC insured or collateralized by securities held by the pledging institution’s agent in ErieNet’s name.

Restricted Cash and Cash Equivalents and Investments—ErieNet reports restricted cash and cash equivalents for resources received in advance related to unearned revenue. At December 31, 2023, ErieNet reported \$1,104,616 in restricted cash and cash equivalents and \$28,763,343 in restricted investments.

Investments—All investments are reported using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as presented below:

- Level 1. Quotes prices for identical assets or liabilities in active markets to which ErieNet has access at the measurement date.
- Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets in markets that are not active;
 - Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available.

Investments reported at December 31, 2023 are as follows:

	12/31/2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Treasury notes	\$ 28,763,343	\$ 28,763,343	\$ -	\$ -
	<u>\$ 28,763,343</u>	<u>\$ 28,763,343</u>	<u>\$ -</u>	<u>\$ -</u>

ErieNet did not report any investments at December 31, 2022.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of deposits and investments. ErieNet's investment policy minimizes the risk by structuring the investment portfolio so that the deposits and investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell deposits and investments on the open market prior to maturity. Deposits are primarily invested in short-term securities or similar investment pools with maturities less than one year. Investments are invested in long-term securities or similar investment pools with maturities greater than one year.

Custodial Credit Risk—Investments—Credit risk is defined as the risk that an issuer or other counterpart to an investment in debt securities will not fulfill its obligation. ErieNet's investment policy minimizes credit risk by limiting investments to U.S. Treasury notes are backed by the full faith and credit of the U.S. government and are considered to be of the highest credit quality.

3. CAPITAL ASSETS

Capital asset activity for the fiscal year ending December 31, 2023 was as follows:

	Balance 1/1/2023	Increases	Decreases	Balance 12/31/2023
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 3,291,403	\$ -	\$ 3,291,403
Total capital assets, not being depreciated	<u>\$ -</u>	<u>\$ 3,291,403</u>	<u>\$ -</u>	<u>\$ 3,291,403</u>

4. ACCRUED LIABILITIES

Accrued liabilities reported by ErieNet at December 31, 2023, were as follows:

	<u>Total</u>
Salary and employee benefits	<u>\$ 3,374</u>

5. PENSION

In 2023, ErieNet established a defined contribution retirement plan covering essentially all of its employees. The plan requires a safe harbor employer matching contribution. In addition, ErieNet may make other discretionary contributions at the option of the Board of Directors. Employer contributions to the plan for the year ended December 31, 2023 amounted to \$5,982.

6. RISK MANAGEMENT

ErieNet is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, vehicle liability, injuries to employees, health insurance, unemployment insurance, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have not been any settlements which have exceeded commercial insurance coverage in the past three fiscal years. ErieNet purchases insurance for: commercial general liability coverage, commercial crime coverage, and umbrella insurance.

7. NET POSITION

ErieNet's financial statements utilize a net position presentation. Net position is categorized in net investment in capital assets, restricted and unrestricted.

- **Net Investment In Capital Assets**—This category consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets. A reconciliation of ErieNet's net investment in capital assets is presented below:

Capital assets, net of accumulated depreciation	<u>\$ 3,291,403</u>
Net investment in capital assets	<u>\$ 3,291,403</u>

- **Restricted**—This category consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally or through constitutional provisions or enabling legislation. At December 31, 2023, there was no restricted net position.
- **Unrestricted**—This component represents net position of ErieNet not restricted for any other purpose.

8. COMMITMENTS AND CONTINGENCIES

Litigation—ErieNet is party to various legal proceedings which normally occur in governmental operations. ErieNet believes that it is the ultimate liability, if any, in connection with these matters, will not have a material effect on ErieNet's financial condition or results of operations.

Grants—ErieNet receives financial assistance from the County. Managing these funds generally requires compliance with the terms and conditions specified in the agreement and may be subject to audit by the grantor agency. Disallowed claims resulting from such audits could become a liability for ErieNet. While the amount of any expense that may be disallowed cannot be determined at this time, management expect any amounts to be immaterial.

Commitments—ErieNet has approved various contracts related to the construction of its broadband infrastructure project. At December 31, 2023, open commitments totaled \$30,121,477.

9. RELATED PARTIES

During the year ended December 31, 2022, the County of Erie, New York allocated \$34,000,000 of American Rescue Plan Act funds to establish ErieNet and fund the construction of a broadband internet network.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 19, 2024, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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SUPPLEMENTARY INFORMATION

ERIENET LOCAL DEVELOPMENT CORPORATION
Schedule of Corporation Investments
Year Ended December 31, 2023

Annual Investment Report - §2925(6) of Public Authorities Law of the State of New York requires that each public authority must annually prepare an investment report which shall include (a) investment guidelines, (b) amendments to such guidelines since the last investment report, (c) an explanation of the investment guidelines and amendments, (d) results of the annual independent audit, (e) the investment income record of the corporation, and (f) a list of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Corporation since the last investment report.

- a. Investment guidelines—ErieNet’s investment policies are governed by State statutes. All investments are maintained in bank deposit accounts which are federally insured. ErieNet’s deposits are held at quality institutions.
- b. Amendments to guidelines—None.
- c. Explanation of guidelines and investments—These guidelines restrict investment of ErieNet’s funds to deposits in federally insured banks. ErieNet has not made any amendments to its investment policy.
- d. Results of the annual independent audit—The independent auditors have issued an unmodified opinion on ErieNet’s financial statements for the year ended December 31, 2023.
- e. Investment income (loss) record— Investment income (loss) for the year ended December 31, 2023 consisted of:

Interest income	\$ 95,406
Unrealized gain on investments	<u>765,173</u>
Total	<u>\$ 860,579</u>

- f. List of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Corporation since the last investment report—No such fees, commissions, or other charges were paid during the year ended December 31, 2023.

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OTHER INFORMATION

ERIENET LOCAL DEVELOPMENT CORPORATION
Real Property Listing (Unaudited)
Year Ended December 31, 2023

1. **Real Property List** – §2896(3) of Public Authorities Law of the State of New York requires that each public authority must publish, at least annually, a report listing all real property of the authority. At December 31, 2023, ErieNet reported no real property.
2. **Real Property Acquisitions/Dispositions** – During the year ended December 31, 2023, ErieNet neither acquired nor disposed of any real property.

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FEDERAL AWARDS
INFORMATION

ERIENET LOCAL DEVELOPMENT CORPORATION
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Grantor/Pass-through Grantor Program or Cluster Title (1a)	Federal Assistance Listing Number (1b)	Pass-through Entity's Identifying Number (1c)	Passed- Through to Subrecipients	Total Federal Expenditures (1d)
U.S. DEPARTMENT OF THE TREASURY:				
<i>Passed through the County of Erie, New York:</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	n/a	\$ -	\$ 4,132,041
TOTAL U.S. DEPARTMENT OF THE TREASURY			<u>-</u>	<u>4,132,041</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			<u>\$ -</u>	<u>\$ 4,132,041</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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ERIENET LOCAL DEVELOPMENT CORPORATION
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the ErieNet Local Development Corporation (“ErieNet”), a component unit of the County of Erie, New York, under programs of federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of ErieNet, it is not intended to and does not present the financial position, changes in net position or cash flows of ErieNet. The following notes were identified on the Schedule:

- a) Includes all federal award programs of the ErieNet Local Development Corporation.
- b) Source: Federal Assistance Listing Numbers, previously known as Catalog of Federal Domestic Assistance.
- c) Pass-through entity identifying numbers are presented where available.
- d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- e) Total federal expenditures for ErieNet’s 2023 fiscal year are reconciled to Federal sources as reported in the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. ErieNet has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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**INDEPENDENT AUDITORS' 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**

The Board of Directors
ErieNet Local Development Corporation:

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, of the business-type activities of the ErieNet Local Development Corporation (“ErieNet”), a component unit of the County of Erie, New York, as of and the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ErieNet’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ErieNet’s internal control. Accordingly, we do not express an opinion on the effectiveness of ErieNet’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 ErieNet’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 over financial reporting 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 ErieNet'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 ErieNet's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ErieNet's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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March 19, 2024

DRESCHER & MALECKI LLP

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Board of Directors
ErieNet Local Development Corporation:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the ErieNet Local Development Corporation's ("ErieNet") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of ErieNet's major federal programs for the year ended December 31, 2023. ErieNet's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, ErieNet complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ErieNet and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the ErieNet's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the ErieNet's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the ErieNet's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the ErieNet's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 ErieNet's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of ErieNet's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of ErieNet's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

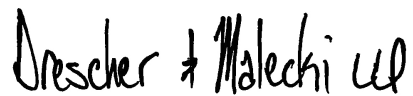
Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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March 19, 2024

ERIENET LOCAL DEVELOPMENT CORPORATION
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

Noncompliance material to the financial statements noted? _____ Yes ✓ No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiency(ies) identified? _____ Yes ✓ None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes ✓ No

Identification of major federal programs:

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing Number</u>
Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between Type A and Type B programs? \$ 750,000

Auditee qualified as low-risk auditee? ✓ Yes No

Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

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