

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

Financial Statements as of
December 31, 2025
Together with
Independent Auditor's Report

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

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INDEPENDENT AUDITOR'S REPORT

March 27, 2026

To the Board of Directors of
Tioga County Industrial Development Agency:

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Tioga County Industrial Development Agency (the Agency), a discretely presented component unit of the County of Tioga, New York (the County), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of December 31, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Matter Giving Rise to the Qualified Opinion

Management has elected to not record the long-term assets and deferred inflows associated with leases as a lessor as of December 31, 2025. As required by Governmental Accounting Standards Board (GASB) No. 87 – *Leases*, the present value of future lease payment receipts should be recorded at the commencement of each lease, as well as a deferred inflow of resources, representing the value of the right to use the asset being provided to the lessee. Failure to comply with GASB No. 87 results in a material misstatement of lease receivable assets and deferred inflows. The amounts by which this departure would affect the assets and deferred inflows have not been determined.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Correction of an Error

As discussed in Note 10 to the basic financial statements, the Agency corrected an error relating to valuation of grants receivable, accounts payable and net position at January 1, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2026, on our consideration of Tioga County Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tioga County Industrial Development Agency's internal control over financial reporting and compliance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2025

This section of the Tioga County Industrial Development Agency (the Agency), a discretely presented component unit of the County of Tioga, New York (the County), annual financial report presents discussion and analysis of the Agency's financial performance during the fiscal years ended December 31, 2025 and 2024. Please read it in conjunction with the Agency's financial statements and accompanying notes.

GENERAL INFORMATION

There is potential for the County to impose its will on the Agency, and as such, the Agency is a discretely presented component unit of the County based upon the criteria set forth by the Governmental Accounting Standards Board (GASB).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: this section, the Management's Discussion and Analysis (MD&A) and the basic financial statements. The Agency is a self-supporting entity and follows business-type activity reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Business-type activity statements offer short-term and long-term financial information about the activities and operations of the Agency. This annual report consists of the financial statements and notes to those statements. The Statement of Net Position, Statement of Revenue, Expenses and Change in Net Position, the Statement of Cash Flows and related notes provide a detailed look at the specific financial activities of the Agency and generally provide an indication of the Agency's financial health. The Statement of Net Position includes all of the Agency's assets and liabilities, using the accrual basis of accounting. The Statement of Revenue, Expenses and Change in Net Position reports all of the revenues and expenses during the time period indicated. The Statement of Cash Flows reports the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for debt.

FINANCIAL HIGHLIGHTS

- The Agency's total net position at December 31, 2025 is \$5,416,982 and at December 31, 2024 is \$4,822,231.
- Total current assets at December 31, 2025 are \$3,393,736 and at December 31, 2024 are \$2,729,821. It is comprised of cash, investments, grants receivable, prepaid expenses, and current portion of revolving loans receivable.
- Total noncurrent assets decreased from \$2,657,937 to \$2,537,966 at December 31, 2025 as a result of depreciation for the year and repayments of revolving loans receivable.
- Total current liabilities at December 31, 2024 are \$147,555, while at December 31, 2025 the current liabilities were \$198,446. The increase is mainly attributable to accrued grant expenses for the year that were not present in the prior period.
- Noncurrent liabilities decreased \$41,697 relating to the reduction in the noncurrent loan payable from the prior year.
- Operating revenues in 2024 were \$1,317,187 while it decreased in 2025 to \$988,140 as a result of a significant decrease in grant revenues partially offset by an increase in charges for services.
- Operating expenses were \$1,303,364 in 2024, compared to only \$506,266 in 2025. Most operating expenses were consistent year over year with the exception of a decrease in grant expenses in 2025 driving the decrease in overall expenses.
- Non-operating activity includes investment revenue earned on an annual basis, which remained consistent over the years.

FINANCIAL ANALYSIS OF THE AGENCY

Below is an analysis of the assets, liabilities, revenues, and expenses of the Agency:

Summary of Assets, Liabilities, and Net Position

	<u>2025</u>	<u>2024</u> (As Restated)
Current assets	\$ 3,393,736	\$ 2,729,821
Non-current assets	<u>2,537,966</u>	<u>2,657,937</u>
Total assets	<u>5,931,702</u>	<u>5,387,758</u>
Current liabilities	<u>198,446</u>	<u>147,555</u>
Non-current liabilities	<u>316,274</u>	<u>357,972</u>
Total liabilities	<u>514,720</u>	<u>505,527</u>
Total net position	<u>\$ 5,416,982</u>	<u>\$ 4,882,231</u>

Current Assets

Current assets were comprised of cash, certificates of deposit, grants receivable, prepaid expenses, and current portion of revolving loans receivable. Net increase in current assets is a combination of increases in cash and cash equivalents, income derived from certificate of deposit, increase in grants receivable, increase in prepaid expenses, and increase in the current portion of loans receivable during the year.

Non-current Assets

Non-current assets were comprised of net capital assets and non-current portion of revolving loans receivable. Total noncurrent assets decreased as a result of depreciation for the year and repayments of revolving loans receivable.

Current Liabilities

Current liabilities were comprised of accrued grant expenses during the year, PILOTs payable, and current portion of loans payable. The increase is mainly attributable to accrued expenses for the year that were not present in the prior period.

Non-current Liabilities

Non-current liabilities were comprised of the non-current portion of the loans payable. Noncurrent liabilities decreased relating to the reduction in the noncurrent loan payable from the prior year.

Net Position

The Agency's total net position at December 31, 2025 is \$5,416,982 and at December 31, 2024 is \$4,822,231. The increase is attributable to the positive change in net position during the year. Summary of the changes in net position are stated in the next section.

FINANCIAL ANALYSIS OF THE AGENCY (Continued)

Summary of Revenues, Expenses, and Change in Net Position

	<u>2025</u>	<u>2024</u> (As Restated)
OPERATING REVENUES:		
Charges for services	\$ 554,880	\$ 58,181
Grant revenue	227,444	1,061,896
Railroad operating agreement income	169,681	160,726
Leases and licenses income	17,442	16,635
Loan program income	17,277	19,749
Miscellaneous income	<u>1,416</u>	<u>-</u>
Total operating revenues	<u>988,140</u>	<u>1,317,187</u>
OPERATING EXPENSES:		
Personnel services	-	27,532
Grant expenses	227,444	1,056,870
Contractual expenses	163,692	158,348
Loan program expenses	520	320
Owego Creek stabilization	33,150	-
Insurance	16,176	17,235
Bad debts	13,052	-
Other operating expenses	20,089	13,664
Depreciation	<u>32,143</u>	<u>29,395</u>
Total operating expenses	<u>506,266</u>	<u>1,303,364</u>
OPERATING INCOME (LOSS)	<u>481,874</u>	<u>13,823</u>
NON-OPERATING REVENUE(EXPENSES):		
Interest expense	(4,407)	(4,608)
Interest income	<u>57,284</u>	<u>56,860</u>
Total non-operating revenue (expenses)	<u>52,877</u>	<u>52,252</u>
CHANGE IN NET POSITION	534,751	66,075
NET POSITION - beginning of the year (as restated)	<u>4,882,231</u>	<u>4,816,156</u>
NET POSITION - end of year	<u>\$ 5,416,982</u>	<u>\$ 4,882,231</u>

Operating Revenues

Revenues are made up of fees, lease and railroad operating income, loan program income and operating grants. Operating revenues in 2024 were \$1,317,187 while it decreased in 2025 to \$988,140 as a result of a significant decrease in grant revenues partially offset by an increase in charges for services.

FINANCIAL ANALYSIS OF THE AGENCY (Continued)

Operating Expenses

Operating expenses are made up of administrative expenses of the Agency, contractual expenses, grant expenses, project expenses, bad debts, and depreciation. Operating expenses were \$1,303,364 in 2024, compared to only \$506,266 in 2025. Most operating expenses were consistent year over year with the exception of a decrease in grant expenses in 2025 driving the decrease in overall expenses.

Non-operating Revenues (Expenses)

Non-operating revenue (expenses) includes all investment interest income, as well as interest expense. Non-operating activity includes investment revenue earned on an annual basis, which remained consistent over the years.

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 #109, Owego, New York 13827.

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

Statement of Net Position
December 31, 2025

	<u>2025</u>
ASSETS	
CURRENT ASSETS:	
Cash - unrestricted	\$ 1,330,643
Cash - restricted	499,764
Certificates of deposit	1,296,685
Grants receivable	208,617
Prepaid expenses	1,023
Loans receivable, current portion	<u>57,004</u>
Total current assets	<u>3,393,736</u>
NON-CURRENT ASSETS:	
Capital assets, non-depreciable	1,494,969
Capital assets, depreciable, net	736,844
Loans receivable, net of current portion	<u>306,153</u>
Total non-current assets	<u>2,537,966</u>
Total assets	<u>5,931,702</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES:	
Accounts payable	131,725
Accrued expenses	8,325
PILOTs payable	16,699
Loans payable, current portion	<u>41,697</u>
Total current liabilities	<u>198,446</u>
LONG-TERM LIABILITIES	
Loans payable, net of current portion	<u>316,274</u>
Total liabilities	<u>514,720</u>
NET POSITION	
Net investment in capital assets	2,231,813
Restricted	499,764
Unrestricted	<u>2,685,405</u>
Total net position	<u>\$ 5,416,982</u>

The accompanying notes are an integral part of these statements.

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

Statement of Revenues, Expenses, and Change in Net Position
For the Year Ended December 31, 2025

	<u>2025</u>
OPERATING REVENUES:	
Charges for services	\$ 554,880
Grant revenue	227,444
Railroad operating agreement income	169,681
Leases and licenses income	17,442
Loan program income	17,277
Miscellaneous income	<u>1,416</u>
Total operating revenues	<u>988,140</u>
OPERATING EXPENSES:	
Grant expenses	227,444
Contractual expenses	163,692
Loan program expenses	520
Owego Creek stabilization	33,150
Insurance	16,176
Bad debt expense	13,052
Other operating expenses	20,089
Depreciation	<u>32,143</u>
Total operating expenses	<u>506,266</u>
OPERATING INCOME (LOSS)	<u>481,874</u>
NON-OPERATING REVENUE(EXPENSES):	
Interest expense	(4,407)
Interest income	<u>57,284</u>
Total non-operating revenue (expenses)	<u>52,877</u>
CHANGE IN NET POSITION	<u>534,751</u>
NET POSITION - beginning of the year (as previously reported)	4,822,514
RESTATEMENT (Note 10)	<u>59,717</u>
NET POSITION - beginning of the year (as restated)	<u>4,882,231</u>
NET POSITION - end of year	<u>\$ 5,416,982</u>

The accompanying notes are an integral part of these statements.

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

Statement of Cash Flows
For the Year Ended December 31, 2025

	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from providing services	\$ 554,880
Cash received for grant programs	196,976
Cash paid for grant programs	(171,698)
Cash received for PILOTs	7,591,468
Cash paid for PILOTs	(7,591,444)
Cash received under railroad operating agreement	169,681
Cash received for leases and licenses	17,442
Cash received (paid) under loan program	55,158
Cash received from miscellaneous sources	1,416
Cash paid for contractual expenses	(155,367)
Cash paid for Owego Creek stabilization	(33,150)
Cash paid for insurance	(17,199)
Cash paid for other operating expenses	<u>(20,089)</u>
Net cash flows from operating activities	<u>598,074</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Cash paid for principal and interest on loans payable	<u>(45,692)</u>
Net cash flows from financing activities	<u>(45,692)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash paid for investments	(49,152)
Disposition of capital assets	2,452
Cash received for interest	<u>57,284</u>
Net cash flows from investing activities	<u>10,584</u>
NET CHANGE IN CASH AND EQUIVALENTS	562,966
CASH - beginning of year	<u>1,267,441</u>
CASH - end of year	<u>\$ 1,830,407</u>
RECONCILIATION OF CASH TO THE STATEMENTS OF NET POSITION:	
Cash - unrestricted	\$ 1,330,643
Cash - restricted	<u>499,764</u>
Total	<u>\$ 1,830,407</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH	
NET CASH FLOW FROM OPERATING ACTIVITIES:	
Operating income (loss)	\$ 481,874
Adjustments to reconcile operating loss to net cash provided (used) by in operating activities:	
Depreciation expense	32,143
Bad debt expense	13,052
Changes in:	
Grants receivable	(30,468)
Loans receivable	38,401
Prepaid expenses	(1,023)
Accounts payable	55,746
Accrued expenses	8,325
PILOTs payable	<u>24</u>
Net cash flow from operating activities	<u>\$ 598,074</u>

The accompanying notes are an integral part of these statements.

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

Notes to Basic Financial Statements
December 31, 2025

1. THE AGENCY

The Tioga County Industrial Development Agency (TCIDA) of Owego, New York is a public benefit corporation which was created under the provisions of Chapter 534 of the Laws of 1971 by the County of Tioga, in the State of New York (the County). The purpose of the TCIDA is to advance the job opportunities, health, general prosperity and economic welfare of the people of Tioga County and improve their recreation opportunities and standard of living.

TCIDA meets this purpose by providing conduit financing through the issuance of tax-exempt bonds and by use of payments in lieu of taxes (PILOT) programs which allow for the full or partial exemption from real property, sales and mortgage taxes.

TCIDA also commenced administering a loan program effective January 1, 2010. The program has revolving loan funds, which was 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, TCIDA commenced administering a commercial façade loan program as well.

There is potential for the County to impose its will on the Agency, and as such, the Agency is a discretely presented component unit of the County based on the criteria set forth by the Governmental Accounting Standards Board (GASB).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The Agency operates as a proprietary fund. Proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

The Agency utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

Estimates

The preparation of financial statements in accordance 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 report amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates, and such differences may be significant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status

The Agency has been organized under the Public Authorities Law by the New York State Legislature. Under Code Section 2326, Article 8, Title 15 of this law, the Agency is exempt from income taxes and immune from other taxes. Therefore, no provision is made for taxes on income.

Cash and Restricted Cash

Cash consists primarily of demand deposits. Certain amounts of cash are classified as restricted because their use is restricted by loan program agreements or held payments in lieu of taxes (PILOTs) yet to be remitted to the appropriate taxing authorities, including Tioga County, the primary government.

Certificates of Deposit

Certificates of deposit are invested at individual banks earning interest for a specified length of time, with maturity dates greater than 90 days.

Grants Receivable

Grants receivable consists of amounts due from governmental entities. Grants receivable are stated at the amount management expects to collect from outstanding balances. At December 31, 2025, no provision has been made for uncollectible amounts as management considers all amounts to be collectible.

Loans Receivable

The Agency administers the operation of a Commercial Façade Loan Program (CFLP). On behalf of the United States Department of Agriculture (USDA), they also administer a Intermediary Relending Program (IRP) and Rural Business Development Grants (RBEG). During the year ended December 31, 2020, the Agency also commenced administering an Emergency Relief Loan Program (ERLP).

The Agency follows the policy of evaluating its loans receivable to adequately reserve for anticipated losses. At December 31, 2025, no provision has been made for uncollectible amounts as management considers all amounts to be collectible.

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 individual asset's 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. The depreciable assets held as of December 31, 2025 are depreciated over 39 years.

Operating Revenues and Non-operating Revenues

The Statement of Revenues, Expenses, and Change in Net Position distinguish between operating and non-operating revenues. Operating revenues, such as charges for services, grant revenue, railroad operating agreement income, leases and licenses income and loan program income result from exchange transactions associated with the principal activities of the Agency. Exchange transactions are those in which each party to the transaction receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the Agency's principal activities and from all non-exchange transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

GASB requires the classification of net position into three components. These classifications are displayed in three components below:

- 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, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - 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 net position - consists of all other resources that do not meet the definition of net investment in capital assets or restricted net position.

It is the Agency's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Agency follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conform with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Executive Director.

Monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within and authorized to do business in New York State (the State). Collateral is required for deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are those identified in New York State General Municipal Law, Section 10 and outlined in the New York State Comptroller's Financial Management Guide.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Agency has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

- Obligations of the United States of America;
- Obligations where payment of principal and interest are guaranteed by the United States of America;
- Obligations of New York State;
- Special time deposit account; and
- Certificates of deposit.

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Custodial Credit Risk

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

The Agency restricts the securities to the following eligible items:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations partially insured or guaranteed by an agency of the United States of America;
- Obligations issued or fully insured or guaranteed by the State of New York;
- Obligations issued by a municipal corporation, school district or district corporation of New York State;
- Obligations issued by states (other than New York State) of the United States of America rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization (NRSRO).

The Agency maintained cash balances with a financial institution insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, for demand and non-demand accounts, and certificates of deposit. At December 31, 2025, the Agency's deposits, including certificates of deposit, consisted of \$3,182,026, of which \$1,262,853 was insured by the FDIC with the remaining balances of \$1,919,173 collateralized.

4. FAIR VALUE MEASUREMENT

The Agency is required to disclose amounts within a framework established for measuring fair value. That framework provides 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 are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Agency's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

4. FAIR VALUE MEASUREMENT (Continued)

<u>Investment</u>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance</u>	
					<u>December 31, 2025</u>	
Certificates of deposit	\$	1,296,685	\$	-	\$	1,296,685

The asset 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Certificates of deposit are recorded at amortized cost which approximates fair value.

5. LOANS RECEIVABLE

Loans receivable activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Issuances	Repayments	Write-offs	Ending Balance	Due Within One Year
CFLP Revolving	\$ -	\$ 20,000	\$ (1,944)	\$ -	\$ 18,056	\$ 3,333
IRP Revolving	320,150	-	(39,104)	(48,052)	232,994	15,977
RBEG Revolving	129,460	-	(17,353)	-	112,107	37,694
Total loans receivable	449,610	20,000	(58,401)	(48,052)	363,157	57,004
Less: Allowance for doubtful accounts	(35,000)	-	-	35,000	-	-
Loans receivable, net	\$ 414,610	\$ 20,000	\$ (58,401)	\$ (13,052)	\$ 363,157	\$ 57,004

Future maturities of loans receivable are as follows:

2026	\$ 57,004
2027	57,132
2028	58,749
2029	50,190
2030	49,081
2031-2035	<u>91,001</u>
Total	<u>\$ 363,157</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 1,497,421	\$ -	\$ (2,452)	\$ 1,494,969
<u>Capital assets, being depreciated:</u>				
Railroad tracking and facilities	2,077,651	-	-	2,077,651
<u>Accumulated depreciation:</u>				
Railroad tracking and facilities	(1,308,664)	(32,143)	-	(1,340,807)
Total capital assets, being depreciated, net	768,987	(32,143)	-	736,844
Capital assets, net	\$ 2,266,408	\$ (32,143)	\$ (2,452)	\$ 2,231,813

Depreciation expense totaled \$32,143 for the year ended December 31, 2025.

7. LOANS PAYABLE

The following is a summary of the Agency's loans payable for the year ended December 31, 2025:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance</u>
USDA – IRP 1	5/2008	5/2027	1.00%	\$ 14,520
USDA – IRP 2	5/2008	5/2030	1.00%	55,115
USDA – IRP 3	1/2009	1/2036	1.00%	127,931
USDA – IRP 4	1/2011	1/2039	1.00%	160,405
Total loans payable				<u>\$ 357,971</u>

The Agency had the following long-term debt activity for the year ended December 31, 2025:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
USDA – IRP 1	\$ 22,553	\$ -	\$ (8,033)	\$ 14,520	\$ 8,114
USDA – IRP 2	66,787	-	(11,672)	55,115	11,788
USDA – IRP 3	138,881	-	(10,950)	127,931	11,060
USDA – IRP 4	171,035	-	(10,630)	160,405	10,735
Total loans payable	<u>\$ 399,256</u>	<u>\$ -</u>	<u>\$ (41,285)</u>	<u>\$ 357,971</u>	<u>\$ 41,697</u>

Interest expense on loans payable for the year ended December 31, 2025 totaled \$4,407.

7. LOANS PAYABLE (Continued)

Future maturities of principal payments on loans payable as of December 31, 2025 are as follows:

2026	\$ 41,697
2027	40,324
2028	34,258
2029	34,600
2030	29,931
2031-2035	116,845
2036-2040	<u>60,316</u>
Total	<u>\$ 357,971</u>

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. In 2020, the agreement was modified to reflect RJ Corman as the new operator. 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 thresholds 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 threshold 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. For the year ended December 31, 2025, the Agency recognized \$169,681 in revenue under this agreement.

9. PILOT ADMINISTRATION

The Agency has entered into PILOT agreements with various companies whereas the company will make annual payments in lieu of taxes to the Agency and the Agency will remit the annual payments to the appropriate tax jurisdictions. The Agency records a liability for any amounts paid by companies to the Agency but not distributed to the tax jurisdictions as of year-end. For the year ended December 31, 2025, total PILOT payments received and remitted were \$7,591,468 and \$7,591,444, respectively. The Agency reported PILOTs payable of \$16,699 at December 31, 2025.

10. RESTATEMENT

Correction of an Error

During 2025, the Agency discovered that grants revenue and receivable, and grant expenses and accounts payable recorded as of December 31, 2024 were understated by \$149,313 and \$89,596, respectively.

These changes were incorporated in the Agency's financial statements and had the following impact on net position as of January 1, 2025:

	<u>Grants receivable</u>	<u>Accounts payable</u>	<u>Net Position</u>
Balance as of December 31, 2024, as previously stated	\$ 42,453	\$ -	\$ (4,822,514)
Restatement	149,313	(89,596)	(59,717)
Balance as of January 1, 2025, as restated	<u>\$ 191,766</u>	<u>\$ (89,596)</u>	<u>\$ (4,882,231)</u>

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

March 27, 2026

To the Members of the Board of the
Tioga County Industrial Development Agency:

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 Tioga County Industrial Development Agency (the Agency), a discretely presented component unit of the County of Tioga, New York (the County), as of and for the year ended December 31, 2025, 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 27, 2026.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

(Continued)

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

(Continued)

Report on 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*.

Tioga County Industrial Development Agency's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

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

Schedule of Findings and Responses
For the Year Ended December 31, 2025

Reference: 2025-001

Criteria:

Grant revenue and related receivables, as well as grant expenses and related liabilities, should be recognized in accordance with generally accepted accounting principles (GAAP) using the accrual basis of accounting. Revenue and grants receivable should be recorded when earned and a corresponding expense has been incurred. This may not necessarily align when the claim and/or draw-down request for reimbursement is submitted. In addition, the existence of a pass-through arrangement (i.e., dollars being disbursed to a third party) does not eliminate the Agency's responsibility to evaluate whether the Agency is the recipient/primary obligor under the grant agreement and, if so, to record grant revenue and expenses when earned/incurred, including year-end receivables and accruals for amounts due but not yet received/paid.

Condition:

During the course of our audit, we identified instances where grant activity was not recorded in a manner consistent with generally accepted accounting principles which included the following:

- As of December 31, 2024, grant revenue and grant receivable, as well as grant expense and accounts payable, were understated by approximately \$78,000 of which approximately \$73,500 related to grant funds passed through to a third party.
- As of December 31, 2024, grant revenue and grant receivable was understated by approximately an additional \$71,000 for grant expenses incurred but not yet reimbursed by the grantors.
- As of December 31, 2024, grant expense and accounts payable were understated by approximately an additional \$11,400 for grant expenses incurred, of which \$7,600 would be passed through to a third party.
- As of December 31, 2025, grant revenue and grant receivable was understated by approximately \$8,300 for grant expenses incurred but not yet claimed or reimbursed by the grantor.
- At December 31, 2025, grant revenue and grant receivable, as well as grant expense and accounts payable, were understated by approximately \$132,000 related to grant funds passed through to a third party.

Cause:

The Agency's year-end closing did not include procedures sufficient to identify and accrue grant-related amounts applicable to the fiscal year, including amounts to be received from the grantor and amounts owed to third-party providers under pass-through arrangements. In addition, responsibilities and documentation supporting the evaluation of the Agency's role under grant agreements (i.e. whether the Agency is the recipient/primary obligor) were not consistently formalized.

Effect:

Material audit adjustments were made to ensure the financial statements were properly presented in accordance with generally accepted accounting principles. Journal entries in approximate amounts were as follows:

- As of January 1, 2025

Grants receivable	\$149,300	
Accounts payable		\$89,600
Net position		\$59,700

- As of December 31, 2025

Grants receivable	\$140,300	
Grant expense	\$132,000	
Grant revenue		\$140,300
Accounts payable		\$132,000

Recommendation:

We recommend management design and implement controls to ensure grant revenue and expenses are recorded in accordance with GAAP, including for pass-through arrangements. At a minimum, management should: (1) implement a documented year-end grant cutoff process to identify amounts earned but not yet billed/received (grant receivables) and amounts incurred but not yet paid (accrued liabilities); (2) reconcile grant agreements, award budgets, and provider/third-party reports to the general ledger on a routine basis and at year-end; (3) document the accounting assessment for each significant grant to support the Agency's role (recipient/primary obligor versus agent) and the appropriate gross versus net presentation; and (4) evidence supervisory review of these analyses and accrual entries prior to issuance of the financial statements.

Management's Response:

Management agrees with the recommendation and acknowledges the importance of strengthening controls over the recognition and reporting of grant revenues and expenses in accordance with GAAP, including considerations for pass-through arrangements. To address these matters, management will implement the following actions:

1. Management will design and implement a formal, documented year-end grant cutoff procedure to ensure all grant-related revenues and expenses are recorded in the appropriate period. This will include identifying grants receivable for amounts earned but not yet received and accrued liabilities for expenses incurred but not yet paid.
2. Management will perform periodic (at least quarterly) and year-end reconciliations of grant agreements, approved budgets, and third-party or provider reports to the general ledger to ensure completeness and accuracy of recorded activity.
3. For all significant grants, management will prepare and maintain formal documentation assessing the Agency's role (i.e., recipient/primary obligor versus agent). This analysis will support the determination of appropriate gross versus net revenue recognition in accordance with applicable accounting standards.
4. Management will implement a review control process whereby supervisory personnel will review and approve all significant grant analyses, reconciliations, and related accrual entries. Evidence of such review will be retained prior to the issuance of the financial statements.

Management expects to implement these corrective actions beginning with the current fiscal year-end close process and will monitor ongoing compliance to ensure effectiveness.