# TIOGA COUNTY
# INDUSTRIAL DEVELOPMENT AGENCY

**Owego, New York**

## FINANCIAL REPORT

**For the Year Ended**
**December 31, 2019**

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Certified Public Accountants | Business Advisors

# *TIOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY*

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors
Tioga County Industrial Development Agency
Owego, New York

**Report on Financial Statements**

We have audited the accompanying financial statements of the Tioga County Industrial Development Agency (the Agency), a component unit of the County of Tioga, New York, as of and for the years ended December 31, 2019 and 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.

***Auditors' Responsibility***

Our responsibility is to express opinions 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 auditors' 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 opinion.

### *Opinion*
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tioga County Industrial Development Agency as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Prior Year Financial Statements
The financial statements of the Tioga County Industrial Development Agency as of December 31, 2018 and for the year then ended were audited by other auditors whose report dated March 29, 2019 expressed an unmodified opinion on those statements

### *Other Matters*

*Required Supplementary Information*
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-4e 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 opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Schedule of Projects and the Schedule of Loans Receivable are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Schedule of Projects and the Schedule of Loans Receivable are the responsibility of management and were 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 and the Schedule of Loans Receivable are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2020, 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 the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Respectfully submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 4, 2020

# *TIOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**DECEMBER 31, 2019**

The Tioga County Industrial Development Agency (the Agency), a component unit of Tioga County, New York, was created to encourage economic growth in Tioga County.

> **Mission:** The Tioga County Industrial Development Agency was created to promote, develop, encourage, and assist in acquiring, construction, maintaining, equipping, and furnishing certain types of projects and facilities, to advance the job opportunities, health, general prosperity, economic welfare, and recreation opportunities of the citizens of Tioga County.

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Agency's financial position as of December 31, 2019 and the result 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

- Total expenses exceeded total revenue by $30,182 in 2019, compared to an excess of expenses over revenue of $1,001,384 in 2018. As noted below, the primary causes of the change were the transfer of the Wastewater Treatment Plant to the Town of Nichols in 2018, offset by decreased grant income.

- Total revenue of $949,706 in 2019 decreased from revenue of $2,848,962 in 2018, primarily as a result of the decrease in grant income.

- Total expenses of $979,888 in 2019 decreased from expenses of $3,850,346 in 2018, primarily due to a transfer of the Wastewater Treatment Plant in 2018.

- Net position for the year ended December 31, 2019 amounted to $6,146,495, reflecting a decrease of $30,182 from net position of $6,176,677 at December 31, 2018.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The financial statements of the Tioga County Industrial Development 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 the Agency's financial statements follows:

- The 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 as to whether the financial position of the Agency is improving or deteriorating.

- The 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.

- The 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 from 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***

| *Condensed Statement of Net Position* | *The Agency* | | | *Total Dollar Change* |
|---|---|---|---|---|
| | *2017* | *2018* | *2019* | *2018-2019* |
| *Current Assets:* | | | | |
| *Cash and Cash Equivalents* | $ 1,971,634 | $ 2,823,297 | $ 3,468,661 | $ 645,364 |
| *Investments* | 839,156 | 849,759 | 859,563 | 9,804 |
| *Accounts Receivable* | 710,286 | 810,521 | 453,517 | (357,004) |
| *Revolving Loans Receivable, Current, Net* | 111,504 | 77,488 | 87,709 | 10,221 |
| ***Total Current Assets*** | **3,632,580** | **4,561,065** | **4,869,450** | **308,385** |
| *Noncurrent Assets:* | | | | |
| *Capital Assets, Net* | 4,765,758 | 2,255,420 | 2,251,133 | (4,287) |
| *Revolving Loans Receivable, Noncurrent* | 522,750 | 462,808 | 512,952 | 50,144 |
| ***Total Assets*** | **8,921,088** | **7,279,293** | **7,633,535** | **354,242** |
| *Current Liabilities:* | | | | |
| *Accounts Payable and Accrued Liabilities* | 926,418 | 464,101 | 887,417 | 423,316 |
| *Loans Payable, Current* | 84,636 | 38,892 | 39,281 | 389 |
| ***Total Current Liabilities*** | **1,011,054** | **502,993** | **926,698** | **423,705** |
| *Noncurrent Liabilities:* | | | | |
| *Loans Payable, Noncurrent* | 731,973 | 599,623 | 560,342 | (39,281) |
| ***Total Liabilities*** | **1,743,027** | **1,102,616** | **1,487,040** | **384,424** |
| *Net Investment in Capital Assets* | 4,765,758 | 2,255,420 | 2,251,133 | (4,287) |
| *Restricted* | 427,786 | 540,516 | 1,048,921 | 508,405 |
| *Unrestricted* | 1,984,517 | 3,380,741 | 2,846,441 | (534,300) |
| ***Total Net Position*** | **$ 7,178,061** | **$ 6,176,677** | **$ 6,146,495** | **$ (30,182)** |

**Comparison of 2019 to 2018**
The increase in cash relates to the decrease in accounts receivable. The decrease in accounts receivable is due to an adjustment for the Waverly Trade Center DOT Grant. The increase in Revolving Loans Receivable is due to giving new loans during the year, offset by principal payments received based on amortization schedules. The decrease in capital assets, net, is due to the purchase of land offset by the increase of accumulated depreciation based on the useful lives of assets.

The increase in accounts payable is due to increased PILOT payment obligations, offset partly by an adjustment for the Waverly Trade Center DOT Grant. The decrease in loans payable is due to annual amortization schedules principal payments.

The decrease in net investment in capital assets is mainly due to the purchase of land offset by the increase of accumulated depreciation based on the useful lives of assets. The increase in restricted net position is a result of the increase in restricted cash for PILOT payments not yet made.

The net effect was a decrease in total net position of $30,182.

**Comparison of 2018 to 2017**
The increase in cash relates to grant income. The decrease in capital assets relates to the transfer of the Wastewater Treatment Plant to the Town of Nichols. The decrease in accounts payable relates to the timing of PILOT payments.

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

***Figure 2***

| ***Changes in Net Position*** | ***The Agency*** | | | ***Total Dollar Change*** |
|---|---|---|---|---|
| | **2017** | ***2018*** | ***2019*** | ***2018-2019*** |
| *Operating Revenues:* | | | | |
| *Charges for Services* | $ 220,026 | $ 456,056 | $ 240,888 | $ (215,168) |
| *Grant Income* | 476,038 | 2,355,888 | 660,384 | (1,695,504) |
| *Loan Interest Earned* | 16,434 | 14,345 | 15,956 | 1,611 |
| *Non-Operating Revenues* | 13,002 | 22,673 | 32,478 | 9,805 |
| ***Total Revenues*** | **725,500** | **2,848,962** | **949,706** | **(1,899,256)** |
| *Operating Expenses:* | | | | |
| *Contractual Expenses* | 611,652 | 862,825 | 906,794 | 43,969 |
| *Loan Program Expenses* | 187 | 150 | 105 | (45) |
| *Depreciation* | 19,685 | 21,287 | 21,287 | - |
| *Interest Expense* | 12,331 | 6,770 | 6,385 | (385) |
| *Personnel Services* | 62,640 | 59,691 | 45,317 | (14,374) |
| *Non-Operating Expenses:* | | | | |
| *Transfer of Wastewater Treatment Plant* | | 2,899,623 | - | (2,899,623) |
| ***Total Expenses*** | **706,495** | **3,850,346** | **979,888** | **(2,870,458)** |
| ***Change in Net Position*** | **$ 19,005** | **$ (1,001,384)** | **$ (30,182)** | **$ 971,202** |

**Comparison of 2019 to 2018**
Total revenues of the Agency decreased $1,899,256. The decrease in grant income during the year is due to a reduction in grant funds, along with the decrease in charges for services from loan and PILOT fees.

Total expenses of the Agency decreased $2,870,458. The decrease in expenses is mainly a result of the transfer of the Wastewater Treatment Plant that was completed in 2018, along with a decrease in personnel services, offset by the increase in contractual expenses.

**Comparison of 2018 to 2017**
Total revenues of the Agency increased $2,123,462 due to one-time grants and increases in new PILOT arrangements. Expenses increased by $3,143,851 due to the transfer of the Wastewater Treatment Plant and increases in contractual expenses.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

During 2019, the Agency demolished a house on its property. This amount represents a net decrease (including additions, deletions, and depreciation) of $4,287 compared to last year.

During 2018, the Agency purchased more land and transferred construction in progress to the Town of Nichols. Net capital assets decreased by $2,510,338.

***Figure 3***

| | *The Agency* | | | *Total Dollar Change* |
|---|---|---|---|---|
| | 2017 | *2018* | *2019* | *2018-2019* |
| *Land - 434* | $ 376,800 | $ 376,800 | $ 376,800 | $ - |
| *Land - General* | 662,806 | 1,073,378 | 1,090,378 | 17,000 |
| *Construction in Progress* | 2,899,623 | | | |
| *Railroad Improvements* | 1,979,331 | 1,979,331 | 1,979,331 | - |
| *Equipment* | 1,701 | 1,701 | 1,701 | - |
| *Accumulated Depreciation* | (1,154,503) | (1,175,790) | (1,197,077) | (21,287) |
| ***Totals*** | **$ 4,765,758** | **$ 2,255,420** | **$ 2,251,133** | **$ (4,287)** |

### Debt Administration

Debt, both short and long-term, considered a liability, decreased by $38,892 in 2019, as shown in *Figure 4*. This decrease resulted mainly from annual principal payments made during the year based on amortization schedules. Debt decreased by $178,094 in 2018, due to principal payments made.

***Figure 4***

| | *The Agency* | | | *Total Dollar Change* |
|---|---|---|---|---|
| | 2017 | *2018* | *2019* | *2018-2019* |
| *Loans Payable* | $ 816,609 | $ 638,515 | $ 599,623 | $ (38,892) |
| ***Totals*** | **$ 816,609** | **$ 638,515** | **$ 599,623** | **$ (38,892)** |

## FACTORS BEARING ON THE AGENCY'S FUTURE

TCIDA will continue to increase job opportunities and improve the quality of life in our community. TCIDA will continue ongoing administration of PILOT Agreements and Loan Programs. TCIDA will be the administrator the Homes & Community Renewal grant to Improve Key Facades and Support the Business Community resulting from the Downtown Revitalization Initiative awarded to the Village of Owego. TCIDA will continue to develop shovel ready sites and attract new businesses. TCIDA will continue compliance with all provisions of the Public Authority Accountability Act by diligent oversight of operations. TCIDA will continue partnership with Tioga County's Economic Development & Planning Department and Local Development Corporation for collaboration and success.

## 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 demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Tioga County Industrial Development Agency, 56 Main Street #205, Owego, New York 13827.

# *TIOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY*

## STATEMENTS OF NET POSITION
## DECEMBER 31,

| | 2019 | 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and Cash Equivalents | **$ 2,419,740** | $ 2,282,781 |
| Restricted Cash and Cash Equivalents | **1,048,921** | 540,516 |
| Investments | **859,563** | 849,759 |
| Accounts Receivable | **453,517** | 810,521 |
| Revolving Loans Receivable, Current Portion, Net | **87,709** | 77,488 |
| **Total Current Assets** | **4,869,450** | 4,561,065 |
| **Noncurrent Assets** | | |
| Land and Non-Depreciable Capital Assets | **1,467,178** | 1,450,178 |
| Depreciable Capital Assets, Net | **783,955** | 805,242 |
| Revolving Loans Receivable, Net of Current Portion | **512,952** | 462,808 |
| **Total Noncurrent Assets** | **2,764,085** | 2,718,228 |
| **Total Assets** | **7,633,535** | 7,279,293 |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts Payable and Accrued Liabilities | **887,417** | 464,101 |
| Loans Payable, Current Portion | **39,281** | 38,892 |
| **Total Current Liabilities** | **926,698** | 502,993 |
| **Noncurrent Liabilities** | | |
| Loans Payable, Noncurrent Portion | **560,342** | 599,623 |
| **Total Liabilities** | **1,487,040** | 1,102,616 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | **2,251,133** | 2,255,420 |
| Restricted | **1,048,921** | 540,516 |
| Unrestricted | **2,846,441** | 3,380,741 |
| **Total Net Position** | **$ 6,146,495** | $ 6,176,677 |

*See Notes to Financial Statements*

# *TIOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY*

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
## FOR THE YEARS ENDED DECEMBER 31,

| | 2019 | 2018 |
|---|---|---|
| **Operating Revenues** | | |
| Charges for Services | **$ 240,888** | $ 456,056 |
| Grant Income | **660,384** | 2,355,888 |
| Loan Interest Earned | **15,956** | 14,345 |
| **Total Operating Revenues** | **917,228** | 2,826,289 |
| **Operating Expenses** | | |
| Contractual Expenses | **906,794** | 862,825 |
| Loan Program Expenses | **105** | 150 |
| Depreciation | **21,287** | 21,287 |
| Interest Expense | **6,385** | 6,770 |
| Personnel Services | **45,317** | 59,691 |
| **Total Operating Expenses** | **979,888** | 950,723 |
| Operating Gain (Loss) | **(62,660)** | 1,875,566 |
| **Non-Operating Revenues (Expenses)** | | |
| Investment Interest | **32,478** | 22,673 |
| Transfer of Wastewater Treatment Plant | **-** | (2,899,623) |
| Total Non-Operating Revenues (Expenses) | **32,478** | (2,876,950) |
| Change in Net Position | **(30,182)** | (1,001,384) |
| Net Position, January 1, | **6,176,677** | 7,178,061 |
| **Net Position, December 31,** | **$ 6,146,495** | $ 6,176,677 |

*See Notes to Financial Statements*

# *TIOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY*

## STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31,

| | 2019 | 2018 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Cash Received from Providing Services | **$ 1,274,232** | $ 2,726,050 |
| Cash Payments - Contractual Expenses | **(535,285)** | (1,391,750) |
| Cash Advances to Loan Program Recipients | **(180,000)** | (165,404) |
| Cash Received from Loan Program Repayments | **119,635** | 259,363 |
| **Net Cash Provided (Used) by Operating Activities** | **678,582** | 1,428,259 |
| **Net Cash From Capital and Related Financing Activities** | | |
| Repayments of Loans Payable | **(38,892)** | (178,094) |
| **Net Cash Provided (Used) by Capital and Related Financing Activities** | **(38,892)** | (178,094) |
| **Cash Flows From Investing Activities** | | |
| Capital Asset Additions | **(17,000)** | (410,572) |
| Investment in Certificates of Deposit | **(9,804)** | (10,603) |
| Interest Received | **32,478** | 22,673 |
| **Net Cash Provided (Used) by Investing Activities** | **5,674** | (398,502) |
| Net Change in Cash and Cash Equivalents | **645,364** | 851,663 |
| Cash and Cash Equivalents, January 1, | **2,823,297** | 1,971,634 |
| **Cash and Cash Equivalents, December 31,** | **$ 3,468,661** | $ 2,823,297 |
| Operating Loss | $ (62,660) | $ 1,875,566 |
| Adjustments to Reconcile Net Operating Loss | | |
| to Net Cash Provided (Used) by in Operating Activities: | | |
| Depreciation Expense | 21,287 | 21,287 |
| Changes in Assets and Liabilities: | | |
| Accounts Receivables | 357,004 | (100,236) |
| Loans Receivable | (60,365) | 93,959 |
| Accounts Payable and Accrued Liabilities | 423,316 | (462,317) |
| **Net Cash Provided (Used) by Operating Activities** | **$ 678,582** | $ 1,428,259 |

*See Notes to Financial Statements*

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

The financial statements of Tioga County Industrial Development Agency (the Agency) have been prepared in conformity with generally accepted accounting principles (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing U.S 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 New York State Legislature under the mandate of Article 18-A, "New York State Industrial Development Agency Act" of New York State municipal law for the purpose of advancing job opportunities, health, general prosperity, and economic welfare of the people of Tioga County. The Agency also works to improve current recreation opportunities, posterity, and standard of living. The Agency is exempt from federal, state, and local income taxes. Although established by the Tioga County Board of Representatives, the Agency is a separate entity and operates independently of the County. The Agency is considered a component unit of Tioga County.

The financial reporting entity consists of (a) the primary government which is the Tioga 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 Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 85, "Omnibus 2017."

The decision to include a potential component unit in the Agency's reporting entity is based on several criteria set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended.

**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.

**Investments**

Investments consist of Certificates of Deposit and are stated at fair value, which approximate cost.

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

### Loans Receivable

The Agency commenced administering a loan program effective January 1, 2010. The program has revolving loan funds, which were created to provide low interest loans to start-up and expanding businesses in Tioga County. The loans must involve direct job retention or creation, which will strengthen the economic base of Tioga County. In 2011, after a disastrous flood, the Agency also provided short-term interest free loans for businesses sustaining significant damage as a result of the flood. During 2013, the Agency commenced administering a commercial façade loan program as well. During 2019, the Agency commenced administering a rural business development grants loan program as well.

The Agency administers the operation of the revolving loan program on behalf of the County of Tioga County Local Development Corporation for the Commercial Façade Loan Program (CFLP), the USDA for the Intermediary Relending Program (IRP), and the Rural Business Development Grants (RBEG).

### Allowance for Uncollectible Loans

The Agency follows the policy of evaluating its loans receivable to adequately reserve for anticipated losses. Although management believes all the loans receivable are collectible, an allowance account has been established for $35,000 as of December 31, 2019 and 2018, respectively.

### Capital Assets

All capital asset purchases are recorded at historical cost or fair market value at the date of acquisition. Depreciation is recorded on a straight-line basis over the assets' estimated useful life of 5 to 39 years. The Agency's policy is to capitalize all additions greater than $1,000 with a useful life of more than 5 years.

### Equity Classifications - Statement of Net Position

- 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 attributable to the acquisition, construction, or improvement of those assets.

- Restricted - Consists of net resources with constraints placed on its 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."

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

### 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 and investment income.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose 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.

### Reclassification

Certain amounts presented for the year ended December 31, 2018 have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the December 31, 2018 ending net position.

## *Note 2* Deposits and Investments

State statutes govern the Agency's investment policies. In addition, the Agency has its own written investment policy. Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. 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 at 105% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

Total bank balances of the Agency of $3,548,872 at December 31, 2019 were covered by FDIC insurance up to $250,000. As of December 31, 2019, 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 includes grant and loan proceeds, and PILOT payments to be distributed.

***Note 3*** **Investments**

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Agency had the following investments stated at fair value at December 31, 2019:

| Type of Investment | Cost | Carrying Amount Fair Value | Level |
|---|---|---|---|
| Certificate of Deposit | $ 540,716 | $ 540,716 | (2) |
| Certificate of Deposit | 318,847 | 318,847 | (2) |

FASB ASC 820, "Fair Value Measurements and Disclosures," established a framework for measuring fair value. That framework established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under GASB ASC 820 are as follows:

***Level 1*** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

***Level 2*** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs derived principally from or corroborated observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

***Level 3*** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Agency does not typically purchase investments for a duration long enough to cause it to believe that it is exposed to any material interest rate risk.

**NOTES TO FINANCIAL STATEMENTS**
**DECEMBER 31, 2019**

### *Note 4* Loans Receivable

Loans receivable, net of allowance is summarized as follows:

| | Balance 12/31/2018 | Loan Advances | Principal Repayments | Balance 12/31/2019 | Amounts Due Due Within One Year |
|---|---|---|---|---|---|
| CFLP Revolving Loans | $ 187,643 | $ | $ (46,365) | $ 141,278 | $ 43,527 |
| IRP Revolving Loans | 387,652 | 100,000 | (69,982) | 417,670 | 72,408 |
| RBEG Revolving Loans | - | 80,000 | (3,287) | 76,713 | 6,774 |
| Total Revolving Loans Receivable | 575,295 | 180,000 | (119,634) | 635,661 | 122,709 |
| Allowance for Doubtful Loans | (35,000) | | | (35,000) | (35,000) |
| Total Revolving Loans Receivable, Net | **$ 540,295** | **$ 180,000** | **$ (119,634)** | **$ 600,661** | **$ 87,709** |

The following is a schedule of future principal payments to be received.

| | |
|---|---|
| 2020 | $ 122,709 |
| 2021 | 124,512 |
| 2022 | 84,459 |
| 2023 | 57,136 |
| 2024 | 39,112 |
| 2025-2029 | 155,495 |
| 2030-2034 | 40,186 |
| 2035-2039 | 12,000 |
| 2040-2044 | 52 |
| Total | **$ 635,661** |

***Note 5*** **Capital Assets**

At December 31, 2019, the Agency's capital assets consisted of the following:

| | Balance 12/31/2018 | Additions | Disposals | Balance 12/31/2019 |
|---|---|---|---|---|
| **Non-Depreciable Capital Assets** | | | | |
| Land - General | $ 1,073,378 | $ 17,000 | $ | $ 1,090,378 |
| Land - 434 | 376,800 | | | 376,800 |
| **Total Non-Depreciable Capital Assets** | 1,450,178 | 17,000 | - | 1,467,178 |
| **Depreciable Capital Assets** | | | | |
| Railroad Tracking & Facilities | 1,979,331 | | | 1,979,331 |
| Equipment | 1,701 | | | 1,701 |
| **Total Depreciable Capital Assets** | 1,981,032 | - | - | 1,981,032 |
| **Total Historical Cost** | 3,431,210 | 17,000 | - | 3,448,210 |
| **Less Accumulated Depreciation** | | | | |
| Railroad Tracking & Facilities | (1,174,089) | (21,287) | | (1,195,376) |
| Equipment | (1,701) | | | (1,701) |
| **Total Accumulated Depreciation** | (1,175,790) | (21,287) | - | (1,197,077) |
| **Total Capital Assets, Net** | **$ 2,255,420** | **$ (4,287)** | **$ -** | **$ 2,251,133** |

Depreciation expense amounted to $21,287 for the years ended December 31, 2019 and 2018, respectively.

***Note 6*** **Loans Payable**

Loans payable consisted of the following at December 31, 2019:

| | Issue Date | Final Maturity | Interest Rate | Balance |
|---|---|---|---|---|
| USDA - IRP 1 | 5/2008 | 5/2027 | 1.00% | $ 61,544 |
| USDA - IRP 2 | 5/2008 | 5/2030 | 1.00% | 123,432 |
| USDA - IRP 3 | 1/2009 | 1/2036 | 1.00% | 192,027 |
| USDA - IRP 4 | 1/2011 | 1/2039 | 1.00% | 222,620 |
| **Total Loans Payable** | | | | **$ 599,623** |

***Note 6*** **Loans Payable - Continued**

Loans payable are summarized as follows at December 31, 2019:

| | Balance 12/31/2018 | Increases | Decreases | Balance 12/31/2019 | Principal Due Due Within One Year | Interest Due Within One Year |
|---|---|---|---|---|---|---|
| USDA - IRP 1 | $ 69,111 | $ | $ (7,567) | $ 61,544 | $ 7,644 | $ 615 |
| USDA - IRP 2 | 134,427 | | (10,995) | 123,432 | 11,105 | 1,234 |
| USDA - IRP 3 | 202,344 | | (10,317) | 192,027 | 10,419 | 1,920 |
| USDA - IRP 4 | 232,633 | | (10,013) | 222,620 | 10,113 | 2,226 |
| **Total Revolving Loans Payable** | **$ 638,515** | **$ -** | **$ (38,892)** | **$ 599,623** | **$ 39,281** | **$ 5,995** |

The following is a schedule of future principal and interest loan payments:

| | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 39,281 | $ 5,995 | $ 45,276 |
| 2021 | 39,673 | 5,603 | 45,276 |
| 2022 | 40,069 | 5,207 | 45,276 |
| 2023 | 40,469 | 4,807 | 45,276 |
| 2024 | 40,875 | 4,401 | 45,276 |
| 2025-2029 | 192,163 | 15,911 | 208,074 |
| 2030-2034 | 122,939 | 7,775 | 130,714 |
| 2035-2039 | 84,154 | 2,171 | 86,325 |
| | **$ 599,623** | **$ 51,870** | **$ 651,493** |

***Note 7*** **Employee Benefit Plan**

The Agency maintains a Simple IRA account for its employee. The Agency may contribute up to 3% of gross wages to the Simple IRA account. Contributions totaled $1,373 and $1,508, for the years ended December 31, 2019 and 2018, respectively.

***Note 8*** **Railroad Operating Agreement**

In 2006, the Agency entered into an operating agreement with Owego and Harford Railway, Inc. for the use of the railroad property and facilities. The agreement was for ten years with an option to renew for an additional five years. The agreement was revised in February 2013 for a term of fifteen years through December 2028. According to the agreement, the Agency shall receive 10% of gross operating revenues up to $800,000 and 5% over $800,000 until December 2015. The amounts increase to $1 million for years 2016 through 2020, and $1.2 million for years 2021 through 2024. For the final period of 2025 through 2028, the amount is to be agreed upon by both parties; the amount shall be no less than $1.2 million. The operating company is responsible for any additional equipment and facilities that may be required for the operation of the line, as well as such maintenance, repairs and insurance necessary to keep the line in good operating condition.

# *TIOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY*

## SCHEDULE OF PROJECTS
## DECEMBER 31, 2019

| Project Name | Exemption Period | Purpose | Sales Tax Cap | Sales Tax Exemptions | Mortgage Tax Exemptions | Payments in Lieu of Taxes | Property Taxes if Not Exempt | Total Exemptions | Jobs at 12/31/2019 |
|---|---|---|---|---|---|---|---|---|---|
| Nichols Cross Dock | 2017-2028 | Construction | $ | $ | $ | $ 80,921 | $ 421,874 | $ 340,953 | 41 |
| Spencer-Tioga Solar | 2020-2050 | Construction | 486,144 | | | - | - | - | |
| Crown | 2017-2047 | Construction | | | | 300,000 | 1,484,447 | 1,184,447 | 215 |
| Tioga Downs Phase 4 (Golf) | 2017-2037 | Commercial/Construction | | | | 7,352 | 69,379 | 62,027 | |
| Owego Gardens | 2017-2047 | Construction | | | | 22,577 | 99,319 | 76,742 | |
| Midwestern Pet Foods | 2016-2027 | Industrial | | | | 22,737 | 81,239 | 58,502 | 56 |
| Tioga Downs Phase 1 | 2015-2034 | Commercial/Construction | | | | 10,146 | 50,728 | 40,582 | |
| Gateway | 2018-2033 | Commercial/Construction | | | | 1,500 | 12,281 | 10,781 | |
| Tioga Downs Phase 2 | 2017-2037 | Construction | | | | 14,176 | 79,491 | 65,315 | |
| Tioga Downs Phase 3 (Hotel) | 2017-2037 | Construction | | | | 169,488 | 1,277,414 | 1,107,926 | |
| Best Buy | 2003-2022 | Construction | 1,028,429 | | | 600,000 | 536,980 | (63,020) | 279 |
| Central New York Oil and Gas Company 1 | 2009-2019 | Construction | | | | 4,633,160 | 4,633,160 | - | |
| Central New York Oil and Gas Company 2 | 2013-2023 | Construction | | | | 579,932 | 848,229 | 268,297 | |
| Rynone | 1999-2019 | Construction | | | | 9,858 | 9,858 | - | |
| 231 Main LLC | 2007-2021 | Real Estate | | | | 23,841 | 27,209 | 3,368 | 2 |
| V&S New York Galvanizing | 2021-2031 | Construction | 671,200 | | | - | - | - | |
| **Total** | | | **$2,185,773** | **$ -** | **$ -** | **$6,475,688** | **$ 9,631,608** | **$3,155,920** | |

# *TIOGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY*

## SCHEDULE OF LOANS RECEIVABLE
## DECEMBER 31, 2019

| Loan Name | Issue Date | Maturity Date | Interest Rate | December 31, 2018 | New Loans Issued/Advances | Repayments | December 31, 2019 |
|---|---|---|---|---|---|---|---|
| **Commercial Façade Loans** | | | | | | | |
| Owens Insurance | 6/20/2018 | 7/1/2024 | | $ 41,875 | $ | $ (7,500) | $ 34,375 |
| Lovelass 249 Front St. | 4/27/2018 | 5/1/2024 | | 20,000 | | (3,437) | 16,563 |
| Lovelass 17 Lake St. | 4/27/2018 | 6/1/2020 | | 2,724 | | (1,823) | 901 |
| Broad St Barber Shop | 2/1/2018 | 6/1/2023 | | 8,070 | | (1,650) | 6,420 |
| Glenda Ford | 11/6/2017 | 5/1/2022 | | 10,070 | | (3,000) | 7,070 |
| The Parkview | 8/23/2017 | 9/1/2023 | | 30,821 | | (6,488) | 24,333 |
| Towne Diner | 9/16/2016 | 10/1/2022 | | 12,306 | | (3,282) | 9,024 |
| 5 Star Realty Development | 5/18/2016 | 6/1/2022 | | 28,473 | | (7,639) | 20,834 |
| Rawley Filbin | 3/18/2016 | 4/1/2022 | | 5,962 | | (1,682) | 4,280 |
| Owego Kitchen | 12/21/2015 | 1/1/2022 | | 13,171 | | (4,025) | 9,146 |
| Arkway Property Management | 7/25/2014 | 8/1/2020 | | 3,391 | | (2,035) | 1,356 |
| Becky's Diner | 10/1/2016 | 12/1/2021 | | 10,780 | | (3,804) | 6,976 |
| **Total Commercial Façade Loans Receivable** | | | | **$ 187,643** | **$ -** | **$ (46,365)** | **$ 141,278** |
| **IRP Loans** | | | | | | | |
| The Loom | 10/1/2018 | 10/1/2024 | 4.00% | $ 9,510 | $ | $ (1,603) | $ 7,907 |
| Broad St. Barber Shop | 2/1/2018 | 2/1/2033 | 4.75% | 68,796 | | (3,517) | 65,279 |
| Stilettos Hair & Nails | 12/1/2017 | 5/6/2022 | 2.50% | 16,206 | | (4,685) | 11,521 |
| R&C Auto Repair | 4/19/2017 | 6/1/2032 | 4.50% | 36,830 | | (2,057) | 34,773 |
| Tioga Gardens | 4/27/2017 | 5/1/2027 | 2.50% | 17,162 | | (1,854) | 15,308 |
| Granite Works 3 | 4/27/2017 | 5/1/2023 | 2.50% | 75,077 | | (16,274) | 58,803 |
| Giggle Box Playhouse | 12/1/2017 | 1/6/2027 | 2.50% | 21,178 | | (2,378) | 18,800 |
| Granite Works 2 | 5/23/2016 | 7/1/2021 | 5.00% | 21,302 | | (8,179) | 13,123 |
| Charles Cornell | 8/27/2015 | 9/1/2020 | 5.00% | 5,396 | | (5,396) | - |
| Harold & Harry's | 12/21/2010 | 1/2/2040 | 0.00% | 51,852 | | (600) | 51,252 |
| Becky's Diner | 12/1/2007 | 7/1/2022 | 6.25% | 28,013 | | (7,820) | 20,193 |
| The Parkview | 12/9/2011 | 12/1/2021 | 5.00% | 36,331 | | (11,511) | 24,820 |
| Pristine Vision | 6/1/2019 | 6/1/2029 | 4.00% | | 100,000 | (4,109) | 95,891 |
| **Total IRP Loans Receivable** | | | | **$ 387,652** | **$ 100,000** | **$ (69,982)** | **$ 417,670** |
| **RBEG Loans** | | | | | | | |
| Pristine Vision | 6/1/2019 | 6/1/2029 | 4.00% | | 80,000 | (3,287) | 76,713 |
| | **Total RBEG Loans Receivable** | | | **$ -** | **$ 80,000** | **$ (3,287)** | **$ 76,713** |
| | **Total All Loans** | | | **$ 575,295** | **$ 180,000** | **$ (119,634)** | **635,661** |
| | **Less: Allowance for Doubtful Loans** | | | | | | **(35,000)** |
| | **Revolving Loans Receivable** | | | | | | **$ 600,661** |

**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***

To the Board of Directors
Tioga County Industrial Development Agency
Elmira, 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 Tioga County Industrial Development Agency (the Agency), a component unit of the County of Tioga, New York, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 4, 2020.

**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 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.

**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,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 4, 2020