

**BROOME COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY**

**Binghamton, New York**

**FINANCIAL REPORT**

**For the Year Ended December 31, 2017**



***BROOME COUNTY***  
***INDUSTRIAL DEVELOPMENT AGENCY***

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Broome County Industrial Development Agency  
Binghamton, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Broome County Industrial Development Agency (the Agency), a component unit of the County of Broome, New York, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Broome County Industrial Development Agency as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Prior Year Financial Statements***

The financial statements of the Broome County Industrial Development Agency as of December 31, 2016 and for the year then ended were audited by other auditors whose report dated April 5, 2017 expressed an unmodified opinion on those statements.

### ***Emphasis of Matter***

The prior year net position was restated for the correction of errors and a change in accounting principle. The Agency's net position for the year ended December 31, 2016 decreased by \$4,691,205, as described in Note 14 to the financial statements.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-4d be presented to supplement the basic financial statements. Such information, 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The Schedule of Projects is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Projects 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. Such 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 Projects is 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 13, 2018, 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 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 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 Broome County Industrial Development Agency's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
February 13, 2018

# ***BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017**

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Broome County Industrial Development Agency's (the Agency) financial position as of December 31, 2017, and the results of its operations for the year then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the Agency, which directly follow the MD&A.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Agency exceeded its liabilities at the close of the fiscal year ended December 31, 2017 by \$27,913,551 compared to \$27,077,848 at December 31, 2016.
- The Agency restated its beginning net position by \$(4,691,205) upon review of its existing accounting policies, capital assets, and accounts receivable balances. See Note 14 for further information.
- Total revenues in 2017 were \$8,489,965 compared to revenues of \$3,510,816 in 2016. The large increase stems from receipt of a grant from the New York State Dormitory Authority for construction of the new Agency office facility, as well as a gain on the sale of property held for resale.
- Total expenses of \$2,654,262 in 2017 increased by \$305,857 from total expenses of \$2,348,405 in 2016. The increase in expenses is primarily due to multi-modal project expenses.

### **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The financial statements of the Agency have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, a Statement of Cash Flows, and accompanying notes. These statements provide information on the financial position of the Agency and the financial activity and results of its operations during the year. A description of these statements follows:

- **Statement of Net Position** - presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.
- **Statement of Revenues, Expenses, and Changes in Net Position** - presents information showing the change in the Agency's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement include all items that will result in cash received or disbursed in future fiscal periods.
- **Statement of Cash Flows** - provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used by operating, non-capital financing, capital financing, and investing activities.

**BROOME COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE**

Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the Agency's activities.

*Figure 1*

<i>Condensed Statement of Net Position</i>	<i>Total Agency</i>		<i>Total Dollar</i>
	<i>2016, Restated</i>	<i>2017</i>	<i>Change</i>
			<i>2016 - 2017</i>
<i>Current Assets:</i>			
<i>Cash - Unrestricted</i>	\$ 1,596,799	\$ 2,513,915	\$ 917,116
<i>Investments</i>	4,455,830	4,474,448	18,618
<i>Accounts receivable</i>	335,000	174,225	(160,775)
<i>Due from county</i>	90,612	90,755	143
<i>Notes receivable - Current portion</i>	142,945	40,814	(102,131)
<i>Loans receivable - Current portion</i>	336,778	380,547	43,769
<i>Mortgage receivable - Current portion</i>	-	125,318	125,318
<i>Property held under PILOT agreements</i>	6,087,377	-	(6,087,377)
<b><i>Total Current Assets</i></b>	<b>13,045,341</b>	<b>7,800,022</b>	<b>(5,245,319)</b>
<i>Noncurrent Assets:</i>			
<i>Cash - Restricted</i>	1,062,227	596,154	(466,073)
<i>Notes receivable - Noncurrent portion</i>	619,391	578,577	(40,814)
<i>Loans receivable - Noncurrent portion</i>	1,232,279	1,585,095	352,816
<i>Mortgage receivable - Noncurrent portion</i>	-	3,198,978	3,198,978
<i>Due from county - Noncurrent portion</i>	249,000	236,787	(12,213)
<i>Property held for resale</i>	5,664,117	3,787,533	(1,876,584)
<i>Capital assets, net</i>	6,363,334	10,175,046	3,811,712
<b><i>Total Assets</i></b>	<b>28,235,689</b>	<b>27,958,192</b>	<b>(277,497)</b>
<i>Current Liabilities:</i>			
<i>Accounts payable and accrued expenses</i>	12,500	19,569	7,069
<i>Unearned revenue</i>	57,123	24,231	(32,892)
<i>Security deposits</i>	841	841	-
<i>Deposits of property held under PILOT agreements</i>	6,087,377	-	(6,087,377)
<b><i>Total Liabilities</i></b>	<b>6,157,841</b>	<b>44,641</b>	<b>(6,113,200)</b>
<i>Net Position:</i>			
<i>Net investment in capital assets</i>	6,363,334	10,175,046	3,811,712
<i>Restricted for loans</i>	2,803,979	2,561,815	(242,164)
<i>Unrestricted</i>	12,910,535	15,176,690	2,266,155
<b><i>Total Net Position</i></b>	<b>\$ 22,077,848</b>	<b>\$ 27,913,551</b>	<b>\$ 5,835,703</b>

# **BROOME COUNTY**

## **INDUSTRIAL DEVELOPMENT AGENCY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017**

Current assets decreased (40.2%) and current liabilities decreased (99.3%) primarily due to the expiration of property held under PILOT agreements through the return of the property held. The Agency saw increases in loans receivable through the excess of new loans over principle payments.

Additionally, the Agency sold property classified in property held for resale to outside entities in return for mortgages receivable, causing the increase in mortgages receivable and the decrease in property held for resale.

Capital assets, net and net investment in capital assets increased due to the addition of the Agency's new office building. Construction was completed during the year and the Agency moved into its new building in September 2017.

Our analysis in *Figure 2* considers the operations of the Agency's activities.

*Figure 2*

<i>Changes in Net Position</i>	<i>Total Agency</i>		<i>Total Dollar</i>
	<i>2016, Restated</i>	<i>2017</i>	<i>Change</i>
			<i>2016 - 2017</i>
<i>Operating Revenues:</i>			
<i>Fee income</i>	\$ 646,564	\$ 939,807	\$ 293,243
<i>Rental income</i>	2,430,877	883,724	(1,547,153)
<i>Pass-through revenue</i>	5,530	32,892	27,362
<i>Other income</i>	293,908	718,839	424,931
<i>Nonoperating Revenues:</i>			
<i>Investment income</i>	20,235	33,210	12,975
<i>Loan interest earned</i>	71,972	92,285	20,313
<i>State aid</i>	-	3,865,806	3,865,806
<i>Gain on sale of asset</i>	41,730	1,923,402	1,881,672
<b><i>Total Revenues</i></b>	<b>\$ 3,510,816</b>	<b>\$ 8,489,965</b>	<b>\$ 4,979,149</b>
<i>Operating Expenses:</i>			
<i>Salaries and benefits expense</i>	\$ 581,395	\$ 597,650	\$ 16,255
<i>Depreciation expense</i>	347,313	132,571	(214,742)
<i>Professional fees expense</i>	198,865	175,217	(23,648)
<i>Office expense</i>	120,650	101,149	(19,501)
<i>Rental expense</i>	594,360	474,946	(119,414)
<i>Multi-model expense</i>	85,275	621,901	536,626
<i>Other expense</i>	420,547	550,828	130,281
<b><i>Total Expenses</i></b>	<b>\$ 2,348,405</b>	<b>\$ 2,654,262</b>	<b>\$ 305,857</b>
<b><i>INCREASE IN NET POSITION</i></b>	<b>\$ 1,162,411</b>	<b>\$ 5,835,703</b>	<b>\$ 4,673,292</b>



**BROOME COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Total revenue increased 141.8% from the prior year. This increase stems from receipt of a grant from the New York State Dormitory Authority for construction of the new Agency headquarters. Additionally, the Agency sold property held for resale to outside entities at a gain of \$1,923,402.

Total expenses increased 13.0% from the prior year. This increase is attributable to multi-modal project expenses.

*Figure 3*

<i>Changes in Capital Assets</i>	<i>Total Agency</i>		<i>Total Dollar Change</i>
	<i>2016, Restated</i>	<i>2017</i>	<i>2016 - 2017</i>
<i>Land</i>	\$ 2,659,639	\$ 3,790,664	\$ 1,131,025
<i>Construction in progress</i>	2,391,071	19,987	(2,371,084)
<i>Buildings and improvements, net</i>	1,309,344	6,363,371	5,054,027
<i>Equipment, net</i>	3,280	1,024	(2,256)
<b><i>Totals</i></b>	<b>\$ 6,363,334</b>	<b>\$ 10,175,046</b>	<b>\$ 3,811,712</b>

Capital assets, net increased 59.9%. This increase is attributed to capitalization of the Agency's new office building, which was reclassified from construction in progress to buildings and improvements.

**FACTORS BEARING ON THE AGENCY'S FUTURE**

Although the Agency is currently in sound financial condition, fiscal challenges the Agency will face due to proposed federal, state, and local government programs could have an adverse impact on its ability to maintain a continued level of economic success. The Agency is constantly monitoring new state and federal regulations which may affect its yearly revenue.

2017 was the first year of a new 3 year strategic plan approved by the Board of Directors in September 2016. The 2017-2020 Action Plan outlines five strategic priorities; workforce and talent attraction, advancing the "iDistricts" in Binghamton, Johnson City and Endicott, reducing the impact of development barriers, implementing a comprehensive business and recruitment strategy and strengthening the capacity of the Agency. The vision of the Agency remains the same: to be recognized as the lead economic development organization in Broome County.

# ***BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017**

During 2017 the Agency sold the former L-3 Building to 265 Industrial Drive LLC. The company will retain the existing tenants of L-3 Communications and A.L George Inc. and has been in negotiations with a number of new tenants. In addition, the Agency leased former DOT property at 61 Montgomery Street and 79 Frederick Street to the New York State Department of Motor Vehicles to be used for CDL inspections. The staff began implementation of the workforce and talent attraction initiative that included forming a steering committee made up of work force professionals and private entities. This committee completed a strategic plan that will lead workforce and attraction efforts well into the next decade. A housing study was also completed which identified a lack of sufficient housing for young professionals and the need for development of additional market rate housing.

The Agency continued to work with the US Air Force on demolition of 600 Main Street in Johnson City. Demolition was completed in 2017 with the expected transfer of the vacant 26 acre parcel to the Agency in the first quarter of 2018.

The Agency closed on the purchase of the former Carnegie Library with an affiliate corporation of SUNY Broome. Work will commence in 2018 as the former library will be converted into a Culinary School for the College.

During 2017 the Agency closed on a number of significant Payment in Lieu of Taxes Agreements including construction of a new 125 unit market rate housing project at 50 Front Street in the City of Binghamton and a 120 unit affordable housing complex in Johnson City.

The Agency completed the construction of a new 17,500 square foot one stop office facility at Five South College Drive through a \$4,350,000 grant from former Senator Thomas Libous. The facility will include the Agency, Greater Broome Chamber of Commerce, New York State Business Development Corporation, Visions Federal Credit Union, Alliance of Manufacturing and Technology and the National Development Council. The Agency moved into the offices in September 2017 with the remaining tenants scheduled to relocate later in the year and into early 2018.

### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Agency's clients, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or needed additional financial information, contact the Broome County Industrial Development Agency at 5 South College Drive Binghamton, New York 13905.

**BROOME COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 2,513,915
Investments	4,474,448
Accounts receivable	174,225
Due from county - Current portion	90,755
Notes receivable - Current portion	40,814
Loans receivable - Current portion	380,547
Mortgage receivable - Current portion	125,318
<b>Total Current Assets</b>	<u>7,800,022</u>

**Noncurrent Assets**

Cash and cash equivalents - Restricted	596,154
Notes receivable - Noncurrent portion	578,577
Loans receivable, net - Noncurrent portion	1,585,095
Mortgage receivable - Noncurrent portion	3,198,978
Due from county - Noncurrent portion	236,787
Property held for resale	3,787,533
Capital assets, net	10,175,046
<b>Total Noncurrent Assets</b>	<u>20,158,170</u>

<b>Total Assets</b>	<b>\$ <u>27,958,192</u></b>
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**LIABILITIES AND NET POSITION**

**LIABILITIES**

**Current Liabilities**

Accounts payable and accrued expenses	19,569
Unearned revenue	24,231
Security deposits	841
<b>Total Liabilities</b>	<u>44,641</u>

**NET POSITION**

Net investment in capital assets	10,175,046
Restricted for loans	2,561,815
Unrestricted	15,176,690
<b>Total Net Position</b>	<u>27,913,551</u>

<b>Total Liabilities and Net Position</b>	<b>\$ <u><u>27,958,192</u></u></b>
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*See Independent Auditor's Report and Notes to Financial Statements.*

***BROOME COUNTY***  
***INDUSTRIAL DEVELOPMENT AGENCY***

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Operating Revenues</b>	
Fee income	\$ 939,807
Rental income	883,724
Pass-through revenue	32,892
State aid	621,901
Other income	<u>96,938</u>
<b>Total Operating Revenues</b>	<u><b>2,575,262</b></u>
<b>Operating Expenses</b>	
Rental expenses	474,946
Salaries and benefits	597,650
Depreciation	132,571
Professional fees	175,217
Office expense	101,149
Other administrative expenses	344,066
Marketing initiative expenses	123,638
Pass-through expenses	95
Insurance	9,876
Repairs, maintenance, and general	41,248
Professional development expense	16,552
Multi-model expense	621,901
Broome County Corporate Park maintenance	15,142
Utilities	<u>211</u>
<b>Total Operating Expenses</b>	<u><b>2,654,262</b></u>
Operating (Loss)	<u><b>(79,000)</b></u>
<b>Non-Operating Revenues</b>	
Investment income	33,210
Loan interest earned	92,285
State grant	3,865,806
Gain on sale of property held for resale	<u>1,923,402</u>
<b>Total Non-Operating Revenues</b>	<u><b>5,914,703</b></u>
Change in Net Position	5,835,703
Net Position, January 1, 2017, as restated	<u>22,077,848</u>
<b>Net Position, December 31, 2017</b>	<u><b>\$ 27,913,551</b></u>

*See Independent Auditor's Report and Notes to Financial Statements.*

***BROOME COUNTY***  
***INDUSTRIAL DEVELOPMENT AGENCY***

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Cash Flows from Operating Activities</b>	
Cash received from providing services	\$ 2,703,145
Cash payments - Salaries expense	(597,650)
Cash payments - Contractual expenses	<u>(1,916,972)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>188,523</u>
<b>Cash Flows from Non-Capital Financing Activities</b>	
Principal payments from county	<u>12,070</u>
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>12,070</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Grant revenue	3,865,806
Purchase of property and equipment	<u>(3,499,227)</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>366,579</u>
<b>Cash Flows from Investing Activities</b>	
Principal payments on notes receivable	142,944
Principal payments on loans receivable	407,915
New loans issued	(804,500)
Mortgage payments received	31,480
Investment income	33,210
Interest income received	<u>72,822</u>
<b>Net Cash (Used) by Investing Activities</b>	<u>(116,129)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	451,043
Cash and Cash Equivalents, January 1, 2017	<u>2,659,026</u>
<b>Cash and Cash Equivalents, December 31, 2017</b>	<b><u>\$ 3,110,069</u></b>
Reconciliation of net operating gain to net cash provided by operating activities:	
Operating (Loss)	\$ (79,000)
Adjustments to reconcile net operating (loss) to net cash provided by operating activities:	
Depreciation	132,571
Decrease in accounts receivable	160,775
Increase in accounts payable	7,069
(Decrease) in unearned revenue	<u>(32,892)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 188,523</u></b>

*See Independent Auditor's Report and Notes to Financial Statements.*

# ***BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

### ***Note 1* Summary of Significant Accounting Policies**

The financial statements of Broome County Industrial Development Agency (the Agency) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Agency's accounting policies are described below.

#### **Financial Reporting Entity**

The Agency was created in 1971 by the Broome County Legislature under the provisions of Chapter 535 of the 1971 Laws of New York State for the purpose of encouraging economic growth in Broome County. The Agency is exempt from federal, state, and local income taxes. The Agency, although established by the Broome County Board of Representatives, is a separate entity and operates independently of the County. The Agency is considered a component unit of the County.

The financial reporting entity consists of (a) the primary government which is the Broome County Industrial Development Agency, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34."

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34," including legal standing, fiscal dependency, and financial accountability.

#### **Basis of Accounting**

The accounts of the Agency are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned. Expenses are recorded when the liability is incurred.

#### **Cash and Cash Equivalents**

The Agency considers all highly liquid investments having an original maturity of three months or less to be cash equivalents.

**BROOME COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 1 Summary of Significant Accounting Policies - Continued**

**Investments**

Investments consist of U.S. Treasury notes and are stated at fair value based on quoted market prices.

**Loans Receivable**

The Agency acquired funds from the Appalachian Regional Commission in the 1970s to administer the STEED loan fund. This program is considered a revolving loan program as the purpose is to be able to take the repayments of existing loans and loan those funds out to future project applicants. The purpose of these funds is to create economic development in Broome County. A STEED loan cannot be used to finance the costs of an entire project. The loan program allows for reimbursement of administrative and overhead costs incurred for the program. For the year ended December 31, 2017, the program reimbursed operating expenses of \$23,000.

**Allowance for Uncollectible Loans**

The Agency follows the policy of evaluating its loans receivable to adequately reserve for anticipated losses. Management believes all loans receivable are deemed collectible; therefore, no reserve for the loans has been established as of December 31, 2017.

**Capital Assets**

All property and equipment acquired with grant funds are owned by the Agency and are used in the programs for which they were purchased. There are no revisionary interests by grantor agencies in the assets. Capital assets as defined by the Agency are assets with an initial unit cost of \$1,500 or more and an estimated life in excess of two years. Donated capital assets are recorded at estimated fair value at the date of the donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed and depreciated when placed in service.

Depreciation of property and equipment is provided on a straight-line basis over the following useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	30-40
Building improvements	10-20
Equipment	3-7

**Property Held under Payment in Lieu of Taxes Agreements**

On occasion, the Agency enters into payment in lieu of tax (PILOT) agreements in which the deed to the property is transferred to the Agency. At the end of the PILOT agreement the deed is transferred back to the agreeing entity. The Agency has elected to record an asset and offsetting liability for the property transferred.

# ***BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

### ***Note 1* Summary of Significant Accounting Policies - Continued**

#### **Equity Classifications**

Equity is classified as net position and displayed in three components:

- Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgage, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted for loans - Consists of net resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of “net investment in capital assets” or “restricted.”

#### **Fee Income, Grant and Contract Support**

The Agency charges a service fee for each project, the proceeds of which are intended to offset for Agency expenses and fund continuing operations.

#### **Non-operating Revenues**

Non-operating activities include gains or losses on disposal of capital assets or property held for resale, investment income, loan interest, and state grants.

#### **Tax-Exempt Bond Transactions**

The Agency is an issuer of tax-exempt bond and lease financing for qualified projects. These bonds and leases are the obligation of the borrower. Because the Agency has no obligation to repay the principal and interest of such bonds and leases, they are not reflected as liabilities in the accompanying financial statements. The Agency receives issuance fees from the borrower for providing this service. These fees are recognized immediately upon issuance of the related debt. The Agency did not issue any bonds during 2017, nor were any bonds outstanding as of December 31, 2017.

#### **Use of 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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



# ***BROOME COUNTY*** ***INDUSTRIAL DEVELOPMENT AGENCY***

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 2 Cash and Cash Equivalents**

State statutes govern the Agency's investment policies. In addition, the Agency has its own written investment policy. Monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit for the Agency at 105% and 100%, respectively, of all deposits 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.

Total bank balances of the Agency of \$3,123,082 at December 31, 2017 were covered by FDIC insurance up to \$250,000. As of December 31, 2017, all deposits with financial institutions were either insured or collateralized with securities held by the pledging financial institution in the Agency's name.

Restricted cash of \$596,154 consists of cash for the Agency's STEED and BDF loan funds.

**Note 3 Investments**

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Agency has the following recurring fair value measurements as of December 31, 2017: U.S. Treasury notes of \$4,474,448 are valued using quoted market prices (Level 1).

**Note 4 Loans Receivable**

Loans receivable, net are summarized as follows:

	<b>Business Development Revolving Loan</b>	<b>STEED</b>	<b>Total</b>
Principal Balance at January 1	\$ 490,592	\$ 1,078,465	\$ 1,569,057
New loans	85,000	719,500	804,500
Principal repayments	<u>(98,214)</u>	<u>(309,701)</u>	<u>(407,915)</u>
Balance at December 31	477,378	1,488,264	1,965,642
Less: Current portion	<u>(83,047)</u>	<u>(297,500)</u>	<u>(380,547)</u>
<b>Noncurrent Portion</b>	<b><u>\$ 394,331</u></b>	<b><u>\$ 1,190,764</u></b>	<b><u>\$ 1,585,095</u></b>

**BROOME COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 5 Property Held for Resale**

The Agency is holding land and development costs totaling \$3,787,533 for properties throughout Broome County for economic development and resale in accordance with program purposes.

**Note 6 Notes Receivable**

Notes receivable are summarized as follows at December 31, 2017:

	<u>Interest Rate</u>	<u>Payment</u>	<u>Maturity</u>	<u>Principal</u>
ADEC Solutions USA, Inc.	3%	\$4,903 monthly	8/2030	\$ 619,391
Less:				
Current portion				<u>(40,814)</u>
<b>Noncurrent Portion</b>				<b><u>\$ 578,577</u></b>

**Note 7 Mortgages Receivable**

During the year, the Agency sold property held for resale to third parties in exchange for mortgages receivable.

Mortgages receivable are summarized as follows at December 31, 2017:

	<u>Interest Rate</u>	<u>Payment</u>	<u>Maturity</u>	<u>Principal</u>
265 Industrial Park Drive, LLC	2.5%	\$18,167 monthly	9/2037	\$ 3,198,978
Precium Holdings, LLC	3.0%	\$444 monthly	6/2037	<u>125,318</u>
				3,324,296
Less:				
Current Portion				<u>(125,318)</u>
<b>Noncurrent Portion</b>				<b><u>\$ 3,198,978</u></b>

**Note 8 Due from County**

During 2014, the County had a bond mature, but the final payment was a balloon payment of \$426,097. The County asked the Agency to make the payment and the Agency and the County entered into a repayment agreement to repay the amount over the next five years.

During 2016, the County and Agency entered into a purchase agreement of \$100,000 for 20 acres of land in the Broome Corporate Park. The Agency and the County entered into a repayment agreement to repay the amount to the Agency in annual installments of \$5,000 over the next 20 years commencing August 2017.

**BROOME COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 9 Capital Assets**

The detail of capital assets, net at December 31, 2017 is as follows:

	<b>Balance at 12/31/2016, as restated</b>	<b>Additions</b>	<b>Disposals/ Reclassifications</b>	<b>Balance at 12/31/2017</b>
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 2,659,639	\$	\$ 1,131,025	\$ 3,790,664
Construction in progress	2,391,071	3,499,227	(5,870,311)	19,987
<b>Total Non-Depreciable Capital Assets</b>	<u>5,050,710</u>	<u>3,499,227</u>	<u>(4,739,286)</u>	<u>3,810,651</u>
<b>Depreciable Capital Assets</b>				
Building and improvements	1,866,924		5,184,342	7,051,266
Equipment	58,543			58,543
<b>Total Depreciable Capital Assets</b>	<u>1,925,467</u>	<u>-</u>	<u>5,184,342</u>	<u>7,109,809</u>
 Total Historical Cost	 <u>6,976,177</u>	 <u>3,499,227</u>	 <u>445,056</u>	 <u>10,920,460</u>
<b>Less Accumulated Depreciation</b>				
Building and improvements	(557,580)	(130,315)		(687,895)
Equipment	(55,263)	(2,256)		(57,519)
<b>Total Accumulated Depreciation</b>	<u>(612,843)</u>	<u>(132,571)</u>	<u>-</u>	<u>(745,414)</u>
 <b>Capital Assets, Net</b>	 <u><u>\$ 6,363,334</u></u>	 <u><u>\$ 3,366,656</u></u>	 <u><u>\$ 445,056</u></u>	 <u><u>\$ 10,175,046</u></u>

**Note 10 Unearned Revenue**

In March of 1997, the Agency entered into a Contract for Deed with the United States Government for a parcel commonly known as Air Force Plant #59. This property consists of approximately 30 acres of land on which buildings of approximately 612,000 square feet are situated. The Contract for Deed transferred all beneficial ownership interest of the property to the Agency for the sum of \$10. The U.S. Government agreed to transfer the deed to the property at no cost to the Agency once certain environmental matters were remediated on the property. Pursuant to this transfer, the Agency entered into a lease agreement with the tenant of the property, Lockheed Martin Corporation. Effective September 2000, Lockheed Martin Corporation assigned the lease to BAE Systems Controls, Inc. (BAE). The term of the amended lease was for 27 years. The amended lease required annual rental payments of \$250,000 during the first seven years, \$350,000 during the second ten years and \$500,000 during the third ten years.

**BROOME COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 10**    **Unearned Revenue - Continued**

The annual rental was held in escrow by the Agency and dedicated exclusively to fund capital repairs, capital maintenance and capital improvements. If the tenant was to give notice of termination, which could not be less than five years prior to the effective date, these funds become sole and exclusive property of the Agency. The tenant also was to pay the Agency a termination fee of \$2,000,000 within 30 days of the termination of the lease. In addition to the rental payments, the tenant agreed to pay directly to the Agency an additional, \$25,000 per year during the first 10 years and \$175,000 per year during the remaining term of the lease as an administrative and management fee.

As a result of a major flood in the fall of 2011, BAE Systems Controls, Inc. sustained significant damage well in excess of \$40,000,000 to its manufacturing facility. As a result, BAE notified the Agency on November 1, 2011 of their election to terminate the lease in accordance with Section 4.1.B of the Original Lease (as modified by Paragraph 6 of the Assignment Agreement), and (ii) notice of Tenant's election to terminate the lease in accordance with Section 227 of Article 7, Chapter 50 of the Real Property Law of the State of New York ("Section 227"). The termination fee of \$2,000,000 was waived. The Agency is working with the United States Air Force on a plan that will result in the Air Force taking responsibility for the demolition and environmental remediation of the property. During the interim period prior to the demolition, the Agency will use the \$500,000 insurance proceeds received in 2012 to moth ball and maintain security of the site. As of December 31, 2017, the unspent insurance proceeds available for future costs were \$24,231. Due to the termination of the lease, the funds that had previously been held in trust for BAE became the property of the Agency. The Agency intends to utilize these funds to cover future expenses related to the maintenance and security of the site.

Unearned revenue represents the unexpended portion of the \$500,000 insurance proceeds related to the flood damage sustained by BAE Systems Controls, Inc. During 2013, an additional \$190,000 for the sale of BAE equipment was included in unearned revenue and restricted to expenses related to the flood. During 2017, the Agency incurred \$32,892 in expenses related to the flood.

**Note 11**    **Commitments and Contingencies**

The Agency is exposed to various risks of loss related to theft of, damage to, and destruction of assets, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance.

The Agency has received grants and/or program funds which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for return of funds. The Agency believes disallowances, if any, will be immaterial.

**BROOME COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 12 Tax Abatements**

During the time in which property is leased to a company, the property is exempt from taxes other than special ad valorem levies and special assessments. However, the Agency executes Payment in Lieu of Tax (PILOT) agreements, wherein the company is required to make annual payments to the County, local municipalities, and school districts.

In 2017, \$5,039,599 was received in PILOT payments compared to the \$10,105,726 which would have been received if businesses paid the full amount of property taxes; for total property tax abatements of \$5,066,127.

In addition to PILOTs above, \$5,145,244 of sales tax and \$290,140 of mortgage tax abatements were awarded.

**Note 13 Leases**

The Agency, as lessor, has entered into multiple non-cancelable operating leases for space within its office building through September 2022. The agreements call for monthly payments from leasees ranging from \$600 to \$4,167. Total receipts under the leases amounted to \$7,200 in 2017.

Future minimum rentals under non-cancelable operating leases are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 79,200
2019	84,200
2020	80,000
2021	77,000
2022	<u>43,750</u>
<b>Total</b>	<b>\$ <u><u>364,150</u></u></b>

**BROOME COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 14**    **Restatement of Net Position**

During the year the Agency reviewed its capital assets listings and became aware of items not capitalized in the past year. Additionally, the Agency changed its accounting for certain properties held under PILOT agreements which were returned to the Company.

Furthermore, the Agency evaluated its aging accounts receivable and cutoff of receivables and determined items to be included in accounts receivable. To correct errors and account for the change in accounting principle, beginning net position has been restated as follows:

<b>Net Position Beginning of Year, as Previously Stated</b>	<b>\$ 26,769,053</b>
Accounts receivable	306,014
Property under PILOT agreements	(6,087,377)
Capital assets	<u>1,090,158</u>
<b>Net Position Beginning of Year, as Restated</b>	<b><u>\$ 22,077,848</u></b>

**Note 15**    **Related Party**

The Agency performs administrative and supporting services for the Broome County Local Development Corporation (the Corporation). In addition, members of the Agency's Board of Directors make up the Board of Directors for the Corporation.

**BROOME COUNTY**  
**INDUSTRIAL DEVELOPMENT AGENCY**

**SCHEDULE OF PROJECTS**  
**DECEMBER 31, 2017**

<u>Project Name</u>	<u>Exemption Period</u>	<u>Purpose</u>	<u>Sales Tax Cap</u>	<u>Sales Tax Exemptions</u>
20 Hawley St.	2012-2022	Construction	\$	\$
50 Front Street	2019-02046	Manufacturing	626,000	110,791
ADEC Solutions	2016-2031	Services	16,000	7,814
Century Sunrise	2018 - 2048	Construction	640,000	763,960
Chenango Place - One Wall Street	2014-2024	Construction		
CLMM Development - CCX Trucking	2010 - 2016	Transportation		
Clover Communities	2012 - 2022	Construction		
CR Land	2018 - 2028	Construction	160,000	
Dick's MSC and Expansion	2017-2047	Construction	8,000,000	3,850,537
Gannett Satellite Information Network	2004-2019	Services		
Good Shepherd Village	2010-2040	Civic Facility		
Maines - 101 Broome Corp Parkway	2004-2019	Wholesale		
Maines - Maple Drive	2007-2022	Wholesale		
Midway Lanes	N/A	Construction	44,160	5,097
Millunium Pipeline	2009-2024	Construction		
Nealon Transportation - KMCC Ventures	2017-2033	Transportation	10,000	
Pacemaker Steel	2017-2032	Manufacturing		
Printing House - Chenango Empire	2016-2026	Construction		
SaveAround	2018 - 2038	Manufacturing		800
Scannell - FedEx Ground Package System	2009-2019	Transportation		
Sheedy Road/Juneberry Road	2015-2025	Construction		
Skye View Heights - American Horizons	2016-2038	Construction	330,000	266,900
Stellar 83 Court	2015-2025	Construction		
Vestal Park (UP1 and UP2)	2014-2036	Construction	1,344,720	139,345
Vitaluna	2014-2024	Construction		
Washington Development Associates	2013-2032	Construction		
Willow Run Foods	1998-2018	Wholesale		
Woodburn Court	2017-2036	Retirement Community		
<b>Total</b>			<b>\$ 11,170,880</b>	<b>\$ 5,145,244</b>

*See Independent Auditor's Report.*

<u>Mortgage Tax Exemptions</u>	<u>Payments in Lieu of Taxes</u>	<u>Property Taxes if not Exempt</u>	<u>Total Exemptions</u>	<u>Base Year Jobs</u>	<u>Current Employment 12/31/2017</u>
\$	\$ 282,868	\$ 478,491	\$ 195,623	2	7
250,000		63,124	423,915		60
	12,664	41,302	36,452	1	66
			763,960		319
	111,955	425,581	313,626		19
	17,740	9,862	(7,878)		35
	100,967	307,614	206,647		2
25,640			25,640		41
	-	699,190	4,549,727		719
	183,900	240,683	56,783		118
	142,805	-	(142,805)		116
	544,985	611,777	66,792	625	979
	77,936	142,882	64,946	51	102
			5,097		28
	919,734	1,839,467	919,733		
			-	16	14
	25,264	25,660	396	25	85
	36,460	745,342	708,882		4
14,500			15,300		116
	62,386	114,373	51,987	21	33
	460,824	923,008	462,184	135	203
	23,547	55,868	299,221		74
	51,091	450,886	399,795		20
	1,137,265	1,385,765	387,845		70
	148,917	198,298	49,381	61	3
	199,018	754,544	555,526		12
	240,513	335,321	94,808	167	430
	258,760	256,688	(2,072)		6
<b>\$ 290,140</b>	<b>\$ 5,039,599</b>	<b>\$ 10,105,726</b>	<b>\$ 10,501,511</b>	<b>1,104</b>	<b>3,681</b>



**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***

Board of Directors  
Broome County Industrial Development Agency  
Binghamton, New York

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 Broome County Industrial Development Agency (the Agency), a component unit of the County of Broome, New York, which comprise the Statement of Net Position as of December 31, 2017, and the related Statements of Activities and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2018.

**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) to determine the 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 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 may exist that have not been identified.

**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 determination of financial statement amounts. 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP  
Certified Public Accountants

Ithaca, New York  
February 13, 2018