

**BROOME COUNTY INDUSTRIAL
DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the
County of Broome, New York)**

**Financial Statements and
Required Report as of
December 31, 2016
Together with
Independent Auditor's Report**

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INDEPENDENT AUDITOR'S REPORT

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

April 5, 2017

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Broome County Industrial Development Agency (Agency), a discretely presented component unit of the County of Broome, New York, as of and for the year ended December 31, 2016, 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 entity'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 entity'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 opinions.

(Continued)

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Broome County Industrial Development Agency, a discretely presented component unit of the County of Broome, New York, as of December 31, 2016, and the changes in its net position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, 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 assistance 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 Broome County Industrial Development Agency's basic financial statements. The schedule of bonds outstanding is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of bonds outstanding has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 5, 2017 on our consideration of the Broome County Industrial Development 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 the 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.

Bonadio & Co., LLP

REQUIRED SUPPLEMENTARY INFORMATION

**BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the County of Broome, New York)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2016**

As financial management of the Broome County Industrial Development Agency (Agency), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended December 31, 2016. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in the financial statements as a whole. This section is only an introduction and should be read in conjunction with the Agency's financial statements, which immediately follow.

The Agency is a component unit of the County of Broome, New York (County), and is discretely presented in the County's financial statements.

Financial Highlights

During the current year of operations, the Agency's net position increased \$75,427.

Overview of the Financial Statements

The basic financial statements include the statement of net position, statement of revenues, expenses, and change in net position, statement of cash flows, and notes to the financial statements. Agency also includes in this report additional information to supplement the basic financial statements.

The first of these statements is the Statement of Net Position. This is the statement of financial position presenting information that includes all of the Agency's assets, deferred outflows of resources (if any), liabilities, (if any) and deferred inflows of resources with the difference 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. Evaluation of the overall economic health of the Agency must include other non-financial facts such as the economic picture of the County and the State, in addition to the financial information provided in this report.

The second statement is the Statement of Revenues, Expenses and Change in Net Position, which reports how the Agency's net position changed during the fiscal year.

Revenues and expenses are included when earned or incurred, regardless of when cash is received or paid.

The third statement is the Statement of Cash Flows, which shows the sources and uses of cash.

The accompanying Notes to the Financial Statements provide information essential to a full understanding of the financial statements.

Overview of the Financial Statements (Continued)

Below is a summary of the Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position for the year ended December 31:

Statement of Net Position	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Current Assets	\$ 13,378,294	\$ 11,792,202	\$ 1,586,092	13.5%
Capital Assets	11,360,553	12,428,049	(1,067,496)	-8.6%
Other Non-Current Assets	<u>2,100,670</u>	<u>2,538,493</u>	<u>(437,823)</u>	-17.2%
Total Assets	<u>26,839,517</u>	<u>26,758,744</u>	<u>80,773</u>	0.3%
Current Liabilities	<u>70,464</u>	<u>65,118</u>	<u>5,346</u>	8.2%
Total Liabilities	<u>70,464</u>	<u>65,118</u>	<u>5,346</u>	8.2%
Net Position				
Net Investment in Capital Assets	11,360,553	12,428,049	(1,067,496)	-8.6%
Restricted	2,803,979	2,624,511	179,468	6.8%
Unrestricted	<u>12,604,521</u>	<u>11,641,066</u>	<u>963,455</u>	8.3%
Total Net Position	<u>\$ 26,769,053</u>	<u>\$ 26,693,626</u>	<u>\$ 75,427</u>	0.3%

Statement of Revenues, Expenses, and Change in Net Position

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues	\$ 3,448,851	\$ 2,506,372	\$ 942,479	37.6%
Operating Expenses	<u>(3,427,075)</u>	<u>(3,163,754)</u>	<u>(263,321)</u>	8.3%
Income From Operations	<u>21,776</u>	<u>(657,382)</u>	<u>679,158</u>	-103.3%
Net Non-Operating Revenues:				
Investment Income	<u>53,651</u>	<u>37,743</u>	<u>15,908</u>	42.1%
Net Non-Operating Revenues	<u>53,651</u>	<u>37,743</u>	<u>15,908</u>	42.1%
Change in Net Position	75,427	(619,630)	695,057	-112.2%
Net Position, Beginning of Year	<u>26,693,626</u>	<u>27,313,256</u>	<u>(619,630)</u>	-2.3%
Net Position, End of Year	<u>\$ 26,769,053</u>	<u>\$ 26,693,626</u>	<u>\$ 75,427</u>	0.3%

Assets exceeded liabilities by \$26,769,053 at December 31, 2016. This represents an increase of \$75,427 over 2015.

The unrestricted net position at December 31, 2016 is \$12,604,521, which is an increase of \$963,455 or 8.3% over 2015.

Overview of the Financial Statements (Continued)

The Agency continues to benefit from significant rental income of \$2,765,877 from a couple lessors. In addition to the rental income, the Agency also received \$311,564 in fees income during the year.

A large portion of the Agency's net position reflects its investment in its revolving loan funds with a balance of \$2,803,979 at December 31, 2016. There has been a \$179,468 increase in the loan fund balance from 2015 of \$2,624,511. The loan funds are restricted funds and dedicated to provide subordinate debt to assist small businesses with their expansion projects.

Significant Events:

In October of 2016, The Agency broke ground on its new 17,500 square foot office building on the southeast entrance of the SUNY Broome campus in the Town of Dickinson. The business center at Five South College Drive is the first building to be constructed in Broome County for the purpose of collocating business and economic development organizations. The Agency will be the owner and anchor tenant of the new building that will also house the Greater Binghamton Chamber of Commerce, New York Business Development Corporation, Alliance for Manufacturing and Technology, National Development Council and Visions Federal Credit Union. The project is fully funded through a \$4,350,000 New York Economic Development Assistance Program grant secured by the late Senator Tom Libous. Construction is anticipated to be complete and the building occupied by the end of summer 2017.

The BCIDA and L-3 Communications and A.L. George entered into a one year lease with two one-year options for the property at 265 Industrial Park Drive. The IDA had a long standing master lease agreement with L-3 Communications that was terminated at the beginning of 2016. The IDA began discussions with a potential buyer for the structure in 2016 with closing expected in 2017.

During 2016 the BCIDA negotiated the transfer of 100 acres in the Broome County Corporate Park to Dick's Sporting Goods for the construction of a 650,000 square foot distribution facility that will service 230 of its stores in the northeastern US. The \$100,000,000 project is expected to create 466 new jobs. Construction began in August 2016 and completion of the facility is expected by the end of 2017.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2016, the Agency's net investment in capital assets is \$11,360,553.

	<u>2016</u>	<u>2015</u>	Increase (Decrease)	Percent Change
Land	\$ 2,659,639	\$ 2,659,639	\$ -	-
Construction in progress	1,300,913	2,021,096	(720,183)	-35.6%
Buildings and improvements	11,695,516	11,695,516	-	-
Equipment	<u>58,543</u>	<u>58,543</u>	<u>-</u>	-
	15,714,611	16,434,794	(720,183)	-4.4%
Less: Accumulated depreciation	<u>4,354,058</u>	<u>4,006,745</u>	<u>347,313</u>	8.7%
	<u>\$ 11,360,553</u>	<u>\$ 12,428,049</u>	<u>\$ (1,067,496)</u>	-8.6%

Economic Factors Bearing on the Agency's Future

Although the Agency is currently in sound financial condition, the fiscal challenges that 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 that may affect its yearly revenue.

In 2016 the Agency completed the last year of its original three year strategic plan and accomplished the identified five objectives outlined in that plan. In September and October of 2016 the Agency Board of Directors and staff developed the 2017-2020 Action Plan that also outlined five strategic priorities; workforce and talent attraction, advancing the "iDistricts" in Binghamton, Johnson City and Endicott, reduce the impact of development barriers, implement a comprehensive business and recruitment strategy and strengthen the capacity of the BCIDA. The vision of the BCIDA remains the same: to be recognized as the lead economic development organization in Broome County.

In February 2012, the Agency acquired 61 Montgomery Street and 79 Frederick Street from New York State Department of Transportation. This property is located in the City of Binghamton along the Brandywine highway between Bevier and Robinson Streets and has been considered a priority for years to redevelop. The Agency currently has a six-month option with a developer on the property. The developer has an option to renew for another six months. The Agency is continuing to work with the City of Binghamton, New York and other parties on a plan for this strategic site.

The Agency continued to work with the US Air Force on the demolition of 600 Main Street in Johnson City. Demolition was nearly complete towards the end of 2016 and the Agency expects to take title to the property in 2017.

The Agency and SUNY Broome have entered into an agreement whereby the former Carnegie Library will be converted into a Culinary School for the college. Transfer of the property to SUNY Broome will occur in 2017 with construction beginning almost immediately.

In 2010, the Agency, with a grant from Empire State Development, completed the development of Charles Street Business Park, a 20+ acre corporate park in the City of Binghamton. The Agency has been maintaining and managing the park since its completion and is continually working with the City of Binghamton and private developers on the further development of the property.

Contacting the Agency's Finance Management

This financial report is designed to provide the Agency's citizens, customers, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it received. If you have any questions about this report or need additional financial information, contact:

The Agency
Broome County IDA/LDC
Attn: Executive Director
P.O. Box 1510
Binghamton, NY 13902-1510

BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the County of Broome, New York)

STATEMENT OF NET POSITION
DECEMBER 31, 2016

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,596,799
Restricted - Cash and Cash Equivalents	1,062,227
Investments	4,455,830
Accounts Receivable	28,986
Due from County	90,612
Notes Receivable - Current Portion	142,945
Loans Receivable - Current Portion	336,778
Property Held for Resale	5,664,117
Total Current Assets	<u>13,378,294</u>

Non-Current Assets

Notes Receivable - Non-Current Portion	619,391
Loans Receivable, Net - Non-Current Portion	1,232,279
Due from County - Non-Current Portion	249,000
Capital Assets	<u>11,360,553</u>
Total Non-Current Assets	<u>13,461,223</u>
TOTAL ASSETS	<u>26,839,517</u>

LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable and Accrued Expenses	12,500
Unearned Revenue	57,123
Security Deposits	841
Total Current Liabilities	<u>70,464</u>

Net Position

Net Investment in Capital Assets	11,360,553
Restricted for Loans	2,803,979
Unrestricted	<u>12,604,521</u>
TOTAL NET POSITION	<u>\$ 26,769,053</u>

The accompanying notes are an integral part of these statements.

BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the County of Broome, New York)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

Operating Revenues	
Fee income	311,564
Loan interest earned	71,972
Rental income	2,765,877
Pass - through revenue	5,530
Other income	293,908
	<hr/>
Total Operating Revenues	<u>3,448,851</u>
Operating Expenses	
Rental expenses	1,769,792
Salaries and benefits	581,395
Depreciation	347,313
Professional fees	197,340
Office expense	120,615
Other administrative expenses	209,257
Marketing initiative expenses	125,045
Pass - through expenses	344
Insurance	30,598
Repairs, maintenance and general	21,530
Professional development expense	17,721
Broome County Corporate Park Maintenance	6,037
Utilities	88
	<hr/>
Total Operating Expenses	<u>3,427,075</u>
Operating Income	21,776
Non-Operating Revenue	
Investment income	53,651
	<hr/>
Change in net position	75,427
Net position, beginning of year	<u>26,693,626</u>
Net position, end of year	<u><u>\$ 26,769,053</u></u>

The accompanying notes are an integral part of these statements.

BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the County of Broome, New York)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities:	
Cash received from providing services	\$ 3,873,247
Cash payments for contractual expenses	<u>(3,068,886)</u>
Net cash provided by operating activities	<u>804,361</u>
Cash flows from non-capital and financing activities:	
Principal payments on notes receivable	130,752
Payment for bond pay-off on behalf of County	<u>83,918</u>
Net cash provided by non-capital and financing activities	<u>214,670</u>
Cash flows from capital and related financing activities:	
Sale of capital assets	<u>720,183</u>
Net cash used in capital and related financing activities	<u>720,183</u>
Cash flows from investing activities:	
Purchase of assets held for sale	(1,399,099)
Sale of investments	768,437
Interest income	<u>53,651</u>
Net cash provided by investing activities	<u>(577,011)</u>
Increase in Cash and Cash Equivalents	<u>1,162,203</u>
Cash and Cash Equivalents at beginning of year	<u>1,496,823</u>
Cash and Cash Equivalents at end of year	<u>\$ 2,659,026</u>
Reconciliation of operating income to net cash	
Provided by operating activities	
Operating income	\$ 21,776
Adjustments to reconcile to net cash provided by operating activities	
Depreciation	347,313
Changes in assets and liabilities	
Accounts receivable	51,507
Loans receivable	378,419
Accounts payable	10,876
Unearned revenue	<u>(5,530)</u>
Net cash provided by operating activities	<u>\$ 804,361</u>

The accompanying notes are an integral part of these statements.

**BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the County of Broome, New York)**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Broome County Industrial Development Agency (Agency) was established in May 1970, under General Municipal Law Article 18-A, to aid Broome County in promoting the economic welfare of its inhabitants and to actively promote, attract, encourage and develop economically sound commerce and industry. The Agency advances job opportunities through assistance in constructing, maintaining and equipping industrial, commercial, manufacturing and research facilities. The Agency assists in the financing of projects through the sale of industrial revenue bonds. The Agency is designed to function as a prime community resource. The Agency is a discretely presented component unit of Broome County's basic financial statements due to the County's ability to influence the decisions of the Agency. The Agency's Board of Directors is comprised of individuals appointed by the County.

The Agency exercises its mandated power and lawful authority to cause bonds to be issued, to have the proceeds used to construct and equip facilities, to mortgage such facilities as security, and to lease such facility for rentals sufficient to repay the bond proceeds and related interest. The bonds are special obligations of the Agency payable solely from the revenues and receipts derived from the leasing or sale of the underlying facility, or from enforcement of any security provided by the mortgage and assignment. In effect, while the Agency serves as a vital conduit in arranging for the financing of construction, and is the apparent owner of record, as a practical matter, bondholders look to the facility and to the owners of the beneficial interests therein for ultimate satisfaction of their debt. The agreements recite that neither the members of the Agency nor any person executing the bonds is liable personally thereon by reason of the issuance thereof. It is contemplated that the beneficial owners of the facility will acquire such facility for a nominal consideration upon the termination of the lease term and the repayment of the bond issued. On a de facto, substantive basis, the lessees of the facilities may be viewed as the owners, in an economic, if not a formal, sense. See Schedule 1 for information on outstanding bonds.

In January 2008, the law that allowed Industrial Development Agencies to issue civic facility bonds for non-profit sponsored projects sunset. In November 2010, the Agency received sponsorship and approval from the County to set up a county-wide Local Development Corporation (LDC). In June 2011, the Broome County Local Development Corporation (BCLDC) was formed in order to issue tax exempt bonds for civic facility non-profit projects.

Because of the economic interest described above, the bond liabilities and the related assets consisting of underlying properties are not reflected in the financial statements of the Agency.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for accounting and financial reporting principles. The Agency's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as business-type activities are required to be reported. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The following is a summary of the significant accounting policies followed in the preparation of the Agency's financial statements.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with a maturity of three months or less.

Credit Risk

The Agency's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill obligations. The Agency's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Obligations of the United States of America
- Obligations of the State of New York
- Certificates of Deposit

Custodial Credit Risk – Deposits

Custodial credit risk – deposits is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Agency's investment policy, all deposits of the Agency, including certificate of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits.

Concentration of Credit Risk

The Agency places no limit on the amount that may be invested in any one issuer. At December 31, 2016, all cash balances were held in two financial institutions.

Restricted Cash and Cash Equivalents

These amounts relate to the STEED and Business Development Revolving loan funds and can only be utilized for those purposes.

Investments

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

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 in the amount 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.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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 within Broome County. A STEED loan cannot be used to finance the costs of an entire project. The loan program allows for the reimbursement of administrative and overhead costs incurred for the program. For the year ended December 31, 2016, the program reimbursed operating expenses of \$27,000.

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; there is no reserve for the loans at December 31, 2016.

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 reversionary 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 estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings	30-39
Buildings Improvements	10-20
Equipment	3-7

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Net Position Classification

In the financial statements, there are three classes of net position:

1. Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that does not meet the definition of restricted or net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as needed.

Fee Income, Grant and Contract Support

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

Rental Income

Revenue from rental payments received on operating leases is recognized on a straight-line basis over the term of the lease.

Income Taxes

The Agency is a not-for-profit industrial development agency under Section of New York State not-for-profit corporation law and is exempt from federal income taxes and New York State taxes. Accordingly, no income tax provision has been made.

Non-operating Activities

Non-operating activities include realized and unrealized gains or losses on investments and gains or losses on disposal of capital assets, and investment income.

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 obligations of the borrower. Since 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 the issuance of the related debt.

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.

2. CASH AND CASH EQUIVALENTS

The Agency's bank deposits were insured and collateralized as follows at December 31, 2016:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents	\$ 2,830,685	\$ 2,655,608
Collateralized with securities held by pledging financial institution trust department or agent in the Agency's name	\$ 2,330,685	
Covered by FDIC	<u>500,000</u>	
Total	<u>\$ 2,830,685</u>	

3. INVESTMENTS

The Agency's investments are categorized within the fair value hierarchy established by generally accepted principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investment. Level 1 inputs are quoted market 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, 2016: U.S. Treasury notes of \$4,455,830 are valued using quoted market prices (Level 1 inputs).

4. LOANS RECEIVABLE, NET

Loans receivable, net are summarized as follows:

	<u>Business Development Revolving Loan</u>	<u>STEED</u>	<u>Total</u>
Principal Balance at January 1	\$ 570,963	\$ 1,376,513	\$ 1,947,476
Loan advances	-	-	-
Principal repayments	(80,371)	(298,048)	(378,419)
Loan write-offs	<u>\$ -</u>	<u>-</u>	<u>-</u>
Balance at December 31	490,592	1,078,465	1,569,057
Less: Current Portion	<u>(80,443)</u>	<u>(256,335)</u>	<u>(336,778)</u>
Noncurrent portion	<u>\$ 410,149</u>	<u>\$ 822,130</u>	<u>\$ 1,232,279</u>

5. PROPERTY HELD FOR RESALE

The Agency is holding land and development costs totaling \$5,664,117 for properties throughout Broome County for economic development and resale in accordance with program purposes.

6. NOTES RECEIVABLE

	<u>Interest Rate</u>	<u>Payment</u>	<u>Maturity</u>	<u>Principal</u>
JHR Realty, Inc.	7%	\$3,595 monthly	November 2017	\$ 14,175
Maple Lane, LLC	4%	\$89,161 annually	January 2017	89,161
ADEC Solutions USA, Inc.	3%	\$4,903 monthly	August 2030	659,000
				<u>762,336</u>
Less:				
Current portion				<u>(142,945)</u>
Non-current portion				<u>\$ 619,391</u>

The above notes receivable with imputed interest rates were discounted at the time of the transaction due to each note having no stated interest rate.

7. CAPITAL ASSETS

The detail of property and equipment, net at December 31, 2016 is as follows:

	<u>Balance</u> <u>12/31/2015</u>	<u>Additions</u>	<u>Disposals/</u> <u>Transfers</u>	<u>Balance</u> <u>12/31/2016</u>
Land	\$ 2,659,639	\$ -	\$ -	\$ 2,659,639
Construction in progress	2,021,096	-	(720,183)	1,300,913
Building and Improvements	11,695,516	-	-	11,695,516
Equipment	<u>58,543</u>	-	-	<u>58,543</u>
	<u>16,434,794</u>	<u>\$ -</u>	<u>\$ (720,183)</u>	<u>\$ 15,714,611</u>
<u>Accumulated Depreciation</u>				
Building and improvements	\$ 3,954,097	\$ 344,698	\$ -	\$ 4,298,795
Equipment	<u>52,648</u>	<u>2,615</u>	<u>-</u>	<u>55,263</u>
	<u>4,006,745</u>	<u>\$ 347,313</u>	<u>\$ -</u>	<u>4,354,058</u>
Capital assets, net	<u>\$ 12,428,049</u>			<u>\$ 11,360,553</u>

7. CAPITAL ASSETS (Continued)

During 1997, the Agency acquired approximately 41.3 acres, including a building, modular offices, and a parking lot, located in the Town of Kirkwood (Link Building). The Link Building was purchased subject to an existing lease between CAE Link Corporation (CAE) and Hughes Aircraft. Under the terms of the purchase of the property, the Agency assumed all the rights and responsibilities of this lease with the exception of any rental payment paid under the lease. Therefore, the seller of the property, CAE, continued to receive the rent under the lease for the original term of the lease, as well as, the two-year renewal term (expiring February 2000). In February 2000, the Agency entered into a lease agreement with L-3 Communications Corporation. The lease called for \$500,000 annual lease payments for years one through five, with additional payment for space used above and beyond the minimum. For years six through ten, the annual lease payments were \$856,000. In December 2010, a three year lease extension agreement was signed with an option to renew for (2) additional one year terms. The lease extension agreement calls for annual lease payments for \$500,000 for years one through three. In 2013, the option was exercised, thus extending the lease an additional two years and having the option to renew one year. In March 2016, the lease was renewed for an additional three-year term ending on February 28, 2019. The lease agreement calls for annual of \$1,152,183 in 2016, \$1,175,885 in 2017, and \$1,199,569 in 2018. Additionally, additional rent totaling \$660,000 for capital expenditure charges payable as follows: \$430,000 in 2016 and \$230,000 in 2017. L-3 Communication Corporation is responsible for all maintenance, repairs and Capital improvements. The total annual lease payment for all tenants was \$2,109,849 for the year ended December 31, 2016.

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. 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.

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 as additional rent, \$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.

7. CAPITAL ASSETS (Continued)

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 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, 2016, the unspent insurance proceeds available for future costs were \$50,320. 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.

8. UNEARNED REVENUE

Unearned revenue represents the unexpended portion of the \$500,000 insurance proceeds related to the flood damage sustained by BAE Systems Controls, Inc. referred to in Note 6. 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 2016, the Agency incurred \$5,530 in expenses related to the flood.

9. CONTINGENCIES AND COMMITMENTS

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 coverage.

The Agency has received grants and/or program fund 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.

10. LEASES

In October 2006, the Agency moved into premises owned by Broome County (the primary government) and is leasing on a month-to-month agreement. Rent expense for the year ended December 31, 2016 was \$15,840 and is included in office expense.

The Agency also leases office space for The Center, a regional economic planning facility, under the terms of a two-year lease agreement that expired in November 2016. Monthly rent, plus the Agency's share of certain expenses approximated \$4,000. Rent expense for this facility for the year ended December 31, 2016 was \$47,855. Currently, the Agency is leasing this facility on a month-to-month basis with monthly rent approximating \$4,000.

OTHER INFORMATION

BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE 1

**SCHEDULE OF BONDS OUTSTANDING (UNAUDITED)
December 31, 2016**

	<u>Month\Year</u>	<u>Current Interest Rate</u>	<u>Outstanding 1/1/2016</u>	<u>Additional Draw Downs</u>	<u>Paid 2016</u>	<u>Outstanding 12/31/2016</u> **	<u>Final Maturity Date</u>
Parlor City Paper Box Co., LLP	10/2006	variable	\$ 480,000	\$ -	\$ 480,000	\$ -	10/2016

**These bonds are the responsibility of the company to which they were issued and are not indebtedness of the Broome County Industrial Development Agency

The accompanying notes are an integral part of this supplementary information.

REQUIRED REPORT

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

April 5, 2017

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 (Agency), a discretely presented component unit of Broome County, New York, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated April 5, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 function prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency'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.

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(Continued)

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 (Continued)

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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP