



Cortland County

Business Development Corporation

Agenda for the Annual meeting of the Members of the Cortland County Business Development Corporation

September 8, 2026 – 12pm
40 Main Street, Suite A, 2nd Floor Cortland New York, 13045

Roll Call –

Michael McMahon	Chairman	
Clint Brooks	Vice Chairman	
Dr. Kathleen Burke	Secretary	
Deborah Hayden	Treasurer	
Patrick Quinn	Director	
Dr. Amy Kremenek	Director	
Jason Hage	Director	
William McGovern	Director	
Renee Neiderman	Director	
Robert Edwards	Director	
Michael May	Director	
John Haugen	Director	
Emily Feinstein	Director	
Melanie Vilardi	Executive Director	
Andrea Skeels	Chief Financial Officer	
Ashley Riehlman	Community Relations Specialist	

Approval of Minutes – August 10, 2026

New Business

- 2027 Cortland County BDC Budget
- Review of Cortland County Audit

Monthly Reports

- Finance Report
- Revolving Loan Fund
- Director's Report

Adjourn



Minutes



Cortland County

Business Development Corporation

Minutes for the Cortland County Business Development Corporation

August 10, 2026 – 12pm

40 Main Street, Suite A, 2nd Floor Cortland New York, 13045

Roll Call – Chairman McMahon called the meeting to order at 12:46pm

Michael McMahon	Chairman	Present
Clint Brooks	Vice Chairman	Present
Dr. Kathleen Burke	Secretary	Present
Deborah Hayden	Treasurer	Present
Patrick Quinn	Director	Present
Dr. Amy Kremenek	Director	Absent
Jason Hage	Director	Present
William McGovern	Director	Present
Renee Neiderman	Director	Present
Robert Edwards	Director	Absent
Michael May	Director	Absent
John Haugen	Director	Present
Emily Feinstein	Director	Absent
Melanie Vilardi	Executive Director	Present
Andrea Skeels	Chief Financial Officer	Present
Ashley Riehlman	Community Relations Specialist	Present

Also Present- Zoom: Marie Weiss, John Sidd

Approval of Minutes – July 13, 2026- Chairman McMahon made a motion to accept the minutes as presented. Ms. Hayden seconded; all in favor; none opposed.

New Business

- Gutchess Lumber Sports Park-The board reviewed a request for an additional \$150,000 grant to assist with the construction of a maintenance barn. The board expressed support providing a good faith effort is made to solicit and utilize local businesses and contractors in connection with the Sports Park. Chairman McMahon made motion to approve the grant, Dr. Burke seconded; all in favor; none opposed.



Cortland County

Business Development Corporation

Monthly Reports

- Finance Report
- Revolving Loan Fund – The board was advised that the Revolving Loan Fund Committee met to review the outstanding debt of Paul Smith. The committee recommended to the board that the debt be extinguished and that the appropriate Form 1099 be issued and mailed to Mr. Smith. Chairman McMahon made a motion to accept the RLF Committee's recommendation, Ms. Hayden seconded. all in favor; none opposed.
- Director's Report

Adjourn- Chairman McMahon made a motion to adjourn the meeting at 1:09pm. Mr. Haugen seconded. all in favor; none opposed.

DRAFT



2027 Budget

**Cortland County Business Development Corporation
Budget Summary 2027**

		2026 Adopted	2026 12/31/26 Projected	2027 Draft Budget
Operating Revenues				
	Rental	22,800.00	22,800.00	0.00
	Other Operating	50,000.00	50,000.00	75,000.00
Non-Operating Revenues				
	Municipal Subsidies / Grants	569,775.00	569,775.00	569,775.00
	Other Non-Operating	0.00	1,750.00	0.00
Total Revenues		754,575.00	756,325.00	756,775.00
Operating Expenditures				
	Salaries and Wages	272,155.00	272,155.00	281,408.00
	Other Employee Benefits	69,750.00	68,549.00	72,098.00
	Professional Services / Contracts	38,805.00	36,800.00	40,475.00
	Supplies and Materials	54,460.00	29,260.00	27,394.00
	Other Operating	112,300.00	83,700.00	71,400.00
Non-Operating Expenditures				
	Other Non-Operating Expenses	60,000.00	1,389.00	152,000.00
Total Expenses		719,470.00	603,853.00	756,775.00
Provided to (Utilization of)		35,105.00	152,472.00	0.00



Cortland County Audit



OFFICE OF COUNTY AUDITOR
CORTLAND COUNTY
60 CENTRAL AVENUE, CORTLAND, NY 13045
607-753-5020

Stephen M. Trobert, CPA
Manager of Audit & Financial Projects

April 8, 2026

To: William McGovern, Chair of the Agric., Economic Development, Planning & Env. Committee
Cathy Bischoff, Chair of the Finance & Administration Committee

Cc: Kevin Fitch, Chair of the Legislature
Michael Ponticiello, County Administrator

Re: Report on Review Procedures Performed over the County's Contract with the
Cortland County Business Development Corporation

SECTION 1 – BACKGROUND & INTRODUCTION

Under Article 18-A of General Municipal Law, New York State authorized local governments to establish Industrial Development Agencies. An Industrial Development Agency is a public benefit corporation tasked with supporting overall economic development and increasing job opportunities within their municipalities. These agencies are authorized to offer financial incentives to private companies in an effort to promote economic development. Projects may be eligible to receive property tax exemptions and certain exemptions from state and local sales taxes. Industrial Development Agencies enter into payments in lieu of taxes ("PILOT") agreements with various business entities located in their municipality. Agencies will commonly fund their operations through fees charged to businesses receiving financial assistance.

Local Development Corporations ("LDCs") are another type of entity that supports economic development projects within a local municipality. LDCs are not-for-profit corporations established under Section 1411 of Not-For-Profit Corporation Law. A primary difference between LDCs and Industrial Development Agencies is that LDCs are not authorized to provide tax exemptions. Economic development activities of LDCs may include the acquisition of real property, construction or improvement of industrial facilities, promotion of business activities, and providing financial assistance for development projects.

The Cortland County Industrial Development Agency ("IDA") was created in 1974 by the Cortland County Legislature. The Legislature is responsible for appointing the Board members of the IDA. Although established by the Legislature, the IDA is a separate legal entity and operates independently of

the County. The IDA is considered a component unit of Cortland County and is presented as such in the County's financial statements. The County is financially accountable for the IDA.

The Cortland County Business Development Corporation ("BDC") is a nonprofit corporation formed in 1992. The Corporation's activities involve attracting new businesses, developing existing businesses, and promoting job opportunities in Cortland County. The BDC's Board is comprised of members split into two classifications. Seven members of the BDC's Board are the same members appointed to the IDA by the Legislature. The remaining six members of the Board are selected by the members of the BDC's Board. Cortland County contracts with the Cortland County Business Development Corporation to perform economic development activities within the County. The County provides payments to the BDC in accordance with the terms of the contract. For fiscal year 2025, County payments to the BDC totaled \$542,643.

SECTION 2 – PURPOSE & SCOPE

To perform a review over the County's contract with the Cortland County Business Development Corporation, gaining an understanding of the operations of the BDC, performing analytical procedures over the BDC's financial statements, reviewing organizational policies, and assessing the utilization and impact of the County's funding. Due to the related party relationship between the BDC and IDA and the County's financial accountability for the IDA, the scope of the Audit office's review included the IDA's operations and financial statements. Additionally, the Audit office gave consideration to how the BDC's and IDA's financials and operations compared to that of other counties.

An overview of the sections of the Audit office's review report is as follows:

- Section 2: Purpose and scope
- Section 3: Overview of BDC and IDA operations
- Section 4: Review of the County's contract with the BDC
- Section 5: Review of related party transactions
- Sections 6-8: Analyses performed over historical financial statements
- Section 9: Review of IDA's Uniform Tax Exemption Policy and PILOT agreements
- Section 10: Comparison of BDC / IDA financials to other counties
- Section 11: Review of BDC / IDA project activity
- Sections 12-13: Comparison of activity and BDC / IDA funding to other counties
- Section 14: Potential conflicts of interest

SECTION 3 – OVERVIEW OF THE OPERATIONS OF THE BDC / IDA

The County Auditor's office performed several procedures to gain an understanding of the operations of both the BDC and IDA. The procedures included:

- Several meetings with the Executive Director and Chief Financial Officer of the BDC / IDA
- Review of the audited financial statements for both entities
- Review of the Board minutes for both entities
- Review of the key policies for both entities

The BDC currently has three staff, including the Executive Director, Chief Financial Officer, and one other staff. The BDC operates out of an office it rents on Main St. in Cortland. The objectives of the BDC are stated in the introduction in Section 1 above. Management noted that a significant portion of their role at the BDC is to assist business owners, especially private business owners, in various development related activities. The net assets of the entity are classified into two funds: an operating fund and a revolving loan fund. From the revolving loan fund (“RLF”), the BDC makes loans to qualified business in Cortland County at various interest rates. Collateral consists of various assets owned by the individual businesses. As of December 31, 2025, the BDC’s revolving loan fund had three loans outstanding totaling \$104k. Additionally, a majority of the BDC’s revenue is derived from contributions from Cortland County under a service agreement between the County and BDC.

The IDA is a related party to the BDC. As noted in Section 1, the entities have several of the same Board members. The IDA does not have any of its own employees. The BDC’s staff performs effectively all management and operational activities of the IDA under an administrative services agreement between the two entities. The Executive Director and Chief Financial Officer of the BDC hold the same roles with the IDA. The IDA’s operations consist largely of evaluating, authorizing, administering, and monitoring PILOT agreements offered to incentivize companies to invest new capital and jobs in Cortland County. The IDA’s revenues are comprised primarily of project fees assessed on new PILOT agreements. The IDA collects an administrative fee (1%) calculated based on the dollar amount of new investment per project proposals. The IDA has minimal operating expenses other than annual fees paid to the BDC per the administrative services agreement.

The IDA will also occasionally obtain properties for the purpose of developing or redeveloping the sites for future use. As of December 31, 2025, the IDA held two properties for redevelopment: the former Contento site in the town of Cortlandville (acquired in 2015) and the former APEX site in the city of Cortland (acquired in 2022). Additionally, it should be noted that the IDA purchased an office building in the city of Cortland with plans to relocate the operations of the BDC / IDA to the new building in mid-2026.

The Audit office also noted that the entities maintain the following key policies which were reviewed as part of preliminary procedures performed:

- Acquisition of Real Property Policy (BDC & IDA)
- Disposition of Real Property Policy (BDC & IDA)
- Investment Policy (BDC & IDA)
- Revolving Loan Fund Policy (BDC)
- Development Policy (IDA)
- Uniform Tax Exemption Policy (IDA)
- Financial Assistance Recapture Policy (IDA)

Additionally, per review of the two most recent years of audited financial statements for both the BDC and IDA, it was noted both entities received unqualified audit opinions in both years. Additionally, there were no matters of internal control findings or matters of noncompliance identified by the agencies’ auditors.

SECTION 4 – REVIEW OF THE CONTRACT BETWEEN THE BDC AND COUNTY

On June 23, 2022, the County Legislature authorized (Resolution No. 169-22) a four-year contract with the BDC for business development and related services from January 1, 2023 through December 31, 2026. The two previous contracts with the BDC were also four-year contracts running from 2015 through 2018 and then 2019 through 2022. The Audit office obtained and reviewed a copy of the current contract between the BDC and the County (Cortland County contract #245-22). The resolution and contract authorized an increase in the contract amount of eight percent from 2022 to 2023, and then annual increases of five percent through 2026. The contracted amount for 2026 is \$569,775.

The contract between the County and BDC states the annual funding, “will cover costs and expenses associated with the performance of the BDC’s economic development activities, including business retention, expansion, recruitment and marketing, as well as technical assistance with financing for projects. The BDC agrees to retain professional staff to develop, manage and implement programs, events and activities intended to advance economic and community development in Cortland County.” Additionally, the contract states that, “a monthly activity report and financial report provided to the Cortland County Business Development Corporation’s Board of Directors will be made available to the Chair of the Legislature for inspection by County officials.”

Findings:

Finding 4.1 – The contract between the County and BDC does not state specific performance obligations and the services to be performed are not well defined.

The services to be performed under the contract are very broadly defined. As noted above, the contract states the BDC is to perform “economic development activities, including business retention, expansion, recruitment and marketing, as well as technical assistance with financing for projects.” Additionally, the contract does not contain measurable performance obligations to allow the BDC and County to track the impact and success of the annual funding provided. The Audit office recommends that the County give consideration to whether the contract should detail the key services that the BDC is obligated to provide. It’s also recommended that the contract provide for measurable criteria for which both parties can assess the extent and outcomes of services being provided.

Finding 4.2 – The County’s contract with the BDC does not contain specific reporting requirements and the County does not have a formal process for monitoring.

As noted above, the contract states that a monthly activity and financial report will be made available for inspection by County officials. This statement is again very general and does not specify what activities and financial data is to be reported. The Audit office also noted that the County does not have a formal process for reviewing the BDC’s activities or financial statements. It’s recommended that the contract include more specifics as to the activity and financial reporting that is to be provided and which committee or official at the County the reporting is to be submitted to. Additionally, the County should establish formal procedures for monitoring and reviewing the activities and financial data submitted.

Finding 4.3 – The contract does not specify how funds are to be used and also does not have a requirement for the BDC to return unspent funds.

Under the terms of the current contract between the County and BDC, funding may be used for economic development activities at the discretion of the BDC's Board and management. The annual funding is not dependent upon the BDC's budget or planned use for the funds. The contract does not place any limitations as to what portion of the funding may be used for administrative expenses versus direct costs. The Audit office recommends that the County consider whether there is a need for the contract to set parameters for the use of funding, such as stating a contracted limit on the percentage of funding that may be used for administrative and operational costs. Additionally, the Audit office recommends that the County consider whether the contract should require any unspent funding in a given year be returned to the County.

Finding 4.4 – The contract is for a multiyear term while many County contracts have annual terms.

The Audit office noted that the last three contracts with the BDC have each been for a four-year term. This is contrary to other County contracts, such as the contracts with Cornell Cooperative Extension and the Cortland County Convention and Visitors Bureau which both have one-year terms. While a multiyear contract eases the burden of annual Legislative review and approval, it may also limit the Legislature's oversight and ability to renegotiate terms. It's recommended that the Legislature give consideration to whether a multiyear contract continues to be in the best interest of the County.

SECTION 5 – REVIEW OF RELATED PARTY TRANSACTIONS

As noted above, the IDA's Board members also serve as Board members for the BDC. Additionally, the BDC's Executive Director and Chief Financial Officer hold the same titles with the IDA. Through discussions with management and review of historical financial statements, it was noted that the BDC and IDA will occasionally have real estate transactions between the two entities. Per review of the audited financial statements for both entities, there were no due to / due from balances between the BDC and IDA as of December 31, 2025. Additionally, per review of the audited financial statements of both entities from 2015 through 2025, the Audit office did not note any real estate transactions between the two entities that did not appear to be at an arm's length.

Additionally, the BDC and IDA have an administrative services agreement between the two entities and the Audit office obtained a copy of the agreement. The agreement was last amended in 2022 and requires an annual payment of \$50,000 from the IDA to BDC in exchange for economic development and administrative activities performed by BDC's management. A summary of the scope of services to be performed by the BDC as detailed in the agreement is as follows:

- Promotion of economic development activities
- Development and processing of project applications
- Post-closing project monitoring
- Administration of IDA Board meetings
- Financial management
- Risk and records management
- Project management services

Findings:

Finding 5.1 – The administrative services agreement between the BDC and IDA does not appear to represent an arm’s length transaction.

As noted above, the administrative services agreement calls on BDC’s management to essentially perform all administrative and operational functions of the IDA. Based on the Audit office’s review of the scope of services, the \$50,000 paid annually by the IDA appears far short of what would be the fair market price of these services. Also, based on discussions with management, it appears that the BDC’s Executive Director and Chief Financial Officer spend a considerable amount of time and effort on IDA activities. As a result, it does not appear that the administrative services agreement represents an arm’s length agreement. The Audit office recommends that the County perform follow up as to whether there is a requirement for this transaction to be at an arm’s length. Additionally, the County should assess the impact that would result from the agreement reflecting a fair market price.

Finding 5.2 – BDC’s management does not track time spent on IDA activities.

Per discussion with the BDC’s Executive Director and Chief Financial Officer, BDC’s management does not have a process for tracking time and costs associated with IDA activities. Accordingly, there is no formal means of evaluating whether the annual amount paid for services represents a reasonable amount of compensation. As management does not have records of activities performed, this further supports the conclusion in Finding 5.1 that the agreement does not appear to be at an arm’s length.

Finding 5.3 – There is no evidence that the current agreement was approved by both Boards.

As noted above, the administrative services agreement was last amended in 2022. Per review of the agreement, the agreement was signed by the Executive Director of the BDC and IDA. As the Executive Director is the same individual between both parties, the same individual signed the agreement on behalf of both entities. Per review of historical Board minutes, the Audit office could not locate evidence that the current agreement was approved by the Board of either entity. In addition, the Audit office requested documentation of Board approval from management but has yet to receive any additional information.

SECTION 6 – FINANCIAL ANALYSES PERFORMED OVER THE BDC’s HISTORICAL FINANCIAL STATEMENTS

The Audit office obtained copies of the BDC’s audited financial statements for the eleven-year period of 2015 through 2025. It was noted that the period covered the current and prior two contracts between the County and BDC. Using the audited financial statements, the Audit office performed several financial analyses as follows.

1) Comparison of the County's Contracted Funding to the BDC's Operating Expenses

	2025	2024	2023
Special projects expense	\$ 60,000	\$ -	\$ 15,000
Total of all other operating expenses, net of rental income	477,640	469,011	502,034
Less: Administrative service revenue	(50,000)	(50,000)	(50,000)
Total operating expenses	487,640	419,011	467,034
County contracted funding	542,643	516,803	492,193
Total BDC surplus over County contracted funding	\$ 55,003	\$ 97,792	\$ 25,159

Findings:

Finding 6.1 – The County's contracted funding has consistently exceeded the BDC's operating expenses.

Per the above analysis, the Audit office compared the BDC's operating expenses (net of administrative service revenue) to the County's contracted funding. In the three-year period of 2023 through 2025, the BDC's surplus of County contracted funding totaled approximately \$178k. Over the eleven-year period of 2015 through 2025, the County's funding exceeded the BDC's operating expenses in every year except 2022. The total aggregate surplus for the period of 2015 through 2025 was \$269k. The Audit office recommends that the Legislature and County administration evaluate the BDC's need for the current level of contracted funding. Additionally, as noted in Section 4, the Audit office recommends that the County consider whether the contract should require any unspent funding in a given year be returned to the County.

Finding 6.2 – The BDC has received minimal grant revenues from other sources.

During the eleven-year period from 2015 to 2025, the BDC received outside grant revenue in only one year (\$32k in 2017). The Audit office recommends that the County Legislature and administration engage BDC officials in discussion about sources of revenues other than funding for services received from the County.

Finding 6.3 – The administrative service revenue the BDC receives from the IDA is minimal compared to the BDC's operating expenses.

For 2025, the \$50k in administrative service revenue the BDC received from the IDA represented only approximately 11% of eligible administrative expenses. Per discussions with management, the time spent by BDC staff on IDA activities appears to far exceed 11%. Accordingly, this further supports the finding in Section 5 above that the administrative services agreement appears not to be an arm's length agreement. The Audit office again recommends that the County engage with the management and Boards of both the

BDC and IDA to discuss the agreement and sufficiency of the amount the IDA pays in exchange for services performed by the BDC's staff.

2) Analysis of the BDC's Capital Available for Investment

	2025	2020	2015
Operating Fund			
Cash and cash equivalents	\$ 557,720	\$ 316,883	\$ 97,728
Revolving Loan Fund			
Cash and cash equivalents	756,524	410,673	522,386
Loans outstanding	104,124	325,490	171,760
Loans outstanding as a % of cash	14%	79%	33%

Finding:

Finding 6.4 – The BDC's capital available for investment grew significantly from 2015 to 2025.

Total cash and cash equivalents in the BDC's operating and revolving loan funds more than doubled from 2015 to 2025. In addition, for the operating fund, cash and cash equivalents grew from \$98k in 2015 to \$558k in 2025. The Audit office again recommends that the Legislature and County administration evaluate the BDC's need for the current level of contracted funding. Additionally, the Audit office recommends that the County engage in discussion as to the BDC's planned use of capital available for investment.

3) Analysis of the BDC's Use of Capital Available for Investment

As noted in the chart above, the BDC's operating fund had \$558k in cash and cash equivalents as of December 31, 2025. Per the Audit office's review of financial statements from 2015 through 2025, the BDC's special projects expenses and purchases of land for the eleven-year period totaled \$362k. Therefore, total cash flows for special projects / land purchases over the period was approximately 65% of cash available as of December 31, 2025. Additionally, new loans issued from the revolving loan fund during the period totaled \$643k. This represented approximately 85% of the \$756k in revolving loan fund cash and cash equivalents as of December 31, 2025. Additionally, there was only one new loan during the four years of 2022 through 2025, which was a loan of \$100k issued in 2025.

Findings:

Finding 6.5 – The BDC's investment and loan activity does not support a need for additional capital.

The BDC's use of cash for investment (operating fund) and new loans originated (revolving loan fund) from 2015 through 2025 was less in the aggregate in comparison to capital available for investment as of

December 31, 2025. There has been only one new loan issued out of the revolving loan fund in the last four years. Even with increased activity as a result of the COVID emergency, new investment activity from 2015 to 2025 totaled just over \$1 million. The total new investment over eleven years is less than the combined cash available for the two funds of just over \$1.3 million. Similar to Finding 6.4, the Audit office again recommends that the County engage the BDC in discussions as to the planned use of capital available for investment.

Finding 6.6 – A majority of the County’s contributions are utilized for the BDC’s recurring operating expenses.

As noted above, new investment activity from the BDC’s operating fund (for special projects / purchases of land) totaled \$362k for the eleven-year period of 2015 through 2025. Accordingly, the BDC uses a majority of the County’s contributions to cover its recurring operating expenses. The BDC’s operating expenses are comprised largely of salaries and benefits for its three staff along with various other operational expenses. While the BDC’s staffing and other expenses are designed to support economic development activities, there was relatively minimal direct investment in development activities during the period of 2015 through 2025.

SECTION 7 – BDC’s REPORTING OF NET ASSETS

1) Reporting of Donor / Grantor Restricted Assets

The financial statements of the BDC are prepared in accordance with U.S. generally accepted accounting principles, which require the BDC to report its financial position according to two distinct net asset classifications: net assets with donor restrictions and net assets without donor restrictions. IRS Form 990, filed annually by the BDC, also requires net assets to be reported in accordance with these two classifications. Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Such stipulations impose restrictions as to how or when resources contributed may be used. Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary activities of a non-profit corporation. These net assets may be used at the discretion of the corporation’s management and Board.

The Audit office reviewed the BDC’s audited financial statements and Form 990 filings from 2019 through 2024. The BDC reported the following donor restricted net assets for each fiscal year ending December 31st:

BDC Net Assets Reported as Donor Restricted

	2019	2020	2021	2022	2023	2024
Financial statements	\$752,157	\$736,163	\$750,333	\$782,289	None	None
Form 990	\$752,157	\$736,163	\$750,333	\$782,289	\$799,693	\$833,848
% of total net assets	64%	63%	61%	67%	66%	62%

Per review of the audited financial statements, the total net assets of the BDC's revolving loan fund were reported as fully donor restricted in each of the four years from 2019 to 2022. Per the 990 tax filings, the total net assets of the RLF were reported as fully donor restricted in each of the six years from 2019 to 2024. However, per discussion with the BDC's Executive Director and Chief Financial Officer, the net assets of the RLF are not and never have been subject to donor or grantor restrictions. In response to the inquiry, management provided the following written response:

“The BDC's revolving loan fund was established in 1992-93 after the BDC received its own not for profit status. Per our conversations with Karen Niday (former Chief Financial Officer): ‘At that time (early 90s) the loan fund had no donor restrictions, the fund was entirely a board designated function when it was in the Chamber books, and that continued when we transferred the assets to the BDC. I don't know the original source of the funds for the RLF, but I do know there were never any donor restrictions nor was there paperwork in relation to the creation of the RLF that came with us to the BDC’.”

Management indicated that the reporting of donor restricted net assets was in error and all net assets of the BDC are not subject to donor or grantor restrictions. The Audit office noted that the reporting classification was corrected in the BDC's 2023, 2024 and 2025 financial statements, with the net assets of the revolving loan fund reported as Board designated as opposed to donor restricted. Board designated funds can be undesignated at any time to be used for other purposes. Management also indicated that it plans to correct the error in the BDC's 2025 Form 990 filing.

Finding:

Finding 7.1 – The BDC inaccurately reported net assets as donor restricted when no such restrictions existed.

The chart above highlights the annual amounts reported as donor restricted by the BDC and therefore reported as unavailable for the BDC's operations. The amounts reported as donor restricted represent approximately two-thirds of the BDC's total net assets. However, these amounts had no legal restrictions and should have been reported together with assets reported as without donor restrictions. Therefore, the BDC had significant amounts of additional net assets available for operations than had been reported in each of these years. As a result of the inaccurate reporting, the Audit office noted that the BDC's annual financial statements and tax filings have been potentially misleading to stakeholders and users of these filings. The Audit office discussed this finding with BDC's management who indicated that the reporting would be accurate moving forward on both the financial statements and Form 990. The Audit office also recommends that the Legislature consider any impacts of the fact that the BDC does not have any donor restricted assets.

2) Reporting of Board Designated Assets

The Audit office also reviewed the reporting of Board designated assets per the BDC's audited financial statements from 2019 through 2025. The BDC reported the following donor restricted net assets for each fiscal year ending December 31st:

BDC Operating Fund Assets Reported as Board Designated

	2019	2020	2021	2022	2023	2024	2025
Future project needs	\$340,000	\$340,000	\$340,000	\$340,000	\$340,000	\$340,000	\$440,000
Training	\$30,438	\$30,438	\$30,438	\$30,438	\$30,438	\$30,438	\$30,438
Funds used	None	None	None	None	None	None	None
% of total operating fund net assets	90%	88%	79%	98%	92%	74%	82%

BDC’s Board designated an additional \$100,000 for future community investment at the December 8, 2025 Board meeting. As noted in the chart above, the BDC reported \$474k in Board designated operating fund assets as of December 31, 2025. The BDC did not report any funds used from Board designated assets in each of the years from 2019 through 2025. The Audit office also inquired as to what programs / projects the funds are intended for. In response to the inquiry, management provided the following written response:

“The board designated funds are for future projects, yet to be named. This is stated as such in the Audited Financial Report as well. It originated with Empire Zone Grant Fund proceeds and was intended as a source of funding to help the community without having to ask the county for additional funding outside of the contract. It’s been used for numerous projects such as buying the Budget Inn motel at the county foreclosure auction, misc. costs at the Apex site, Contento site, paying for consultant fees for Marathon to apply and win a DRI grant, to name a few. Before solar project fees, the IDA didn’t have much, if anything, for extra funds- so having some cash available for the BDC to join county projects was the driver of this action.”

Management also indicated that as of now, there are no specific projects planned for 2026. The BDC did report \$204,500 in special projects costs from 2019 through 2025. However, none of these costs were reported as funds used from Board designated assets. As of December 31, 2025, the BDC reported \$99k of undesignated operating fund assets and \$2k of financial assets available within one year.

Finding:

Finding 7.2 – The BDC’s Board designated assets appear significantly higher than what is needed when compared to the historical use and planned future uses.

As of December 31, 2025, the BDC reported 82% of operating fund net assets as Board designated. However, management indicated that there are no present projects / programs for which the Board designated funds are intended. In addition, no funds were used from Board designated assets in each of the years from 2019 to 2025. These trends call into question the need for the BDC to have earmarked the majority of its operating net assets as Board designated. Also, as noted above, Board designated funds can be undesignated by the Board at any time to be used for other purposes, including general operations. The Audit office recommends that the Legislature and County administration engage in further discussions

on Board designated assets with the BDC's Board and management. It's also recommended that the Legislature consider the BDC's availability of funds.

SECTION 8 – FINANCIAL ANALYSES PERFORMED OVER THE IDA's HISTORICAL FINANCIAL STATEMENTS

The Audit office obtained copies of the IDA's audited financial statements for the eleven-year period of 2015 through 2025. Based on the audited financial statements, the Audit office performed several financial analyses as follows.

1) Comparison of the County's Contracted Funding to Total IDA & BDC Operating Expenses

NOTE: The below figures exclude ARPA payments and non-cash items, as well as the administrative service arrangement between the two entities.

	2025	2024	2023
Total BDC operating expenses	\$ 537,640	\$ 469,011	\$ 517,034
Total IDA operating expenses	25,543	15,426	37,043
Less: Other grants	-	-	(61,149)
Total BDC / IDA operating expenses	563,183	484,437	492,928
County contracted funding	542,643	516,803	492,193
Total BDC / IDA surplus (deficit) over County contracted funding	\$ (20,540)	\$ 32,366	\$ (735)

Findings:

Finding 8.1 – The totaled combined operating expenses of the IDA and BDC only narrowly exceed the County's contracted funding.

Per the above analysis, the Audit office compared the combined operating expenses of the IDA and BDC (net of other grants) to the County's contracted funding. In the three-year period of 2023 through 2025, the County's contracted funding exceeded the combined operating expenses of both entities by \$11k. Over the eleven-year period of 2015 through 2025, the combined operating expenses of the IDA and BDC exceeded the County's funding by a total of only \$306k. This represents only 6% of the approximately \$5M in County contributions during the eleven-year period. Additionally, if special projects expense during the period was excluded, combined expenses of the IDA and BDC exceeded County funding by only \$21k. Per this analysis, it was noted that the County's contributions have not only covered the operating expenses of the BDC but have also nearly covered in full the total combined operating expenses of both the IDA and BDC.

Finding 8.2 – The IDA has received minimal grant revenues from other sources.

During the eleven-year period from 2015 to 2025, the IDA received outside grant revenue in only one year (\$61k in 2023). The Audit office recommends that the County Legislature and administration engage IDA and BDC officials in discussion about sources of revenues other than County funding. Per management, the IDA does anticipate receiving up to \$600k in brownfield cleanup grants from the EPA.

2) Analysis of the IDA’s Capital Available for Investment

	2025	2020	2015
Investments in property	\$ 604,797	\$ 301,653	\$ 301,653
Cash and cash equivalents	2,549,996	714,614	356,156
Less: Outstanding liabilities	-	(93,774)	(100,955)
Total available capital	\$ 2,549,996	\$ 620,840	\$ 255,201

Finding:

Finding 8.3 – The IDA’s capital available for investment grew significantly from 2015 to 2025.

The IDA’s total cash and cash equivalents available for investment grew significantly during the eleven-year period, increasing from \$255k in 2015 to over \$2.5M in 2025. Additionally, per discussion with management, it was noted that the IDA expects to receive additional project fees of \$2M in 2026 from an anticipated PILOT agreement for a major solar project. Therefore, it’s expected that the IDA’s capital available for investment will continue to grow in 2026 with the addition of another \$2M in project fees. The Audit office again recommends that the County engage in discussion with IDA leadership as to the IDA’s planned use of capital available for investment.

3) Analysis of the IDA’s Use of Capital Available for Investment

As noted in the chart above, the IDA had over \$2.5M in cash and cash equivalents as of December 31, 2025. Per the Audit office’s review of financial statements from 2015 through 2025, the IDA’s special projects expenses and investment in property for the eleven-year period totaled \$345k. Therefore, total cash flows for special projects / property investments was approximately 14% of cash available.

Finding:

Finding 8.4 – The IDA’s investment activity has been minimal in comparison to available capital.

The IDA’s use of cash for investment (special projects expense / investments in properties) from 2015 through 2025 was minimal in comparison to capital available for investment as of December 31, 2025. The total new investment over eleven years combined to only \$345k. During the period, the IDA had

investment in only one property. This one property was the former APEX site acquired in 2022 for which the IDA has invested a total of \$303k. Similar to Finding 8.3, the Audit office again recommends that the County engage the IDA in discussions as to the planned use of capital available for investment.

SECTION 9 – REVIEW OF THE IDA’S UNIFORM TAX EXEMPTION POLICY AND PILOT AGREEMENTS

The IDA maintains a Uniform Tax Exemption Policy (“UTEP”) as required by Article 18-A of General Municipal Law. The UTEP outlines the provisions of financial assistance (tax exemptions) to be offered to businesses looking to invest in projects in the County. The IDA’s current UTEP was adopted in 1998. Section 7 of the policy addresses real estate tax exemptions and contains the schedule of tax abatements. Per the schedule, tax exemptions are to be provided over a ten-year period and PILOT payments are to be made during this period. The PILOT payments are calculated based on a sliding scale of reductions to the assessed value of the project. The abatement schedule per the UTEP is as follows:

<u>YEAR OF EXEMPTION</u>	<u>AMOUNT OF REDUCTION</u>
1 – 3	100 %
4 – 5	75 %
6 – 8	50 %
9 – 10	25 %
11 and thereafter during the term of the PILOT Agreement.	0 %

The Audit office also selected five projects and obtained the PILOT agreement for each project from management. The five projects selected were as follows:

- AK Community (2023)
- Byrne Dairy Phase I (2013) and Phase II (2025)
- Cortlandville PV, LLC (2024)
- Crescent Commons (2017)
- iSpice (2024)

Per discussion with the County’s Director of Real Property Tax, the County currently bills and collects PILOT payments for four projects. PILOT payments for all other projects are billed and collected by the IDA and then passed through to municipalities. The Director of Real Property Tax and IDA’s management noted that there have been no issues in the timely collection of PILOT payments for current projects. The Audit office also noted that the property tax abatements per PILOT agreements are contingent upon businesses meeting minimum employment requirements or other requirements as defined (e.g., senior housing occupancy for AK Community). Per the UTEP, the abatement is reduced based on a sliding scale if employment requirements are not met. Penalties are assessed in the event actual employment is less than 80% of the minimum required employment. IDA’s management and the Director

of Real Property Tax noted that the only project with recent penalties for not meeting employment thresholds is Pyrotek. Pyrotek was assessed penalties in 2022, 2023, and 2024 for not meeting employment thresholds. For each of the five projects selected as noted above, the Audit office obtained a copy of the most recent affidavit. Per the signed affidavits obtained, each project was in excess of 80% of minimum employment requirements or in compliance with other relevant requirements for 2025.

Findings:

Finding 9.1 – The tax exemptions per the IDA’s PILOT agreements are not consistent with the Uniform Tax Exemption policy.

The Audit office obtained and reviewed the PILOT agreements for each of the five selected projects noted above. The tax exemption inducements provided in each of the agreements was as follows:

- AK Community (2023) – The project has a ten-year abatement schedule with terms that are inconsistent with the UTEP abatement schedule. For example, the agreement authorizes a freeze in the existing assessment (prior to project commencement) for the first five years of the PILOT.
- Byrne Dairy Phase I (2013) – Fixed 65% reduction in the assessment over a 20-year abatement period. This differs from the standard abatement schedule per the UTEP which is based on a sliding scale and limits the abatement period to ten years. Additionally, the fixed payments are based on the 2013 tax rate plus a 2% escalator.
- Byrne Dairy Phase II (2025) – The agreement has a 16-year abatement period and sliding scale of reductions that differs from that per the UTEP.
- Cortlandville PV, LLC (2024) – PILOT payments are not calculated by assessed value but instead determined by megawatt capacity. This differs from the PILOT payments per the UTEP which are based on an abatement calculated on assessed value.
- Crescent Commons (2017) – The agreement authorizes no PILOT payments during the first five years, and then fixed payments for years six through fifteen. The fixed payments start at \$25k in year six followed by an annual 3% escalator. The arrangement differs from the UTEP as it has a fifteen-year abatement period as opposed to ten years and the PILOT payments are not tied to the abatement schedule per the UTEP.
- iSpice (2024) – The agreement authorizes a freeze in the existing assessment (prior to project commencement) for a ten-year period. This differs from the UTEP which calls for a sliding scale abatement based on the current assessment.

For each agreement reviewed, the Audit office noted that the authorized tax exemptions were different from that per the IDA’s Uniform Tax Exemption Policy. Although the UTEP states the Board may deviate from the policy at the Board’s discretion, there is a pattern of individually negotiating each agreement as opposed to following the standard terms per the policy. The abatement schedule per the UTEP lacks purpose if it is not being followed. The Audit office recommends that the County engage in discussions with the IDA’s Board around necessary updates to the policy. If a “one size fits all” schedule is not relevant, perhaps different ranges could be set depending on the level of investment. Regardless, it’s recommended the policy be amended so that PILOT agreements moving forward align with the policy’s terms as opposed to consistently deviating from them.

Finding 9.2 – The tax exemptions provided to solar energy companies do not align with those stated in the IDA’s UTEP.

Per discussion with management and review of agreements, the PILOT payments per the IDA’s PILOT agreements with solar companies are based on megawatt capacity. For example, the PILOT for Cortlandville PV, LLC requires annual payments of \$5,500 per MW with an annual 2% escalator. The Audit office noted that the IDA’s UTEP does not address solar companies or allow for PILOT payments to be calculated based on megawatt capacity. The unique arrangements that are present with clean energy projects are not addressed by the UTEP. As other Industrial Development Agencies across the State have done, the Audit office recommends that the IDA adopt a stand alone UTEP to specifically address solar and other clean energy projects.

Finding 9.3 – The IDA does not have a process for verifying the capital investment of businesses offered PILOTs.

PILOTs are authorized and awarded to businesses under the premise that the business will make a certain amount of capital investment and create / maintain a certain number of jobs in the County. The tax exemptions offered to businesses are determined in part by the level of capital investment. For example, the 2025 PILOT for Byrne Dairy (Phase II) was awarded on the basis of \$120M in new capital investment in the company’s manufacturing facility in the town of Cortlandville. The PILOT agreement states minimum employment criteria and IDA officials obtain employment affidavits from the company throughout the term of the agreements. However, based on discussions with the IDA’s Executive Director and Chief Financial Officer, the IDA does not have a requirement or formal process to ensure that businesses actually invest the level of capital stated in project proposals. For example, the IDA does not obtain affidavits or financial records with respect to capital investment. There is also no impact on tax exemptions if the level of capital is not met. The Audit office recommends that the IDA’s Board and management consider implementing capital investment requirements in PILOT agreements that are similar to the employment stipulations.

SECTION 10 – COMPARISON OF BDC / IDA FINANCIALS TO OTHER COUNTIES

Utilizing data obtained from OpenBook NY, the Audit office performed comparisons of key financial metrics between the County and a subset of other NYS counties with a population between 44k – 57k, plus Herkimer (59k), Livingston (61k), and Madison (67k). The comparisons are based on 2024 data per OpenBook NY.

1) Comparison of BDC Financial Data to Other Local Development Corporations

The Audit office noted that not every county in the peer group has a LDC; eight of thirteen counties have a LDC. The entities included in the analysis are as follows: Cortland County Business Development Corporation, Greene County Economic Development Corporation, Livingston County Development Corporation, Delaware County Local Development Corporation, Fulton County Center for Regional Growth, Tioga County Local Development Corporation, Franklin County Economic Development Corporation, and Development Chenango Corporation. The data for Chenango is based on 2023 data. A summary of the results of comparisons of key financial data is as follows:

Cash and Investments

	County	Total Cash and Investments
1	Chenango	\$ 2,016,905
2	Delaware	1,371,886
3	Cortland	1,295,717
4	Fulton	1,231,477
5	Franklin	1,057,013
6	Livingston	905,432
7	Tioga	184,038
8	Greene	132,797

Capital Assets

- Includes land, buildings, equipment, and infrastructure

	County	Total Capital Assets, Gross
1	Chenango	\$ 1,139,156
2	Fulton	653,777
3	Delaware	317,863
4	Cortland	26,975
5	Franklin	10,005
6	Greene	-
7	Tioga	-
8	Livingston	-

Operating Revenues

- Excludes investment earnings and subsidies / grants

	County	Total Operating Revenues
1	Cortland	\$ 646,229
2	Fulton	630,144
3	Greene	300,000
4	Chenango	242,715
5	Livingston	178,983
6	Delaware	149,614
7	Franklin	141,402
8	Tioga	65,358

Operating Expenses

- Excludes grants and other non-operating expenses

	County	Total Operating Expenses
1	Fulton	\$ 715,221
2	Cortland	510,147
3	Franklin	342,245
4	Livingston	289,053
5	Chenango	264,834
6	Tioga	255,058
7	Delaware	148,985
8	Greene	61,548

Finding:

Finding 10.1 – The BDC’s operating revenues exceeded that of all other LDCs.

The BDC’s operating revenues are comprised primarily of County contributions to cover the cost of services provided. Per the chart above, the BDC’s operating revenues for 2024 exceeded that of any other LDC in the peer group. The BDC had \$646k in operating revenues for 2024 while six of the seven other LDCs had operating revenues of \$300k or less. Additionally, the BDC had the second highest operating expenses for the group and the BDC’s \$510k in operating expenses exceeded the average of \$297k for the other LDCs.

2) Comparison of IDA Financial Data to Other Industrial Development Agencies

The Audit office noted that all other counties in the comparison group have an Industrial Development Agency. The results of the comparisons of key financial data were as follows:

Cash and Investments			Capital Assets		
			- Includes land, buildings, equipment, and infrastructure		
	County	Total Cash and Investments		County	Total Capital Assets, Gross
1	Genesee	\$ 61,488,068	1	Genesee	\$ 28,756,692
2	Greene	10,107,223	2	Herkimer	7,063,207
3	Delaware	2,835,415	3	Greene	4,246,912
4	Fulton	2,288,542	4	Allegany	4,239,072
5	Tioga	2,039,531	5	Fulton	3,134,083
6	Montgomery	1,900,044	6	Delaware	2,418,478
7	Allegany	1,534,105	7	Tioga	2,266,408
8	Cortland	1,311,440	8	Montgomery	2,045,779
9	Madison	1,196,634	9	Livingston	1,834,593
10	Herkimer	1,169,883	10	Cortland	606,802
11	Franklin	1,032,703	11	Chenango	578,039
12	Livingston	971,349	12	Madison	534,224
13	Chenango	911,295	13	Franklin	417,954

NOTE: Cortland IDA's cash and investments as of 12/31/2025 totaled \$2.5M

Operating Revenues			Operating Expenses		
- Excludes investment earnings and subsidies / grants			- Excludes grants and other non-operating expenses		
	County	Total Operating Revenues		County	Total Operating Expenses
1	Genesee	\$ 18,113,121	1	Genesee	\$ 3,252,474
2	Allegany	4,931,558	2	Greene	2,419,594
3	Greene	1,792,184	3	Tioga	1,188,981
4	Herkimer	1,667,556	4	Herkimer	1,097,738
5	Tioga	1,167,874	5	Delaware	804,570
6	Delaware	904,795	6	Franklin	441,640
7	Livingston	812,023	7	Madison	395,461
8	Franklin	370,808	8	Allegany	389,594
9	Cortland	278,333	9	Montgomery	231,953
10	Montgomery	149,102	10	Chenango	229,352
11	Madison	141,184	11	Fulton	165,141
12	Chenango	58,019	12	Livingston	162,815
13	Fulton	5,000	13	Cortland	65,426

Finding:

Finding 10.2 – The IDA’s operating expenses were far below that of all other Industrial Development Agencies.

The IDA’s operating expenses of \$65k for 2025 were comprised primarily of the \$50k paid to the BDC under the administrative services agreement between the two entities. The Audit office noted that the IDA’s operating expenses were far below that of any other Industrial Development Agency in the peer group. The average operating expenses for the other Industrial Development Agencies was \$898k. Additionally, the IDA had operating revenues that were below both the average and median for the group. The IDA’s revenues are largely based on fee revenues which fluctuate year to year based on project activity.

SECTION 11 – REVIEW OF BDC & IDA PROJECT ACTIVITY

Based on a review of the financial statements and Board minutes for both the IDA and BDC and discussions with management, the Audit office identified recent project activity for both entities. As noted above, the County contributed approximately \$5M under its agreement with the BDC for the eleven-year period of 2015 through 2025. Since 2019, new PILOT agreements entered into by the IDA, excluding solar projects, were as follows:

2019 – 83-85 Main St. (renovation of downtown Cortland building for mixed use) - \$2.4M

2020 – Creamery Hills (renovation in Harford for senior housing) - \$1.7M

2021 – None

2022 – Greek Peak Phase IV (additional investment in equipment) \$1M

2023 – AK Community (redevelopment of Virgil Elementary) - \$2.4M

2024 – iSpice – \$25M

2025 – Byrne Dairy - \$120M of additional investments in Cortlandville site

The IDA has also continued efforts on the redevelopment of the former Contento and APEX sites but has yet to identify formal plans for the future use of these sites or formal interest of private businesses in the sites.

The BDC led County-wide efforts associated with business assistance and loans during COVID. Much of this activity was funded by federal American Rescue Plan Act funding that was allocated by the County. Excluding projects funded by ARPA, the BDC has had \$205k in special projects expenses since 2019. Per discussion with management, there are no known special projects identified for 2026. Additionally, after \$473k in new loans from 2019 through 2021, the BDC has only issued one new loan from the revolving loan fund since 2022.

Finding:

Finding 11.1 – The County’s recent contributions have not led to significant new project activity at the IDA or BDC.

Through a review of recent activities for both the IDA and BDC since 2019, the Audit office noted that it appears that the County’s recent contributions have not led to significant new project activity. When excluding solar projects, the substantial IDA PILOT agreements since 2019 have been iSpice (2024) and Byrne Dairy Phase II (2025). All other PILOTs during this period had an investment of less than \$2.5M individually. The IDA also continues to have no formal future plans for the former Contento and APEX sites despite years of ownership interest in these sites. Additionally, excluding the response to COVID, the BDC has had minimal special project expenses over the last several years and has no upcoming plans for special projects. Also, the use of BDC’s revolving loan fund has been minimal with only one new loan issued since 2022. It was noted that a majority of the County’s contributions are used to cover operating expenses. The Audit office recommends that the Legislature and County administration engage with the Boards of both entities to review this data and to discuss future plans to further promote the use of the County’s contributions as well as the available capital held by both entities.

SECTION 12 – COMPARISON OF IDA ACTIVITY TO OTHER COUNTIES

Industrial Development Agencies across the state are required to report activities in the Public Authorities Reporting Information System (“PARIS”). Below is a summary of the number of projects outstanding, total net tax exemptions, and the aggregate dollar amount of projects for the same subset of counties analyzed per Section 10 above. Note that the data is 2024 data (unaudited) from PARIS and the data for Chenango County IDA was not available.

County IDA	# of Projects	Net Tax Exemptions	Exemption %	Total Project Amount (in millions)
Genesee	79	\$ 15,976,289	83%	\$ 2,170
Herkimer	35	6,715,540	73%	793
Livingston	41	9,232,097	80%	739
Tioga	19	7,730,971	51%	527
Greene	12	9,635,301	58%	366
Franklin	14	2,751,229	70%	277
Montgomery	7	971,097	68%	243
Madison	16	1,112,562	61%	196
Cortland	15	1,869,503	82%	182
Allegany	23	932,448	72%	125
Delaware	8	624,900	33%	116
Fulton	4	474,363	44%	85

Per the chart above, it was noted that the Industrial Development Agencies of six of the other eleven counties had more projects outstanding than the IDA. In addition, eight of the eleven counties had a higher project investment for projects outstanding than the IDA. It was noted that the IDA's project amount will increase in 2025 due to Phase II of Byrne Dairy (\$120M). Additionally, the IDA's exemption percentage (PILOT payments divided by total tax exemptions) was second highest in comparison to the group of peer counties.

Also, one of the principal purposes of an Industrial Development Agency is to advance the job opportunities and economic welfare of the residents within the hosting municipality. The chart below summarizes data for job related activity in PARIS. For 2024 data, Cortland had the third lowest net employment change amongst the group of peer counties. In addition, Cortland had the fourth highest net tax exemption per jobs gained amongst the counties.

County IDA	# of Projects	Net Tax Exemptions	Net Employment Change	Net Tax Exemption Per Jobs Gained
Livingston	41	\$ 9,232,097	1,674	\$ 5,515
Genesee	79	15,976,289	1,359	11,756
Tioga	19	7,730,971	713	10,843
Greene	12	9,635,301	703	13,706
Montgomery	7	971,097	624	1,556
Herkimer	35	6,715,540	551	12,188
Delaware	8	624,900	357	1,750
Madison	16	1,112,562	315	3,532
Allegany	23	932,448	221	4,219
Cortland	15	1,869,503	166	11,262
Fulton	4	474,363	77	6,161
Franklin	14	2,751,229	(21)	N/A

SECTION 13 - COMPARISON OF BDC / IDA FUNDING TO OTHER COUNTIES

The Audit office also gave consideration to how LDCs and Industrial Development Agencies in other counties are funded, specifically focusing on the set of peer counties identified in Section 10 above. As noted in Section 10, the following eight counties of the peer group have a LDC: Cortland, Greene, Livingston, Delaware, Fulton, Tioga, Franklin, and Chenango. Accordingly, this group of eight counties was the focus for funding comparisons performed. As noted in Section 6 above, the BDC had minimal outside grant revenue (only \$32k) during the eleven-year period of 2015 through 2025. Using 2024 data obtained from OpenBook NY, the Audit office identified the State and Federal grant revenues received by the other LDCs for 2024. These figures are summarized in the chart below. As noted, four of the eight counties received substantial State & Federal grants during 2024 while the BDC did not receive any such grants.

State & Federal Grant Revenues

County	Total State / Federal Revenues
1 Livingston	\$ 921,883
2 Franklin	519,538
3 Fulton	501,999
4 Delaware	296,779
5 Greene	-
5 Tioga	-
5 Cortland	-
5 Chenango	-

Additionally, for this group of eight counties, the Audit office obtained data regarding the funding that each county provides to its Local Development Corporation and Industrial Development Agency. The data was obtained from both data made available by the NYS Comptroller along with a review of the county budget for each of the eight counties. Per the chart below, Cortland County had the highest contributions to its LDC. Cortland's contributions were more that double that of any other county when excluding Greene (the \$300k for Greene was funded by a state grant). Only one county (Delaware) had direct contributions to its Industrial Development Agency. Additionally, while other counties have higher expenditures for economic development and the promotion of industry, these funds are generally used in ways other than contributions to the LDC or Industrial Development Agency. For example, some of the counties have their own personnel to perform economic development activities.

	Promotion of Industry / Economic Development *		LDC	IDA
Chenango	\$ 1,159,724		\$ 153,183	\$ -
Livingston	732,631		173,974	-
Fulton	618,355		250,000	-
Delaware	570,860		-	221,750
Cortland	529,762		516,803	-
Tioga	424,468		-	-
Greene	301,780		300,000	-
Franklin	-		-	-
* Excludes development infrastructure and capital outlay				
NOTE: The \$300k for Greene County LDC represents a grant that passed through the County				

SECTION 14 – POTENTIAL CONFLICTS OF INTEREST

The Audit office noted that risks exist associated with the related party relationship between the BDC and IDA. Notably, there are risks related to shared Board members, shared staffing, and an administrative services agreement between the two entities. Additionally, it was noted during procedures performed that the Chief Financial Officer of the IDA / BDC is the daughter of the Chairman of both of the entities' Boards. The Audit office did note documentation from the IDA's March 2025 Board meeting in which it was stated that the Chairman was not involved in the decision making process for the hiring of the Chief Financial Officer. In addition, the minutes stated that the IDA's financial controls and reporting structures have been reviewed and modified to address any potential conflict of interest. For example, the Board minutes stated that the Chairman had been removed as an authorized signor on all BDC / IDA financial accounts. Despite the measures documented by the BDC / IDA, the Audit office notes the potential conflict of interest between the CFO and Chairman. The Audit office did not perform procedures as to the sufficiency of the mitigating controls established by the BDC / IDA.

SECTION 15 – OTHER RECOMMENDATION

During the Audit office's review of the key policies of both the BDC and IDA, it was noted that each entity's policy for the disposition of real property appears to lack a requirement for Board approval. The Audit office discussed the finding with management who noted they would follow up and consider amending the policy at each entity to specifically state the requirement. Management also noted that the Boards do approve all forms of real property dispositions even if the requirement for approval is not stated in the policy.

SECTION 16 – CONCLUSION

The Audit office performed review procedures over the County's contract with the Cortland County Business Development Corporation. The purpose and scope of the review is detailed in Section 2 of this report. The Audit office gained an understanding of the operations of the BDC and IDA and performed analytical procedures over the financial statements for both entities. The utilization and impact of the County's funding was assessed, and the Audit office considered how key financial and operational data of the BDC and IDA compared to that of other counties. The Audit office noted several findings throughout the procedures performed. These findings and the related recommendations are noted throughout the sections of the report. There were no disputes with management. The efforts of the BDC's Executive Director and Chief Financial Officer throughout the review are very much appreciated.



Monthly Financial Reports

Business Development Corp
Balance Sheet
August 31, 2026

ASSETS

Current Assets		
Petty Cash	\$	145.00
NBT - Checking		13,369.22
NBT Money market savings		604,583.38
A/R: CVB		582.67
Security Deposits		5,800.00
Prepaid Expenses		<u>5,131.43</u>
Total Current Assets		629,611.70
Property and Equipment		
Office Equipmnt/Furniture		36,209.46
Accumulated Depreciation		<u>(27,613.63)</u>
Total Property and Equipment		8,595.83
Other Assets		
Total Other Assets		<u>0.00</u>
Total Assets	\$	<u><u>638,207.53</u></u>

LIABILITIES AND FUND BALANCE

Current Liabilities		
Accounts Payable	\$	4,250.00
Tax-Federal & F.I.C.A.		(420.00)
Withheld Tax-State		(1,906.36)
Accrued Fed Unemployment		294.00
Accrued NYS Unemployment		<u>2,153.88</u>
Total Current Liabilities		4,371.52
Long-Term Liabilities		
Sublet Security Deposit		<u>2,400.00</u>
Total Long-Term Liabilities		<u>2,400.00</u>
Total Liabilities		6,771.52
Fund Balance		
Unrestricted net assets		94,780.60
Board designated net assets		370,437.71
Net Income		<u>166,217.70</u>
Total Fund Balance		<u>631,436.01</u>
Total Liabilities & Fund Balance	\$	<u><u>638,207.53</u></u>

Business Development Corp
Income Statement
For the Eight Months Ending August 31, 2026

	Current Month Actual	Current Month Budget	Variance	Year to Date Actual	Year to Date Budget	Variance
REVENUE AND SUPPORT						
County Gov't Funding	0.00	0.00	0.00	427,331.25	427,331.25	0.00
IDA Administrative Support	0.00	0.00	0.00	50,000.00	50,000.00	0.00
Sublet Rent	1,900.00	1,900.00	0.00	15,200.00	15,200.00	0.00
Interest Income	1,442.61	0.00	1,442.61	10,801.11	0.00	10,801.11
	<u>3,342.61</u>	<u>1,900.00</u>	<u>1,442.61</u>	<u>503,332.36</u>	<u>492,531.25</u>	<u>10,801.11</u>
Total General Revenue						
Projects & Events Income						
Agri Econ Summit Income	0.00	0.00	0.00	1,750.00	2,100.00	(350.00)
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,750.00</u>	<u>2,100.00</u>	<u>(350.00)</u>
Total Projects & Events						
Special Project Grants						
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Special Projects						
	<u>3,342.61</u>	<u>1,900.00</u>	<u>1,442.61</u>	<u>505,082.36</u>	<u>494,631.25</u>	<u>10,451.11</u>
Total Revenue & Support						
EXPENDITURES						
General Expenses						
Salary-Executive Director	10,665.00	11,553.75	(888.75)	95,844.81	92,430.00	3,414.81
Salary-Economic Dev Spec.	5,925.00	6,418.75	(493.75)	53,247.12	51,350.00	1,897.12
Salary-Community Relations	4,345.00	4,707.08	(362.08)	39,047.88	37,656.68	1,391.20
Employee Benefits	1,216.90	1,300.00	(83.10)	9,494.75	10,400.00	(905.25)
Pension 401 K expenses	0.00	0.00	0.00	700.00	700.00	0.00
Retirement Contributions	2,093.50	2,275.00	(181.50)	18,602.44	18,200.00	402.44
Employers F.I.C.A	1,677.35	1,833.33	(155.98)	15,075.73	14,666.64	409.09
Fed Unemployment Tax	0.00	41.70	(41.70)	252.00	333.32	(81.32)
State Unemploymnt Insure	0.00	250.00	(250.00)	1,115.66	2,000.00	(884.34)
DBL/ PFL Insurance	(70.56)	12.50	(83.06)	43.77	100.00	(56.23)
Workers Comp Insure	84.27	100.00	(15.73)	417.16	800.00	(382.84)
Professional Services	0.00	1,250.00	(1,250.00)	0.00	10,000.00	(10,000.00)
Staff Training	0.00	250.00	(250.00)	0.00	2,000.00	(2,000.00)
Office Rent	2,350.00	2,350.00	0.00	18,800.00	18,800.00	0.00
Sublet Rent	1,900.00	1,900.00	0.00	15,200.00	15,200.00	0.00
Internet/Web Site	1,263.91	833.33	430.58	4,630.50	6,666.68	(2,036.18)
Telephone	134.11	216.66	(82.55)	1,927.80	1,733.36	194.44
Office Expense	362.97	521.66	(158.69)	4,202.23	4,173.36	28.87
Postage	13.26	41.66	(28.40)	191.15	333.36	(142.21)
Office Maintenance	285.23	625.00	(339.77)	2,531.27	5,000.00	(2,468.73)
Equipment Purchase	0.00	2,833.33	(2,833.33)	1,527.70	22,666.68	(21,138.98)
Equipment Maintenance	229.50	250.00	(20.50)	1,836.00	2,000.00	(164.00)
Office Equipment Lease	432.91	516.66	(83.75)	4,083.95	4,133.36	(49.41)
Accounting	0.00	0.00	0.00	11,700.00	11,700.00	0.00
Bank Charges	0.00	0.00	0.00	25.00	25.00	0.00
Legal	0.00	583.33	(583.33)	1,908.00	4,666.68	(2,758.68)
Payroll Service	75.00	125.00	(50.00)	675.00	1,000.00	(325.00)
Dues	0.00	166.66	(166.66)	1,733.00	1,333.36	399.64
Subscriptions/Publication	0.00	83.33	(83.33)	390.00	666.68	(276.68)
Marketing Expense	185.90	2,500.00	(2,314.10)	8,093.93	20,000.00	(11,906.07)
Agri Econ Event	0.00	0.00	0.00	1,389.10	8,000.00	(6,610.90)
Grant Application Fee	0.00	0.00	0.00	250.00	250.00	0.00
State/Federal Filing Fees	0.00	0.00	0.00	0.00	275.00	(275.00)
Directors & Officers Ins.	121.39	125.00	(3.61)	963.15	1,000.00	(36.85)

Business Development Corp
Income Statement
For the Eight Months Ending August 31, 2026

	Current Month Actual	Current Month Budget	Variance	Year to Date Actual	Year to Date Budget	Variance
Property Insurance	55.00	52.50	2.50	429.99	420.00	9.99
Mtgs/Seminars/Conferences	119.45	416.66	(297.21)	1,627.23	3,333.36	(1,706.13)
Board Meetings	142.56	166.66	(24.10)	1,277.44	1,333.36	(55.92)
Health Opt-Out Allowance	769.24	833.33	(64.09)	6,923.16	6,666.68	256.48
Mileage/Gas/Tolls/Parking	0.00	125.00	(125.00)	629.68	1,000.00	(370.32)
Auto Allowance/Director	384.62	416.66	(32.04)	3,461.58	3,333.36	128.22
Utilities	548.07	750.00	(201.93)	6,930.53	6,000.00	930.53
Depreciation	0.00	0.00	0.00	1,685.95	0.00	1,685.95
Total General Expenses	35,309.58	46,424.54	(11,114.96)	338,864.66	392,346.92	(53,482.26)
Projects and Events						
Total Projects & Events	0.00	0.00	0.00	0.00	0.00	0.00
Special Projects Expense						
Total Special Projects	0.00	0.00	0.00	0.00	0.00	0.00
Other Income/Expense						
Total Other Income/Expense	0.00	0.00	0.00	0.00	0.00	0.00
Total Expenses	35,309.58	46,424.54	(11,114.96)	338,864.66	392,346.92	(53,482.26)
NET INCOME	(31,966.97)	(44,524.54)	12,557.57	166,217.70	102,284.33	63,933.37

**Business Development Corporation
Budget Summary**

8/31/2026

	BUDGETED AMOUNT	EXPENDED YTD	AVAILABLE BALANCE	% BUDGET REMAINING
Personnel:				
Executive Director Salary	138,645.00	95,844.81	42,800.19	30.87%
Econ. Dev. Specialist Salary	77,025.00	53,247.12	23,777.88	30.87%
Community Relations Salary	56,485.00	39,047.88	17,437.12	30.87%
Employee Benefits	15,600.00	9,494.75	6,105.25	39.14%
DB/PFL Insurance	150.00	43.77	106.23	70.82%
FICA	22,000.00	15,075.73	6,924.27	31.47%
FUTA	500.00	252.00	248.00	49.60%
SUI	3,000.00	1,115.66	1,884.34	62.81%
Retirement	27,300.00	18,602.44	8,697.56	31.86%
Workers C Insurance	1,200.00	417.16	782.84	65.24%
TOTAL PERSONNEL	341,905.00	233,141.32	108,763.68	31.81%
Insurances:				
Directors Liability	1,500.00	963.15	536.85	35.79%
Business Property	630.00	429.99	200.01	31.75%
TOTAL INSURANCES	2,130.00	1,393.14	736.86	34.59%
Contractual:				
Audit	8,300.00	11,700.00	-3,400.00	-40.96%
Charities Bureau	275.00	0.00	275.00	100.00%
401K Admin/5500	1,200.00	700.00	500.00	41.67%
Legal	7,000.00	1,908.00	5,092.00	72.74%
TOTAL CONTRACTUAL	16,775.00	14,308.00	2,467.00	14.71%
Office:				
Rent	11,750.00	18,800.00	-7,050.00	-60.00%
Sublet Rent	9,500.00	15,200.00	-5,700.00	-60.00%
Internet/Web Site	10,000.00	4,630.50	5,369.50	53.70%
Telephone	2,600.00	1,927.80	672.20	25.85%
Office Expense	6,260.00	4,202.23	2,057.77	32.87%
Postage	500.00	191.15	308.85	61.77%
Office Maintenance	7,500.00	2,531.27	4,968.73	66.25%
Equipment Purchase	34,000.00	1,527.70	32,472.30	95.51%
Equipment Maintenance	3,000.00	1,836.00	1,164.00	38.80%
Equipment Lease	6,200.00	4,083.95	2,116.05	34.13%
Professional Services	15,000.00	0.00	15,000.00	100.00%
Payroll Services	1,500.00	675.00	825.00	55.00%
Dues	2,000.00	1,733.00	267.00	13.35%
Subscriptions/Publications	1,000.00	390.00	610.00	61.00%
Meetings/Seminars	5,000.00	1,627.23	3,372.77	67.46%
Administrative Board Meetings	2,000.00	1,277.44	722.56	36.13%
Special projects	52,000.00	0.00	52,000.00	100.00%
Gas/Parking/Tolls	1,500.00	629.68	870.32	58.02%
Exec Director Auto Allowance	5,000.00	3,461.58	1,538.42	30.77%
Health Opt-Out Allowance	10,000.00	6,923.16	3,076.84	30.77%
Utilities	9,000.00	6,930.53	2,069.47	22.99%
TOTAL OFFICE	195,310.00	78,578.22	116,731.78	59.77%
Marketing:				
Marketing	30,000.00	8,093.93	21,906.07	73.02%
TOTAL MARKETING	30,000.00	8,093.93	21,906.07	73.02%
TOTALS :	586,120.00	335,514.61	250,605.39	42.76%
Non Budget Expenses:				
Grant Programs		275.00		
Agri Economic Event		1,389.10		
Depreciation		1,685.95		
Part Time Employee		0.00		
Intern / Spec Projects		0.00		
Total Non Budget Expense		3,350.05		
Total Budget and Non Budget:		338,864.66		



Revolving Loan Fund

BDC Revolving Loan Fund
Income Statement
For the Eight Months Ending August 31, 2026

	Current Month	Ratio	Year to Date	Ratio
Revenue				
Interest on Deposits	\$ 1,504.05	94.78	\$ 12,787.11	93.98
Interest on Loans	<u>82.78</u>	5.22	<u>819.63</u>	6.02
Total Revenue	<u>1,586.83</u>	100.00	<u>13,606.74</u>	100.00
 TOTAL REVENUE	 <u>1,586.83</u>	 100.00	 <u>13,606.74</u>	 100.00
 Expenses				
Bank Charges	<u>0.00</u>	0.00	<u>25.00</u>	0.18
Total Expenses	<u>0.00</u>	0.00	<u>25.00</u>	0.18
 Net Income	 <u>\$ 1,586.83</u>	 100.00	 <u>\$ 13,581.74</u>	 99.82

BDC Revolving Loan Fund
Balance Sheet
August 31, 2026

ASSETS

Current Assets		
NBT-Checking	\$	33,081.30
NBT Money market account		645,467.84
Total Current Assets		678,549.14
Property and Equipment		
Total Property and Equipment		0.00
Receivables		
Paul Smith		6,175.24
River St Senior Apartments		100,000.00
Sandro & Denise Mironti		14,505.58
Allowance for Doubtful Accts		(25,000.00)
RHI - 62-64 Pendleton		100,000.00
Total Receivables		195,680.82
Total Assets	\$	<u>874,229.96</u>

LIABILITIES AND FUND BALANCE

Current Liabilities		
Total Current Liabilities		0.00
Long-Term Liabilities		
Total Long-Term Liabilities		<u>0.00</u>
Total Liabilities		0.00
Fund Balance		
Retained Earnings	\$	860,648.22
Net Income		13,581.74
Total Fund Balance		<u>874,229.96</u>
Total Liabilities & Fund Balance	\$	<u>874,229.96</u>

CORTLAND COUNTY BUSINESS DEVELOPMENT CORP. RLF

AS OF AUGUST 31ST 2026

BORROWER	GL Acct	Rating	Original Loan Amount	Mthly Pymnt Amount	Date Last Paid	# of Total Payments	# of Payments Remaining	# of Payments Past Due	Amount Past Due	LOAN BALANCE
P Smith/Crown Stove	25900		\$50,000.00	\$555.10	05/28/25	120	-		*	\$ 6,175.24
Mironti Enterprise (balloon finance loan)	26600		\$37,847.75	\$1,157.84	08/03/26	36	14	0		\$ 14,505.58
RHI - 62-64 Pendleton St	28000		\$100,000.00	\$883.50	Payments start 12/01/26	168	168	0		\$ 100,000.00
CHAC - River St Senior Apts	26000		\$100,000.00	\$1,933.28	Payments start 01/01/27	60	60	0		\$ 100,000.00
Allowance Doubtful Accts	27000									(\$25,000.00)
			\$287,847.75	\$4,529.72					\$ -	\$ 195,680.82

BDC RLF Assets as of 08/31/26

\$874,229.96

Rating W - Watch List

Less outstanding loans

\$ (195,680.82)

Rating D - Legal Proceedings

Funds available

\$678,549.14

Rating B - Bankruptcy Proceedings

* Any monies received are applied as principal payments



Director's Report

Director's Report

September 8, 2026

Current:

- Housing Projects
 - Regan Development (68 & Daycare)- Cortlandville Commons LLC - started
 - Arbor Brook Flats (36) – Homer – model in process
 - Gillette Skirt Factory (23) – City of Cortland
 - River Street Senior Housing (58) – Cortland Housing Assistance Council, Inc.
 - 138 Central LLC (9 units) - Delvecchio
 - Marathon NY Forward
- EPA Brownfield Grant – BCBP (Brownfield Cleanup Program) - APEX
- AES Solar – formerly EDF – Cortlandville, Homer, Solon
 - Preliminary inducement 2.9.26 – Final Inducement 3.9.26
 - Project fee payment schedule 8.10.26
- Scott Road Solar – Homer 5MW
 - Preliminary inducement 2.9.26 – Final Inducement 3.9.26
 - Ownership transfer June 8, 2026
- Crown City Solar (3) applications
 - Preliminary Inducement 3.9.26 – Final Inducement 4.13.26
- Marathon NY Forward
 - NYS awarded projects
- Homer Bridge – FEMA \$525,875 – Buhl is preparing RFP
- 5 Kennedy Parkway
- Cortland County Audit
- Village of Homer Small Project
- Micron Tri County Alliance
- Gutches Lumber Sports Complex (GLSC)

• **Meet & Greets**

- Rotary Lunch Group
- Tim Perfetti – NYS Comptrollers
- Peter VanderWoude - Equus
- Beth Greenwood – B&B
- Robyn Mello - Earthtoned
- Glenn Reisweber - GLSC