

**BROOME COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

Binghamton, New York

FINANCIAL REPORT

December 31, 2018



BROOME COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

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FOR THE YEAR ENDED DECEMBER 31, 2018

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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, 2018, 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, 2018, 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.

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 March 12, 2019, 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 "Inero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 12, 2019

BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018, 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, 2018 by \$28,624,986 compared to \$27,913,551 at December 31, 2017.
- Total revenues in 2018 were \$2,068,677 compared to revenues of \$8,489,965 in 2017. The large decrease stems from receipt of a onetime grant from the New York State Dormitory Authority for construction of the new agency office facility, as well as the gain on sale of property in 2017.
- Total expenses of \$1,357,242 in 2018 decreased by \$(1,297,020) from total expenses of \$2,654,262 in 2017. The decrease in expenses is primarily due to completion of the multi-modal project in the prior year, as well as a reduction of rental expense due to the sale of property.

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.

BROOME COUNTY

INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

- **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.

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 Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>Current Assets:</i>			
<i>Cash and cash equivalents - Unrestricted</i>	\$ 2,513,915	\$ 821,729	\$ (1,692,186)
<i>Investments</i>	4,474,448	7,053,674	2,579,226
<i>Accounts receivable</i>	174,225		(174,225)
<i>Pass through receivable</i>		79,938	79,938
<i>Due from county</i>	90,755	92,340	1,585
<i>Notes receivable - Current portion</i>	40,814	42,055	1,241
<i>Loans receivable - Current portion</i>	380,547	397,283	16,736
<i>Mortgage receivable - Current portion</i>	125,318	131,054	5,736
<i>Total Current Assets</i>	7,800,022	8,618,073	818,051
<i>Noncurrent Assets:</i>			
<i>Cash and cash equivalents - Restricted</i>	596,154	621,416	25,262
<i>Notes receivable - Noncurrent portion</i>	578,577	536,522	(42,055)
<i>Loans receivable - Noncurrent portion</i>	1,585,095	1,681,259	96,164
<i>Mortgage receivable - Noncurrent portion</i>	3,198,978	3,115,600	(83,378)
<i>Due from county - Noncurrent portion</i>	236,787	230,202	(6,585)
<i>Property held for resale</i>	3,787,533	3,908,116	120,583
<i>Capital assets, net</i>	10,175,046	9,972,433	(202,613)
<i>Total Assets</i>	27,958,192	28,683,621	725,429
<i>Current Liabilities:</i>			
<i>Accounts payable and accrued expenses</i>	19,569	33,563	13,994
<i>Unearned revenue</i>	24,231	24,231	-
<i>Security deposits</i>	841	841	-
<i>Total Liabilities</i>	44,641	58,635	13,994
<i>Net Position:</i>			
<i>Net investment in capital assets</i>	10,175,046	9,972,433	(202,613)
<i>Restricted for loans</i>	2,561,815	2,845,902	284,087
<i>Unrestricted</i>	15,176,690	15,806,651	629,961
<i>Total Net Position</i>	\$ 27,913,551	\$ 28,624,986	\$ 711,435

BROOME COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Total assets increased 2.6%. During the year, the Agency purchased investments with cash in excess of operating needs in order to increase investment income. Cash and investments increased \$887,040 as a result of excess revenues over expenses and changes in accruals. Accounts receivable in 2017 consisted of an agency fee earned in 2017 and collected in 2018.

Total liabilities increased 31.3% due to the timing of invoices received prior to year-end.

Net investment in capital assets decreased due to depreciation expense. Unrestricted net position increased largely due to excess revenues over expenses.

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>2017</i>	<i>2018</i>	<i>Change</i>
			<i>2017 - 2018</i>
<i>Operating Revenues:</i>			
<i>Fee income</i>	\$ 939,807	\$ 848,571	\$ (91,236)
<i>Rental income</i>	883,724	90,598	(793,126)
<i>Pass-through revenue</i>	32,892		(32,892)
<i>Other income</i>	718,839	90,954	(627,885)
<i>Nonoperating Revenues:</i>			
<i>Investment income</i>	33,210	89,314	56,104
<i>Loan interest earned</i>	92,285	163,138	70,853
<i>Grant income</i>		300,000	300,000
<i>State grant</i>	3,865,806	484,194	(3,381,612)
<i>Gain on sale of asset</i>	1,923,402	1,908	(1,921,494)
<i>Total Revenues</i>	\$ 8,489,965	\$ 2,068,677	\$ (6,421,288)
<i>Operating Expenses:</i>			
<i>Salaries and benefits expense</i>	\$ 597,650	\$ 662,781	\$ 65,131
<i>Depreciation expense</i>	132,571	226,549	93,978
<i>Professional fees</i>	175,217	98,682	(76,535)
<i>Office expense</i>	101,149	51,218	(49,931)
<i>Rental expense</i>	474,946		(474,946)
<i>Multi-modal expense</i>	621,901	2,000	(619,901)
<i>Other expenses</i>	550,828	316,012	(234,816)
<i>Total Expenses</i>	\$ 2,654,262	\$ 1,357,242	\$ (1,297,020)
<i>INCREASE IN NET POSITION</i>	\$ 5,835,703	\$ 711,435	\$ (5,124,268)

BROOME COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Total revenue decreased from the prior year. This decrease stems from the conclusion of a onetime grant from the New York State Dormitory Authority for construction of the new agency headquarters in the prior year. Additionally, in the prior year the Agency sold property held for resale to outside entities at a gain of \$1,923,402. Rental income decreased due to the sale of the Link building and a transfer of building rights back to JMI.

In the current year the Agency received a \$300,000 grant for business retention and expansion.

Total expenses decreased from the prior year. This increase is attributable to completion of the multi-modal project. The Agency also no longer has expenses related to the Link building, as they sold this property in the prior year.

Figure 3

<i>Changes in Capital Assets</i>	<i>Total Agency</i>		<i>Total Dollar</i>
	<i>2017</i>	<i>2018</i>	<i>Change</i>
			<i>2017 - 2018</i>
<i>Land</i>	\$ 3,790,664	\$ 3,790,664	\$ -
<i>Construction in progress</i>	19,987	-	(19,987)
<i>Buildings and improvements, net</i>	6,363,371	6,181,711	(181,660)
<i>Equipment, net</i>	1,024	58	(966)
<i>Totals</i>	\$ 10,175,046	\$ 9,972,433	\$ (202,613)

Capital assets, net decreased (1.9%). This decrease is attributed to depreciation of the Agency's various assets.

BROOME COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

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.
- In 2018 the Agency continued meeting its objectives in the 3 year strategic plan which was approved by the Board of Directors in September 2016. The 2017-2020 Action Plan outlined 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.
- The staff continued overseeing the County wide workforce and talent attraction initiative. The Steering Committee which is made up of work force professionals and private entities continued its work in implementing the workforce and attraction efforts well into the next decade.
- The Board of Directors and staff began discussions on the implementation of a strategy to address the lack of sufficient housing for young professionals and the need for development of additional market rate housing.
- The Agency took title to the former US Air Force facility at 600 Main Street in Johnson City. The staff received a grant to complete a redevelopment strategy for the site. The study will be completed in early 2019 and a request for expression of interest will be circulated to the development community.
- During 2018 the Agency closed on a number of significant Payment in Lieu of Taxes Agreements including the rehabilitation of the former Ansco Factory at 6 Emma Street into over 100 units of market rate housing and new commercial uses.

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, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$	821,729
Investments		7,053,674
Pass through receivable		79,938
Due from county - Current portion		92,340
Notes receivable - Current portion		42,055
Loans receivable - Current portion		397,283
Mortgage receivable - Current portion		131,054
Total Current Assets		<u>8,618,073</u>

Noncurrent Assets

Cash and cash equivalents - Restricted		621,416
Notes receivable - Noncurrent portion		536,522
Loans receivable, net - Noncurrent portion		1,681,259
Mortgage receivable - Noncurrent portion		3,115,600
Due from county - Noncurrent portion		230,202
Property held for resale		3,908,116
Capital assets, net		9,972,433
Total Noncurrent Assets		<u>20,065,548</u>

Total Assets		<u>28,683,621</u>
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LIABILITIES AND NET POSITION

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses		33,563
Unearned revenue		24,231
Security deposits		841
Total Liabilities		<u>58,635</u>

NET POSITION

Net investment in capital assets		9,972,433
Restricted for loans		2,845,902
Unrestricted		15,806,651
Total Net Position		<u>28,624,986</u>

Total Liabilities and Net Position	\$	<u><u>28,683,621</u></u>
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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, 2018

Operating Revenues	
Fee income	\$ 848,571
Rental income	90,598
State aid	2,000
Other income	<u>88,954</u>
Total Operating Revenues	<u>1,030,123</u>
Operating Expenses	
Salaries and benefits	662,781
Depreciation expense	226,549
Professional fees	98,682
Office expense	51,218
Other administrative expenses	69,248
Marketing initiative expenses	91,005
Insurance	18,428
Repairs, maintenance, and general	112,575
Professional development expense	17,742
Multi-modal expense	2,000
Broome County Corporate Park maintenance	6,820
Utilities	<u>194</u>
Total Operating Expenses	<u>1,357,242</u>
Operating (Loss)	<u>(327,119)</u>
Non-Operating Revenues	
Investment income	89,314
Grant income	300,000
Loan interest earned	163,138
State grant	484,194
Gain on sale of property held for resale	<u>1,908</u>
Total Non-Operating Revenues	<u>1,038,554</u>
Change in Net Position	711,435
Net Position, January 1, 2018	<u>27,913,551</u>
Net Position, December 31, 2018	<u>\$ 28,624,986</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, 2018

Cash Flows from Operating Activities	
Cash received from providing services	\$ 1,124,410
Cash payments - Salaries expense	(662,781)
Cash payments - Contractual expenses	<u>(453,918)</u>
Net Cash Provided by Operating Activities	<u>7,711</u>
Cash Flows from Non-Capital Financing Activities	
Principal payments from county	<u>5,000</u>
Net Cash Provided by Non-Capital Financing Activities	<u>5,000</u>
Cash Flows from Capital and Related Financing Activities	
Grant revenue	784,194
Purchase of property held for resale	(120,583)
Purchase of property and equipment	<u>(23,936)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>639,675</u>
Cash Flows from Investing Activities	
Principal payments on notes receivable	40,814
Principal payments on loans receivable	577,100
New loans issued	(690,000)
Mortgage payments received	77,642
Purchase of investments	(3,384,384)
Sale of investments	805,158
Investment income	91,222
Interest income received	<u>163,138</u>
Net Cash (Used) by Investing Activities	<u>(2,319,310)</u>
Net Change in Cash and Cash Equivalents	(1,666,924)
Cash and Cash Equivalents, January 1, 2018	<u>3,110,069</u>
Cash and Cash Equivalents, December 31, 2018	<u>\$ 1,443,145</u>
Reconciliation of net operating (loss) to net cash provided by operating activities:	
Operating (Loss)	\$ (327,119)
Adjustments to reconcile net operating (loss) to net cash provided by operating activities:	
Depreciation	226,549
Decrease in accounts receivable	174,225
(Increase) in pass through receivable	(79,938)
Increase in accounts payable	<u>13,994</u>
Net Cash Provided by Operating Activities	<u>\$ 7,711</u>

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, 2018

***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," GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34," and GASB Statement No. 85 "Omnibus 2017."

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," GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34," and GASB Statement No. 85 "Omnibus 2017," 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, 2018

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, 2018, 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, 2018.

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

BROOME COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 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, grant 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 2018, nor were any bonds outstanding as of December 31, 2018.

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, 2018

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 \$1,436,611 at December 31, 2018 were covered by FDIC insurance up to \$250,000. As of December 31, 2018, 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 \$621,416 consists of cash for the Agency's STEED and BDF loan funds.

Note 3 **Pass Through Receivable**

The Agency has facilitated the receipt of and payment of certain grant funds on behalf of other organizations. As of December 31, 2018, the Agency had a pass through receivable of \$79,938 due to the timing of repayment to the Agency.

Note 4 **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, 2018: U.S. Treasury notes of \$7,053,674 are valued using quoted market prices (Level 1).

**BROOME COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 5 Loans Receivable

Loans receivable, net are summarized as follows:

	Business Development Revolving Loan	STEED	Business Retention and Expansion	Total
Principal Balance at January 1	\$ 477,378	\$ 1,488,264	\$ -	\$ 1,965,642
New loans	250,000	290,000	150,000	690,000
Principal repayments	<u>(71,550)</u>	<u>(504,330)</u>	<u>(1,220)</u>	<u>(577,100)</u>
Balance at December 31	655,828	1,273,934	148,780	2,078,542
Less: Current portion	<u>(77,271)</u>	<u>(310,225)</u>	<u>(9,787)</u>	<u>(397,283)</u>
Noncurrent Portion	<u>\$ 578,557</u>	<u>\$ 963,709</u>	<u>\$ 138,993</u>	<u>\$ 1,681,259</u>

Note 6 Property Held for Resale

The Agency is holding land and development costs totaling \$3,908,116 of properties throughout Broome County for economic development and resale in accordance with program purposes.

Note 7 Notes Receivable

Notes receivable are summarized as follows at December 31, 2018:

	Interest Rate	Payment	Maturity	Principal
ADEC Solutions USA, Inc.	3%	\$4,903 monthly	8/2030	\$ 578,577
Less:				
Current portion				<u>(42,055)</u>
Noncurrent Portion				<u>\$ 536,522</u>

**BROOME COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 8 Mortgages Receivable

Mortgages receivable are summarized as follows at December 31, 2018:

	Interest Rate	Payment	Maturity	Principal
265 Industrial Park Drive, LLC	2.5%	\$18,445 monthly	9/2037	\$ 3,171,134
Precium Holdings, LLC	3.0%	\$444 monthly	6/2037	75,520
				3,246,654
Less:				
Current Portion				(131,054)
Noncurrent Portion				\$ 3,115,600

Note 9 Due from County

During 2014, the County had a bond mature, with a final 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. Due from County totaled \$322,542 at December 31, 2018.

BROOME COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 10 Capital Assets

The detail of capital assets, net at December 31, 2018 is as follows:

	<u>Balance at</u> <u>12/31/2017</u>	<u>Additions</u>	<u>Disposals/</u> <u>Reclassifications</u>	<u>Balance at</u> <u>12/31/2018</u>
Non-Depreciable Capital Assets				
Land	\$ 3,790,664	\$	\$	\$ 3,790,664
Construction in progress	19,987		(19,987)	-
Total Non-Depreciable Capital Assets	<u>3,810,651</u>	<u>-</u>	<u>(19,987)</u>	<u>3,790,664</u>
Depreciable Capital Assets				
Building and improvements	7,051,266	23,936	19,987	7,095,189
Equipment	58,543		(34,670)	23,873
Total Depreciable Capital Assets	<u>7,109,809</u>	<u>23,936</u>	<u>(14,683)</u>	<u>7,119,062</u>
 Total Historical Cost	 <u>10,920,460</u>	 <u>23,936</u>	 <u>(34,670)</u>	 <u>10,909,726</u>
Less Accumulated Depreciation				
Building and improvements	(687,895)	(225,583)		(913,478)
Equipment	(57,519)	(966)	34,670	(23,815)
Total Accumulated Depreciation	<u>(745,414)</u>	<u>(226,549)</u>	<u>34,670</u>	<u>(937,293)</u>
 Capital Assets, Net	 <u>\$ 10,175,046</u>	 <u>\$ (202,613)</u>	 <u>\$ -</u>	 <u>\$ 9,972,433</u>

Note 11 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, 2018

Note 11 Unearned Revenue - Continued

Annual rental was held in escrow by the Agency and dedicated exclusively to fund capital repairs, capital maintenance, and capital improvements. If the tenant were to give notice of termination, 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 termination of the lease. In addition to 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 for 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 §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 §227 of Article 7, Chapter 50 of the Real Property Law of the State of New York ("§227"). The termination fee of \$2,000,000 was waived. The Agency is working with the United States Air Force on a plan which 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, 2018, unspent insurance proceeds available for future costs were \$24,231. Due to termination of the lease, funds that had previously been held in trust for BAE became property of the Agency. The Agency intends to utilize these funds to cover future expenses related to maintenance and security of the site.

Unearned revenue represents the unexpended portion of the \$500,000 insurance proceeds related to flood damage sustained by BAE Systems Controls, Inc. During 2013, an additional \$190,000 for sale of BAE equipment was included in unearned revenue and restricted to expenses related to the flood. During 2018, the Agency incurred no expenses related to the flood.

Note 12 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, 2018

Note 13 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 2018, \$5,950,881 was received in PILOT payments compared to the \$11,396,796 which would have been received if businesses paid the full amount of property taxes; for total property tax abatements of \$5,445,915.

In addition to PILOTs above, \$3,325,179 of sales tax and \$255,000 of mortgage tax abatements were awarded.

Note 14 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 \$90,598 in 2018.

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

<u>Year</u>	<u>Amount</u>
2019	\$ 84,200
2020	80,000
2021	77,000
2022	<u>43,750</u>
Total	<u>\$ 284,950</u>

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, 2018

<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	\$	\$
265 Industrial Park Drive	2018-2037	Manufacturing		
50 Front Street	2019-2046	Commercial	841,000	527,421
ADEC Solutions	2016-2031	Services		
Broome Culinary	2018-2048	Construction	516,000	89,408
Buckingham Manufacturing	2019-2039	Manufacturing	33,600	1,688
Century Sunrise	2018-2048	Construction	640,000	73,958
Chenango Place - One Wall Street	2014-2024	Construction		
Clover Communities	2012-2022	Construction		
CR Land	2018-2028	Construction	160,000	25,457
Dick's MSC and Expansion	2017-2047	Construction	9,200,000	2,388,474
EMT	N/A	Manufacturing	51,928	22,090
Freewheelin ANSCO	2020-2040	Construction	1,200,000	61,636
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		
Metroplex (UP1 & UP2)	204-2036	Construction	1,344,720	
Millennium Pipeline	2009-2024	Construction		
Nealon Transportation - KMCC Ventures	2017-2033	Transportation		
Pacemaker Steel	2017-2032	Manufacturing		
Printing House - Chenango Empire	2016-2026	Construction		
SaveAround	2018-2038	Manufacturing	45,000	9,436
Scannell - FedEx Ground Package System	2009-2019	Transportation		
Sheedy Road/Juneberry Road	2015-2025	Construction		
Skye View Heights - American Horizons	2016-2038	Construction	400,000	125,611
Stellar 83 Court	2015-2025	Construction		
Vitaluna	2014-2024	Construction		
Washington Development Associates	2013-2032	Construction		
Willow Run Foods	1998-2018	Wholesale		
Woodburn Court	2017-2036	Retirement Community		
Total			\$ 14,432,248	\$ 3,325,179

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 12/31/2018</u>
\$	\$ 378,309	\$ 475,330	\$ 97,021	2	7
	275,943	396,652	120,709		
	62,707	62,707	527,421		150
	11,623	42,366	30,743	1	62
55,000		36,208	180,616		58
			1,688		349
	10,240	9,658	73,376		50
	142,570	422,770	280,200		7
	265,632	317,923	52,291		2
	15,552		9,905		36
		1,368,799	3,757,273		430
			22,090		103
200,000			261,636		61
	189,965	248,748	58,783		12
	19,997	-	(19,997)		172
	595,542	581,238	(14,304)	625	1,001
	103,863	146,564	42,701	51	101
	1,227,869	1,403,703	175,834		48
	924,745	1,839,467	914,722		
		11,337	11,337	16	14
	57,147	56,902	(245)	25	88
	37,018	740,418	703,400		12
		172,802	182,238		128
	61,547	117,320	55,773	21	41
	466,789	924,373	457,584	135	160
	147,996	100,742	78,357		74
	52,624	447,907	395,283		23
	153,385	196,988	43,603	61	3
	245,987	749,559	503,572		9
	351,173	357,207	6,034	167	412
	152,658	169,108	16,450		5
\$ 255,000	\$ 5,950,881	\$ 11,396,796	\$ 9,026,094	1,104	3,618

**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, 2018, and the related Statements of Revenues, Expenses, and Change in Net Position, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2019.

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
March 12, 2019