

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

DECEMBER 31, 2016

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY

TABLE OF CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
STATEMENTS OF NET POSITION	3
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 - 14
 <u>SUPPLEMENTARY INFORMATION</u>	
PROJECT INFORMATION	15 - 17
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 <i>GOVERNMENT AUDITING STANDARDS</i>	18 - 19
SCHEDULE OF FINDINGS AND RESPONSES	20

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Chemung County Industrial Development Agency
Elmira, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Chemung County Industrial Development Agency, a component unit of the County of Chemung, New York, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Chemung County Industrial Development 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chemung County Industrial Development Agency as of December 31, 2016 and 2015, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Chemung County Industrial Development Agency has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Chemung County Industrial Development Agency's basic financial statements. The supplementary schedule of Project Information on pages 15 to 17 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary schedule of Project Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 supplementary schedule of Project Information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2017, on our consideration of the Chemung County Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 Chemung County Industrial Development Agency's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
March 28, 2017

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Statements of Net Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,644,933	\$ 3,315,396
Accounts receivable	528,963	41,046
Prepaid expenses	36,797	20,791
Other current assets	45,430	322,820
Loans receivable - current portion	145,035	221,212
Grants receivable - current portion	<u>542,793</u>	<u>423,300</u>
Total current assets	3,943,951	4,344,565
Loans Receivable - Net of Current Portion	1,088,859	1,500,419
Grants Receivable - Net of Current Portion	1,592,440	2,300,775
Property and Equipment - Net	4,939,779	4,968,991
Building Held for Resale	<u>3,443,709</u>	<u>-</u>
Total Assets	<u>\$ 15,008,738</u>	<u>\$ 13,114,750</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Loans payable - current portion	\$ 837,396	\$ 161,155
Bonds payable - current portion	600,097	476,230
Accounts payable	238,160	132,117
Contract advances - current portion	368,432	6,000
Accrued interest	59,042	62,207
Other current liabilities	<u>300</u>	<u>300</u>
Total current liabilities	<u>2,103,427</u>	<u>838,009</u>
Long-Term Debt		
Loans payable - net of current portion	1,267,788	382,073
Bonds payable - net of current portion	2,375,562	2,976,284
Contract advances - net of current portion	<u>-</u>	<u>355,755</u>
Total long-term debt	<u>3,643,350</u>	<u>3,714,112</u>
Total Liabilities	<u>5,746,777</u>	<u>4,552,121</u>
Deferred Inflows of Resources	<u>1,000,000</u>	<u>-</u>
Net Position		
Net investment in capital assets	4,939,779	4,968,991
Unrestricted	<u>3,322,182</u>	<u>3,593,638</u>
Total net position	<u>8,261,961</u>	<u>8,562,629</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 15,008,738</u>	<u>\$ 13,114,750</u>

The accompanying notes are an integral part of these financial statements.

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Statements of Revenue, Expenses, and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue		
Development grants and reimbursements	\$ 196,667	\$ 433,333
Rental income	197,315	159,236
Fee income	409,194	355,558
Interest income	57,214	64,142
Other income	<u>46,405</u>	<u>31,412</u>
Total revenue	<u>906,795</u>	<u>1,043,681</u>
Expenses		
Development grants and project costs	787,724	1,460,640
Property and insurance expenses	76,556	89,234
Depreciation	110,184	110,184
Interest expense	234,047	236,906
Bad debt expense	95,242	-
Other expenses	<u>219,207</u>	<u>211,458</u>
Total expenses	<u>1,522,960</u>	<u>2,108,422</u>
Operating Loss	<u>(616,165)</u>	<u>(1,064,741)</u>
Non-operating Revenue (Expenses)		
First Arena expenditures	(434,502)	-
Gain on sale of asset	<u>749,999</u>	-
Total non-operating revenue (expenses)	<u>315,497</u>	<u>-</u>
Change in Net Position	(300,668)	(1,064,741)
Net Position - Beginning	<u>8,562,629</u>	<u>9,627,370</u>
Net Position - Ending	<u>\$ 8,261,961</u>	<u>\$ 8,562,629</u>

The accompanying notes are an integral part of these financial statements.

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received from operating income	\$ 2,234,574	\$ 1,427,486
Cash paid for operating expenses	<u>(1,193,451)</u>	<u>(1,734,798)</u>
Net cash flows from operating activities	<u>1,041,123</u>	<u>(307,312)</u>
Cash Flows from Capital and Related Financing Activities		
Repayments of loans payable	(118,044)	(558,260)
Repayments of bonds payable	(476,855)	(629,818)
Proceeds from loans payable	980,000	800,000
Interest paid	<u>(237,212)</u>	<u>(249,849)</u>
Net cash flows from capital and related financing activities	<u>147,889</u>	<u>(637,927)</u>
Cash Flows from Investing Activities		
Purchase of building	(2,978,211)	-
Purchase of land	(80,972)	-
Development loans received (repaid)	392,494	(43,226)
Interest received	57,214	64,142
Proceeds from sale of capital assets	<u>750,000</u>	<u>3,000,000</u>
Net cash flows from investing activities	<u>(1,859,475)</u>	<u>3,020,916</u>
Net Change in Cash and Cash Equivalents	(670,463)	2,075,677
Cash and Cash Equivalents - Beginning	<u>3,315,396</u>	<u>1,239,719</u>
Cash and Cash Equivalents - Ending	<u>\$ 2,644,933</u>	<u>\$ 3,315,396</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities		
Operating income (loss)	\$ (616,165)	\$ (1,064,741)
Adjustments		
Depreciation	110,184	110,184
Interest income	(57,214)	(64,142)
Bad debt expense	95,242	-
Interest expense	234,047	236,906
Changes in assets and liabilities		
Accounts receivable	(487,917)	(11,320)
Grants receivable	588,842	768,801
Prepaid expenses	(16,006)	19,630
Other current assets	277,390	(300,000)
Accounts payable	(93,957)	6,904
Contract advances	6,677	(9,534)
Deferred inflows of resources	<u>1,000,000</u>	<u>-</u>
Net cash flows from operating activities	<u>\$ 1,041,123</u>	<u>\$ (307,312)</u>

The accompanying notes are an integral part of these financial statements.

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization and Purpose - The Chemung County Industrial Development Agency (the "Agency") is a public benefit corporation created in 1975 by an act of the New York State Legislature for the purpose of encouraging economic growth in the County of Chemung, New York. The Agency is exempt from federal, state, and local income taxes.

The Agency's primary purpose is to promote and assist private sector industrial development and advance the job opportunities and economic welfare of the people of the County of Chemung, New York.

One of the Agency's most important functions is to provide certain real property, sales and mortgage recording tax benefits in lease financing or revenue bond transactions to qualifying industrial and commercial entities in order to encourage industrial development in the County of Chemung, New York.

In addition to industrial development bonds and sale/leaseback transactions, the Agency offers a real property tax abatement program, known as PILOT. Projects that create new employment and are sponsored by the Agency may qualify for abatements of real property taxes, such as county, town and school taxes, through the PILOT (payment-in-lieu-of-taxes) program.

The Agency is a component unit of the County of Chemung, New York.

Basis of Accounting - The Agency complies with the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature.

The accounts of the Agency are maintained on the accrual basis of accounting. Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on the determination of operating income, financial position, changes in net position and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation.

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

Basis of Presentation - The Agency complies with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements provide guidance on presenting deferred outflows, deferred inflows and net position. Net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. GASB requires the classification of net position into three classifications defined as follows:

Net investment of capital assets - This component of net position consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Restricted net position - This component of net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets. At December 31, 2016 and 2015, the Agency did not have a balance in restricted net position.

Unrestricted net position - This component of net position consists of all other net position that does not meet the definition of the above two components and is available for general use by the Agency.

Cash and Cash Equivalents - For the purposes of the statements of net position and cash flows, cash and cash equivalents include deposits with original maturities of three months or less. The Agency maintains cash and cash equivalents which periodically may exceed federally insured limits.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end would be immaterial and therefore an allowance has not been established.

Grants Receivable - Grants receivable are stated at the amount earned under the grant agreements.

Property and Equipment - Property and equipment acquired by the Agency are stated at cost (or estimated historical cost) including interest capitalized during construction where applicable. Contributed assets are recorded at fair market value at the date received. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets. Depreciation is computed over the following periods:

Land and land improvements	20 Years
Buildings	40 Years

Deferred Outflows and Inflows of Resources - In the Statement of Net Position, in addition to assets, the Agency will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Agency also records a deferred inflows of resources, representing an increase in net assets that applies to future periods. The amount recorded at December 31, 2016 represents amounts received from the County of Chemung for the building held for resale in order to keep the building accessible to the public for ten years.

Note 2. Deposits and Investments

The Agency's investment policies are governed by state law. Collateral is required for demand deposits, certificates of deposit, and repurchase agreements not covered by federal deposit insurance. Obligations which 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.

The Agency has a formal investment policy which is in compliance with the laws of the State of New York, Chapter 838, Title 7, Section 2925. The Agency is permitted to invest funds in the following types of investments: special time deposit accounts, certificates of deposit, obligations of the United States of America, obligations guaranteed by agencies of the United States of America where payment of principal and interest are guaranteed by the United States of America and obligations of the State of New York. All deposits of the Agency are public funds and shall have a pledge of collateral by the bank or trust company in which the funds are deposited. The Treasurer of the Agency will determine the amount and length of time all funds are to be invested. The Agency will maintain relationships with the banks or trust companies doing business with the Agency and secure the best possible return. The Agency will prepare any reports requested by the Board to aid in monitoring the Agency's investment policy and performance.

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

The amounts on deposit in banking institutions and the related collateral as of December 31, 2016, are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand and savings deposits	\$ <u>2,644,933</u>	\$ <u>3,210,339</u>
Covered by FDIC insurance		\$ 825,231
Pledged collateral		<u>2,385,108</u>
Total deposits		\$ <u>3,210,339</u>

Note 3. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Land and land improvements	\$ 2,989,470	\$ 80,972	\$ -	\$ 3,070,442
Buildings	<u>2,500,000</u>	<u>1</u>	<u>1</u>	<u>2,500,000</u>
Sub-total	5,489,470	80,973	1	5,570,442
Less, accumulated depreciation	<u>(520,479)</u>	<u>(110,184)</u>	<u>-</u>	<u>(630,663)</u>
Property and equipment - net	\$ <u>4,968,991</u>	\$ <u>(29,211)</u>	\$ <u>1</u>	\$ <u>4,939,779</u>
 Building held for resale	 \$ -	 \$ <u>3,443,709</u>	 \$ -	 \$ <u>3,443,709</u>

Depreciation expense amounted to \$110,184 for each of the years ended December 31, 2016 and 2015.

During 2016, the Agency purchased a building from the County of Chemung for \$1 and later sold this building for \$750,000, resulting in a gain on sale of \$749,999.

During 2016, the Agency purchased the First Arena for \$3,443,709, representing debt assumed, purchase cost and expenses required to operate the facility. The building is held for sale and, accordingly, has been reported as building held for resale and no depreciation is recorded for 2016. Certain other expenditures, principally repairs and maintenance and utilities, have been expensed amounting to \$434,502 during 2016.

In addition, in connection with the Agency's purchase of the First Arena, the County of Chemung provided \$1,000,000 to the Agency to keep the building accessible to the public for ten years, which has been reported as a deferred inflows of resources at December 31, 2016.

Subsequent to December 31, 2016, the Agency accepted a verbal purchase offer to sell the building held for sale. The formal sale of the building is expected to be completed in April 2017 with an approximate purchase price of \$3,500,000.

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Note 4. Fair Value Measurements

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, a framework has been established for measuring fair value of loans receivable. 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 below:

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; and
- Inputs that are derived principally from or corroborated by 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Note 5. Loans Receivable

Loans receivable consisted of the following at December 31:

	<u>2016</u>		<u>2015</u>
Loan A - Receivable from Southern Tier Commerce Center, LLC, monthly payments of \$4,944, including interest at 3.5%. Loan was established December 2006 and due December 2016.	\$ 5,184	\$	63,227
Loan B - Receivable from Riverside Realty, LLC, non-interest bearing, monthly payments of \$196. Loan established November 2007 and due October 2022.	13,693		16,039
Loan C - Receivable from Riverside Realty, LLC, monthly payments of \$7,239, including interest at 2.0%. Payments commenced the month after receipt of the final loan draw in the month of February 2010. Final loan was established in February 2010 and due February 2025.	654,066		727,065
Loan D - Receivable from County of Chemung, New York, non-interest bearing, quarterly payments of \$25,000. Loan established in April 2010 and due April 2024. All amounts received from the County will be used to make required payments on the bond payable to Elmira Savings Bank. See Note 6.	560,951		620,058
Loan E - Receivable from First Excelsior Group, LLC, monthly payments of \$2,628, including interest at 1.0%. Loan was established May 2015. \$200,000 was repaid through the acquisition of the building held for resale and the remaining \$95,242 was written off as a bad debt. See Note 3.	-		295,242
Total	<u>1,233,894</u>		<u>1,721,631</u>
Less, current portion	<u>(145,035)</u>		<u>(221,212)</u>
Long-term portion	<u>\$ 1,088,859</u>	\$	<u>1,500,419</u>

The table that follows presents a summary of changes in the fair value of each level 3 asset (loans receivable) for the year end December 31, 2016:

	<u>Loan A</u>	<u>Loan B</u>	<u>Loan C</u>	<u>Loan D</u>	<u>Loan E</u>
Balance at beginning of year	\$ 63,227	\$ 16,039	\$ 727,065	\$ 620,058	\$ 295,242
Add, loans issued	-	-	-	-	-
Less, amounts paid	(58,043)	(2,346)	(72,999)	(59,107)	(200,000)
Less, amounts written off	-	-	-	-	(95,242)
Balance at end of year	<u>\$ 5,184</u>	<u>\$ 13,693</u>	<u>\$ 654,066</u>	<u>\$ 560,951</u>	<u>\$ -</u>
<u>Aging</u>					
Current	\$ 4,944	\$ 196	\$ 6,149	\$ 9,242	\$ -
30 - 60 days	-	-	-	9,242	-
Total	<u>\$ 4,944</u>	<u>\$ 196</u>	<u>\$ 6,149</u>	<u>\$ 18,484</u>	<u>\$ -</u>

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Note 6. Loans Payable

Loans payable consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Payable to Chemung Canal Trust Co. Annual principal payments of \$60,000, plus interest at 6.25%, through the year 2018.	\$ 120,000	\$ 180,000
Payable to County of Chemung, New York. Funds will be reimbursed in future periods in association with excess cash flows and is non-interest bearing.	305,184	363,228
Payable to Southern Tier Region Economic Development Corporation (STREDC). Monthly payments are interest only through October 1, 2026 at which time monthly payments of principal plus interest are due through the year 2036. Interest is payable at 1.00%. The loan is collateralized by property in the Town of Big Flats, County of Chemung and State of New York.	980,000	-
Payable to Chemung Canal Trust Company. Monthly payments are interest only through January 31, 2017 at which time outstanding principal is due. Interest is payable at 5.25%. This loan was paid in full subsequent to December 31, 2016.	<u>700,000</u>	<u>-</u>
Total	2,105,184	543,228
Less, current portion	<u>(837,396)</u>	<u>(161,155)</u>
Long-term portion	<u>\$ 1,267,788</u>	<u>\$ 382,073</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 837,396	\$ 47,060	\$ 884,456
2018	89,394	9,800	99,194
2019	29,689	9,800	39,489
2020	29,988	9,800	39,788
2021	30,289	9,800	40,089
2022 - 2026	<u>1,088,428</u>	<u>39,200</u>	<u>1,127,628</u>
Total	<u>\$ 2,105,184</u>	<u>\$ 125,460</u>	<u>\$ 2,230,644</u>

Total accrued interest relating to these loans payable was \$6,195 and \$4,188 at December 31, 2016 and 2015, respectively.

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Note 7. Bonds Payable

Bonds payable consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Series 2009E Bond - Payable to CVS Rx Services in annual installments with a maturity date of October 15, 2020. Interest is payable in annual installments at a rate of 5.75%. Repayment of principal for this bond was funded through a grant from the Economic Development Administration (EDA) for American Recovery and Reinvestment Act (ARRA) of \$1,454,080 to fund the portion of the project relating to the cost of enhancing the water and sewer system owned by the Agency as well as the cost of upgrading White Wagon Road owned by the County of Chemung, New York. The remaining portion of this bond will be paid back through PILOT revenue.	\$ 2,365,717	\$ 2,789,017
Bond - Payable to Elmira Savings Bank in annual installments of principal and interest of \$100,000 with a maturity date of April 2024. Interest is payable in quarterly installments at a rate of 6.5%. Repayment of this bond will be made with proceeds from the loan receivable from Chemung County described in Note 4.	<u>609,942</u>	<u>663,497</u>
Total	2,975,659	3,452,514
Less, current portion	<u>(600,097)</u>	<u>(476,230)</u>
Long-term portion	<u>\$ 2,375,562</u>	<u>\$ 2,976,284</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 600,097	\$ 178,725	\$ 778,822
2018	635,319	143,503	778,822
2019	672,616	106,206	778,822
2020	712,112	66,710	778,822
2019	75,114	24,886	100,000
2020-2024	<u>280,401</u>	<u>43,153</u>	<u>323,554</u>
Total	<u>\$ 2,975,659</u>	<u>\$ 563,183</u>	<u>\$ 3,538,842</u>

Total accrued interest relating to these bonds payable was \$52,847 and \$58,019 at December 31, 2016 and 2015, respectively.

The Agency has recorded the following grants receivable at December 31, 2016:

County of Chemung, New York - future PILOT agreement	<u>\$ 2,135,000</u>
--	---------------------

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

Note 8. Industrial Revenue Bond and Note Transactions

Certain industrial development revenue bonds and loans issued by the Agency are secured by property which is leased to companies and is retired by lease payments. The bonds and loans are not obligations of the Agency or the State. The Agency does not record assets or liabilities resulting from completed bond and loan issues in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and loan holders. The funds arising from these transactions are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of the bonds and loans.

Note 9. Related Party Transactions

The Agency is related through common management to Southern Tier Economic Growth (STEG), who also promotes economic growth development in the County. STEG provides management and accounting services to the Agency and fees for these services totaled \$100,000 as of December 31, 2016 and 2015.

The Agency is also related through common management and Board of Directors membership with the Chemung County Capital Resource Corporation ("Corporation"), which also promotes economic development in the County. The Agency provides the use of facilities to the Corporation. The cost of this service is covered by the Agency.

Note 10. Supplemental Cash Flow Information

	<u>2016</u>	<u>2015</u>
Cash paid during the year for:		
Interest	\$ <u>237,212</u>	\$ <u>258,787</u>
Non-cash investing and financing activities:		
Loan payable assumed for purchase of building held for resale	\$ <u>700,000</u>	\$ <u>-</u>

Note 11. Leasing Arrangements

The Agency is the lessor of three facilities, equipment and paid-up oil and gas leases on three parcels of land.

One lease is for an industrial building in the Town of Horseheads for the term of forty years beginning December 1982 with a \$48,000 annual payment.

The Agency is the lessor of land leased to Danella Line Services, Inc. This lease began on June 1, 2013 and is a month to month lease, ending only when the tenant gives 30 days written notice to the Agency. The lease requires monthly payments of \$300.

The Agency is the lessor of land leased to Northern Neck Transfer, Inc. This lease began on October 1, 2013 and is a month to month lease, ending only when the tenant gives 30 days written notice to the Agency. The lease requires monthly payments of \$500.

The Agency is the lessor of a portion of a building, as well as parking area to the County of Chemung, New York. This lease began on March 1, 2014 and continues through February 28, 2017. The lease requires monthly payments of \$325.

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements

The Agency is the lessor of a portion of a building, as well as parking area to Metadyne, Inc. This lease began on March 1, 2015 and is a month to month lease, ending when the tenant gives 30 days written notice to the Agency or at the end of 135 months. The lease requires monthly payments of \$2,200 for the first 60 months of the lease, monthly payments of \$2,600 for the subsequent 36 month term and monthly payments of \$3,000 for the remaining term of the lease.

The Agency is the lessor of a portion of a building leased to Dimon & Bacorn. This lease began on January 28, 2014. The lease requires monthly payments of \$1,875 for space 1 and \$3,750 for space 3. Lease agreements for space 1 and space 3 were terminated during August 2016 and January 2016, respectively.

The Agency is the lessor of a portion of land leased to Emhart Glass Manufacturing, Inc. The lease began on December 15, 2015 and ends on December 14, 2040. The lease required monthly payments of \$3,727 for the first 5 years. For each year thereafter, the base rent will be increased by the increase in the Consumer Price Index.

The Agency is the lessor of a portion of a building, as well as parking area to Greenstar Services, Inc. This lease began on May 1, 2016 and continues through May 1, 2017. The lease will automatically renew for an additional term of one year unless tenant gives 30 days written notice to the Agency. The lease requires monthly payments of \$325.

The Agency is the lessor of a portion of a building, as well as parking area to Big Flats Fire District #1. This lease began on April 15, 2016 and continues through April 15, 2017. The lease will automatically renew for an additional term of one year unless tenant gives 30 days written notice to the Agency. The lease requires monthly payments of \$188.

Total rental income for the years ended December 31, 2016 and 2015 was \$197,315 and \$159,236, respectively. Deferred rental income for the years ended December 31, 2016 and 2015 was \$10,500 and \$-, respectively.

The following is a schedule of future minimum rentals to be received over the next five years, excluding the oil and gas right leases:

2017	\$	95,440
2018		92,727
2019		92,727
2020		92,727
2021		92,727
Thereafter		<u>897,820</u>
Total		<u>\$ 1,364,168</u>

At December 31, 2016 and 2015, the Agency had a balance of \$357,932 and \$361,755, respectively, in contract advances from Sikorsky to pay for environmental reviews to be completed over a four year period. This amount is included in contract advances on the statement of net position.

Chemung County Industrial Development Agency

Project Schedule

December 31, 2016

Project Code	Project Type	Project Name	Project Address	City	State	Zip	Zip +4	School District	Project Purpose Notes	Project Purpose Code
1 0701-01-01-A	Bonds/Notes Issuanc	Hathorn Redevelopment	346 Woodlawn Ave.	Elmira	NY	14901	1331	City	Acquisition of land, renovation & constr	Services
2 0701-01-02-A	Bonds/Notes Issuanc	Economic Opportunity Program	650 Baldwin St.	Elmira	NY	14901	2216	NA Tax Exempt	Acquisition of land, construction of build	Services
3 0701-03-02-A	Bonds/Notes Issuanc	Woodbrook Adult Home	1250 Maple Ave.	Elmira	NY	14904	2812	NA Tax Exempt	Acquisition of land, renovation & constr	Services
4 0701-07-02-A	Bonds/Notes Issuanc	DDR Horseheads, LLC	500 Ann Page Road	Horseheads	NY	14845	7200	Horseheads	Acquisition of land, Demolition & constr	Const/Retail
5 0701-09-05-A	Bonds/Notes Issuanc	CVS RX Services, Inc.	150 White Wagon Road	Chemung	NY	14825		Waverly	Acquisition of land, Demolition & constr	Retail/Construction
6 0701-09-01-A	Straight Lease	CVS RX Services, Inc.	150 White Wagon Road	Chemung	NY	14825		Waverly	Acquisition of Land, Construction of Bu	Wholesale/Const
7 0701-10-01-A	Bonds/Notes Issuanc	Chemung Performing Arts	207 Clemens Center Parkway	Elmira	NY	14901	3031	NA Tax Exempt	Acquisition of Land, Building, Equipmen	Services
8 0701-04-04-A	Straight Lease	Silicon Carbide Products	Airport Corporate Park, Daniel Dr. E	Horseheads	NY	14845		Horseheads	Acquisition of Land, Construction of Bu	Const/Manu
9 0701-00-06-A	Straight Lease	EAS Development, LLC	Airport Corporate Park, Daniel Zenk	Big Flats	NY	14814		Horseheads	Acquisition of Land, Construction of Bu	Services/Const
10 0701-00-08-A	Straight Lease	Vulcraft of New York	5362 Railroad St., Box 280	Chemung	NY	14825	9750	Waverly	Construction of Steel Manufacturing Fa	Manu/Const
11 0701-00-09-A	Straight Lease	Arnot Realty Corporation	203 Colonial Drive	Big Flats	NY	14814		Horseheads	Acquisition of Land, Construction of Bu	Services/Const
12 0701-03-01-A	Straight Lease	F.M. Howell & Company	79 Pennsylvania Ave.	Elmira	NY	14904		City	Acquisition of Land, Construction of Bu	Manufacturing
13 0701-03-03-A	Straight Lease	Central Recycling Co-op	260 Lattabrook Park	Horseheads	NY	14845	9008	Elmira Heights	Acquisition of Land, Construction of Bu	Manu/Const
14 0701-06-06-A	Straight Lease	Elmira Eastown Mall	150 Baldwin St.	Elmira	NY	14901	3016	City	Acquisition of Land, Construction of Bu	Finance...
15 0701-05-01-A	Straight Lease	John Meier, LLC	133 Philo Road	Elmira Heights	NY	14903	9705	Horseheads	Acquisition of Land, Construction of Bu	Manu/Const
16 0701-05-03-A	Straight Lease	Dena Enterprises	2666 Corning Road	Horseheads	NY	14845	4207	No Pilot	Renovation of Building	Retail/Const
17 0701-07-03-A	Straight Lease	Riverside Realty of Elmira, LLC	14 Daniel Zenker Drive	Big Flats	NY	14814		No Pilot	Construction of Building	Retail/Const
18 0701-07-04-A	Straight Lease	Millenium Pipeline Company	One Blue Hill Plaza, 7th Floor	Pearl River	NY	10965	3104	Various	Natural Gas Transportation Pipeline	Gas/Const
19 0701-07-05-A	Straight Lease	Empire State Pipeline	6363 Main St.	Williamsville	NY	14221	5855	Various	Natural Gas Transportation Pipeline	Gas/Const
20 0701-08-03-A	Straight Lease	Clemens Center Landlord, LLC	207 Clemens Center Parkway	Elmira	NY	14901	3031	City	Acquisition of Land, Renovation & Cons	Services/Const
21 0701-08-04-A	Straight Lease	DeMet's Candy Company	Hunt Drive	Big Flats	NY	14814		Horseheads	Acquisition of Land, Construction of Bu	Manu/Const
22 0701-09-02-A	Straight Lease	Seneca Beverage Corp.	2081 & 2085 Lake Road	Horseheads	NY	14845		Elmira Heights	Acquisition of Land, Construction of Bu	Wholesale/Const
23 0701-09-04-A	Straight Lease	3107 Group, LLC	100 West Chemung Place	Elmira	NY	14901		City	Acquisition of Land, Construction of Bu	Services/Const
24 0701-10-02-A	Straight Lease	General Revenue	325 Daniel Zenker Drive	Big Flats	NY	14814		Horseheads	Acquisition of Land, Renovation & Cons	Services/Const
25 0701-10-05-A	Straight Lease	Schlumberger	E Street	Village of Horseheads	NY	14845		Horseheads	Acquisition of Land, Construction of Bu	Services/Const
26 0701-10-07-A	Straight Lease	Anchor Glass	Grand Central, Lynwood Ave., McC	Various	NY	Various		City	Acquisition of Land, Renovation & Cons	Manufacturing
27 0701-11-01-A	Straight Lease	1580 Lake Street, LLC	1580 Lake Street	Elmira	NY	14901		City	Acquisition of Land, Renovation, Acquis	Services
28 0701-11-04-A	Straight Lease	Grace Real Property	343 Daniel Zenker Drive	Big Flats	NY	14814		Horseheads	Acquisition of Land, Acquisition of mac	Servies
29 0701-12-02-A	Straight Lease	Chemung Supply Corp.	2420 Corning Road & 98 Philo Road	Elmira	NY	14903		Horseheads	Acquisition of Land, Construction of Bu	Manufacturing
30 0701-12-04-A	Straight Lease	Fennell Properties, LLC	951 Grand Central Ave.	Elmira	NY	14901		City	Renovation of Building	Manufacturing
31 0701-13-01-A	Straight Lease	Van Fleet (Elm Chevrolet)	301 & 223 East Church St.	Elmira	NY	14901		City	Acquisition of Interest of Land, Renova	Services
32 0701-13-02-A	Straight Lease	D&G Commercial Realty LLC	1836 & 1828 Grand Central Ave	Horseheads	NY	14845		Horseheads	Acquisition of Land, Renovation of Faci	Services
33 0701-13-06-A	Straight Lease	CAF USA, Inc.	300 East 18th Street, 3450 Oakwood	Village of Elmira Heights & To	NY	14845		Horseheads & Elmira	Acquisition of Interest of Land, Renova	Manufacturing
34 0701-13-07-A	Straight Lease	Southern Tier Lodging Associates, I	Colonial Drive	Big Flats	NY	14814		Horseheads	Acquisition of Land, Construction of Bu	Retail
35 0701-14-02-A	Straight Lease	Sonwil Development Group LLC	315 Daniel Zenker Drive Ext	Big Flats	NY	14814		Horseheads	Acquisition of Land, Construction of Bu	Manufacturing
36 0701-14-03-A	Straight Lease	Cameron Manufacturing & Design,	727 Blostein Blvd	Village of Horseheads	NY	14845		Horseheads	Acquisition of Land and Buildings, Cons	Manufacturing
37 0701-14-04-A	Straight Lease	IBEW Local Union #139	415 W. Second Street	Elmira	NY	14901		City	Acquisition of Land, Renovation of Faci	Services
38 0701-14-06-A	Straight Lease	Upstate Commercial Property	224 N. Main St.	Village of Horseheads	NY	14845		Horseheads	Acquisition of Land, Construction of Bu	Services
39 0701-14-07-A	Straight Lease	Finger Lake LLC	2671 Corning Road	Horseheads	NY	14845		Horseheads	Acquisition of Land, Demolition and Cor	Services
40 0701-15-01-A	Straight Lease	So Tier Custom Fabricators	1322 College Ave.	Elmira	NY	14901		City	Acquisition of Land, Construction of Bu	Manufacturing
41 0701-15-02-A	Straight Lease	Aces & Eights Realty	360 S. Main St.	Elmira	NY	14904		City	Acquisition of Land, renovation of Build	Retail
42 0701-15-05-A	Straight Lease	Postler & Jaeckle	2000 Lake Road	Elmira	NY	14903	1822	Elmira Heights	Acquisition of Land, Renovation of Build	Services
43 0701-15-07-A	Straight Lease	Villa Serene	399 East 14th St.	Elmira Heights	NY	14903		Elmira Heights	Acquisition of Land, renovation of Build	Services
44 0701-16-01-A	Straight Lease	Envision Elmira	200 West Water St.	Elmira	NY	14901		City	Acquisition of Land, rehabilitation of bu	Retail
45 0701-16-02-A	Straight Lease	William Lake Properties LLC	610 Lake St	Elmira	NY	14901		City	Acquisition of land, renovation, purchas	Services
46 0701-16-03-A	Straight Lease	NY Beauty & Barber Academy, LLC	200 Baldwin St.	Elmira	NY	14901		City	Acquisioin of land, renovation, purchas	Services
47 1701-16-04-A	Straight Lease	Capriotti Properties	389-399 W. Water St.	Elmira	NY	14901		City	Acquisition of land, renovation, purchas	Services
48 1701-15-09-A	Tax Exemptions	Emhart Glass Manufacturing, Inc.	74 Kahler Rd	Big Flats	NY	14814		Horseheads	Acquisition of land, construction of an ad	Manufacturing

Chemung County Industrial Development Agency

Project Schedule

December 31, 2016

	Date Project Approved	Date IDA Took Title or Leasehold Interest in Property	# of FTE's Before IDA Status	Original Est. of Jobs to be created	Average Est. Salary of Jobs to be created	Original Est of Jobs to be Retained	Average Est Salary of jobs to be Retained	Last Year's FTE's	Current # of FTE's	# of FTE Const Jobs During Fiscal Year	Current Year is the Last Year Project needs to be Reported	There is no Debt Outstanding for this project	IDA Does Not hold title to the Property	The project receives no tax exemptions	Is this a multi-phase project related to an existing project	If yes, what is the original project code
1	10/10/2001	10/1/2004	5	13	No Data	18	No Data	6	8	-	No	Na	Na	Na	Na	Na
2	9/19/2000	10/2/2001	83	-	No Data	83	No Data	159	139	-	No	Na	Na	Na	Na	Na
3	9/9/2003	11/12/2003	47	16	No Data	63	No Data	56	55	-	No	Na	Na	Na	Na	Na
4	11/17/2006	12/20/2007	-	350	30,000	-	-	670	638	-	No	Na	Na	Na	Na	Na
5	3/12/2009	6/5/2009	-	-	-	-	-	-	-	-	No	Na	Na	Na	Na	Na
6	3/12/2009	6/1/2010	-	500	25,000	-	-	505	514	-	No	Na	Na	Na	Na	Na
7	12/10/2009	4/29/2010	16	-	-	16	31,700	14	14	-	No	Na	Na	Na	Na	Na
8	11/12/2004	11/18/2004	-	10	No Data	10	No Data	24	21	-	No	Na	Na	Na	Na	Na
9	3/31/2000	6/9/2000	76	14	No Data	71	No Data	75	78	-	Yes	Na	Na	Na	Na	Na
10	7/12/2000	10/19/2000	-	300	No Data	300	No Data	251	259	-	No	Na	Na	Na	Na	Na
11	8/14/2000	11/30/2000	-	100	No Data	100	No Data	149	89	-	No	Na	Na	Na	Na	Na
12	6/13/2003	12/30/2003	267	16	No Data	267	No Data	254	227	-	No	Na	Na	Na	Na	Na
13	12/17/2003	12/17/2003	27	10	No Data	37	No Data	29	32	-	No	Na	Na	Na	Na	Na
14	1/13/2005	8/2/2005	-	25	No Data	25	No Data	196	196	-	No	Na	Na	Na	Na	Na
15	10/21/2005	12/2/2005	14	19	No Data	33	No Data	-	-	-	Yes	Na	Na	Na	Na	Na
16	7/8/2005	8/26/2005	27	-	No Data	27	No Data	25	26	-	Yes	Na	Na	Na	Na	Na
17	9/13/2007	12/18/2007	70	30	45,000	70	45,000	83	90	-	No	Na	Na	Na	Na	Na
18	11/17/2006	9/13/2007	-	-	-	-	-	-	-	-	No	Na	Na	Na	Na	Na
19	4/19/2007	7/26/2007	-	-	-	-	-	-	-	-	No	Na	Na	Na	Na	Na
20	8/14/2009	10/6/2008	16	17	38,220	16	30,030	14	14	-	No	Na	Na	Na	Na	Na
21	9/18/2008	10/1/2008	-	82	-	-	-	214	272	-	No	Na	Na	Na	Na	Na
22	8/20/2009	9/30/2009	67	8	45,000	67	45,000	70	69	-	No	Na	Na	Na	Na	Na
23	3/27/2009	4/1/2009	27	3	50,000	27	50,000	25	26	-	No	Na	Na	Na	Na	Na
24	1/13/2005	5/31/2005	-	220	30,000	-	-	289	215	-	No	Na	Na	Na	Na	Na
25	11/12/2009	9/3/2010	-	340	65,000	-	-	286	41	-	No	Na	Na	Na	Na	Na
26	5/1/2010	5/1/2010	312	-	64,000	312	64,000	295	305	-	No	Na	Na	Na	Na	Na
27	2/24/2011	4/1/2011	45	14	43,500	45	43,500	93	91	-	No	Na	Na	Na	Na	Na
28	9/10/2010	1/13/2011	34	-	-	34	97,554	16	17	-	Yes	Na	Na	Na	Na	Na
29	8/18/2011	2/12/2012	17	27	35,000	17	35,000	58	50	-	No	Na	Na	Na	Na	Na
30	10/3/2012	11/1/2012	-	3 Const	22,000	-	22,000	36	29	-	No	Na	Na	Na	Na	Na
31	11/6/2012	1/25/2013	34	-	-	34	66,512	60	59	-	No	Na	Na	Na	Na	Na
32	9/6/2013	11/16/2013	50	7	50,000	50	50,000	80	76	-	No	Na	Na	Na	Na	Na
33	12/12/2012	2/26/2013	150	125	35,000	150	51,000	426	325	-	No	Na	Na	Na	Na	Na
34	12/12/2012	1/3/2013	-	15	28,000	-	-	1	16	25	No	Na	Na	Na	Na	Na
35	7/14/2011	7/18/2014	20	20	33,413	20	33,413	141	111	-	No	Na	Na	Na	Na	Na
36	12/19/2013	7/1/2014	-	8	50,000	-	-	204	195	-	No	Na	Na	Na	Na	Na
37	11/25/2013	1/1/2014	41	10	39,000	41	26,000	62	82	-	No	Na	Na	Na	Na	Na
38	11/7/2013	1/1/2014	8	10	55,000	8	55,000	17	11	-	No	Na	Na	Na	Na	Na
39	12/19/2013	2/1/2014	-	47	39,000	-	-	-	1	20	No	Na	Na	Na	Na	Na
40	8/12/2015	11/16/2015	160	20	56,000	160	55,000	181	141	1	No	Na	Na	Na	Na	Na
41	7/15/2015	8/1/2015	3	1	19,000	3	28,000	3	4	-	No	Na	Na	Na	Na	Na
42	1/30/2015	1/30/2015	25	5	50,000	25	50,000	51	45	45	No	Na	Na	Na	Na	Na
43	8/12/2015	9/14/2015	-	50	22,500	-	-	10	10	-	Yes	Na	Na	Na	Na	Na
44	5/25/2016	5/1/2016	-	10	32,500	-	-	-	-	-	No	Na	Na	Na	Na	Na
45	5/24/2016	6/23/2016	33	22	58,750	33	62,500	-	39	-	No	Na	Na	Na	Na	Na
46	4/28/2016	6/27/2016	-	8	33,394	-	-	-	5	4	No	Na	Na	Na	Na	Na
47	9/30/2016	9/30/2016	-	4	25,000	-	-	-	4	4	No	Na	Na	Na	Na	Na
48	1/28/2016	1/5/2016	111.00	-	-	111.00	61,000.00	-	110.00	-	No	Na	Na	Na	Na	Na

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
Chemung 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 Chemung County Industrial Development Agency as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Chemung County Industrial Development Agency's basic financial statements, and have issued our report thereon dated March 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chemung County Industrial Development 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chemung County Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Chemung County Industrial Development Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chemung County Industrial Development Agency's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2016-001.

Chemung County Industrial Development Agency's Response to Findings

Chemung County Industrial Development Agency's response to the finding identified in our audit is described in the accompanying schedule of findings. Chemung County Industrial Development Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
March 28, 2017

CHEMUNG COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Schedule of Findings and Responses
For the Year Ended December 31, 2016

FINDINGS - COMPLIANCE AND OTHER MATTERS

FINDING 2016-001 - NON-COMPLIANCE WITH AUTHORITIES BUDGET OFFICE REQUIREMENTS

Significant Deficiency - Non-compliance with Authorities Budget Office Policy No. 10-03: Public Authorities Law requires state and local authorities to file specific financial and budgetary information with the Authorities Budget Office (ABO), as well as to report property transactions, debt issuances, and other information on their operations with a focus primarily on public disclosure and transparent reporting of public authority financial and management information. During the current year audit, we reviewed the Agency's compliance with Policy No. 10-03, *Posting and Maintaining Reports on Public Authority Web Sites*, noting that required information was missing or not easily accessible.

Recommendation: The Agency's web site should be updated to include all information required by ABO Policy No. 10-03. This information is to be made available in a manner that enable the public to easily find and navigate through it. The failure to post this information on the web site and maintain its accuracy will be considered an act of non-compliance with state law and subject the Agency to the sanctions and enforcement powers provided to the ABO by statute.

Management Response: *The Agency is in the process of updating the website to be compliant with Authorities Budget Office (ABO) requirements.*