TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Financial Statements as of
December 31, 2021 and 2020
Together with Independent
Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

TABLE OF CONTENTS
December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

March 4, 2022

To the Board of Directors of the
Tioga County Property Development Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Tioga County Property Development Corporation (the Corporation) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 4, 2022 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Bonadio & Co., LLP

This section of the Tioga County Property Development Corporation (the Corporation) annual financial report presents discussion and analysis of the Corporation's financial performance during the fiscal years ending December 31, 2021, 2020 and 2019. Please read it in conjunction with the Corporation's financial statements and accompanying notes.

GENERAL INFORMATION

The Corporation was incorporated in March 2017 but activity began in 2019. The mission was to foster economic and community development by acquiring, holding, managing, developing and marketing distressed, vacant, abandoned, tax foreclosed and under-utilized residential and commercial properties.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FINANCIAL HIGHLIGHTS

- The Corporation's total net position at December 31, 2021 is $154,405 compared to $55,067 at December 31, 2020 and $64,564 at December 31, 2019.
- Total current assets at December 31, 2021 are $792,462, $301,446 at December 31, 2020 and $113,308 at December 31, 2019. It is comprised of cash on hand, inventory, and accounts receivable.
- Total current liabilities at December 31, 2021 are $638,057, $246,379 at December 31, 2020 and $48,744 at December 31, 2019. The liabilities are comprised of a grant advance.
- Operating revenues in 2021, 2020 and 2019 were $533,349, $85,710 and $338,685, respectively, as a result of grant and government subsidy revenue and property sales. Operating expenses of $434,011 in 2021 were primarily due to professional services and unrealized loss on inventory. Operating expenses of $95,207 in 2020 included primarily cost of sales and professional services. Operating expenses of $274,121 in 2019 included primarily cost of sales and unrealized loss on inventory.

FINANCIAL ANALYSIS OF THE CORPORATION

Below is an analysis of the assets, liabilities, revenues and expenses of the Corporation.

Summary of Assets, Liabilities, and Net Position

	2021	2020	2019
Current assets	$ 792,462	$ 301,446	$ 113,308
Current liabilities	638,057	246,379	48,744
Total net position	$ 154,405	$ 55,067	$ 64,564

CURRENT ASSETS

Current assets at December 31, 2021 were comprised of cash and inventory. Current assets at December 31, 2020 were comprised of cash, inventory and accounts receivable, while current assets at December 31, 2019 were comprised of cash and inventory.

INVENTORY

Properties held for sale comprise inventory. At December 31, 2021, 2020 and 2019, the Corporation owned 14, 5 and 12 properties, respectively.

CAPITAL ASSETS

At this moment, the Corporation does not possess any capital assets.

CURRENT LIABILITIES

Current liabilities at are comprised of grant advances. One grant advance is part of a grant awarded from the Enterprise Community Partners, Inc. This $1,060,000 grant agreement stipulates that each disbursement of grant proceeds shall be based on the Land Bank's projections, as submitted to Enterprise Community Partners, Inc., of its use of grant proceeds over the coming reporting period. These projections consist of periodic written reports submitted by the Land Bank before the agreed upon submission deadlines contained in the agreement.

In addition, the Corporation received American Rescue Plan Act (ARPA) funds totaling $500,000 at the end of 2021.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Management's Discussion and Analysis (Unaudited)

Summary of Revenues, Expenses and Change in Net Position

	2021	% of Total	2020	% of Total	2019	% of Total
OPERATING REVENUES:						
Grant and government subsidy revenue	$ 532,349	99.81%	$ 50,910	59.40%	$ 338,685	100.00%
Property sales	1,000	0.19%	34,750	40.54%	-	0.00%
Other revenue	-	0.00%	50	0.06%	-	0.00%
Total operating revenues	533,349		85,710		338,685	
OPERATING EXPENSES:						
Cost of sales	50,152	11.56%	47,648	50.05%	5,210	1.90%
Unrealized loss on inventory	343,522	79.15%	-	0.00%	228,342	83.30%
General & admin expenses	317	0.07%	2,015	2.12%	2,704	0.99%
Professional services	38,916	8.97%	45,544	47.84%	33,326	12.16%
Insurance	1,104	0.25%	-	0.00%	4,294	1.57%
Travel	-	0.00%	-	0.00%	245	0.09%
Total operating expenses	434,011		95,207		274,121	
OPERATING INCOME (LOSS):	99,338		(9,497)		64,564	
CHANGE IN NET POSITION:	99,338		(9,497)		64,564	
NET POSITION - beginning of year	55,067		64,564		-	
NET POSITION - end of year	$ 154,405		$ 55,067		$ 64,564	

OPERATING REVENUES

Operating revenues include grant revenue and in-kind revenues. The number or properties sold in 2021 and 2020 were 1 and 8, respectively. The Corporation began selling properties in 2020.

OPERATING EXPENSES

Operating expenses were significantly higher in 2021 and 2019, as compared to 2020, primarily related to activities of property acquisitions and unrealized loss on inventory.

OPERATING RESULTS

The Corporation had operating income of $99,338 for the year ended December 31, 2021 and an operating loss of $9,497 for the year ended December 31, 2020. The increase was related to grant funds used to purchase properties in inventory at year end.

FUTURE FACTORS

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Corporation and its future results and financial position is not presently determinable.

REQUEST FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the Corporation's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Tioga County Property Development Corporation, 56 Main Street #203, Owego, NY 13827.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Statements of Net Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS:		
Cash - unrestricted	$ 35,850	$ 31,852
Cash - restricted	638,057	246,379
Accounts receivable	-	2,998
Inventory	118,555	20,217
Total current assets	792,462	301,446
Total assets	792,462	301,446
LIABILITIES		
CURRENT LIABILITIES:		
Grant and government subsidy revenue advance	638,057	246,379
Total current liabilities	638,057	246,379
Total liabilities	638,057	246,379
NET POSITION		
Unrestricted	154,405	55,067
Total net position	$ 154,405	$ 55,067

The accompanying notes are an integral part of these statements.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Statements of Revenues, Expenses and Change in Net Position
For the years ended December 31, 2021 and 2020

	2021	2020
OPERATING REVENUES:		
Grant and government subsidy revenue	$ 532,349	$ 50,910
Property sales	1,000	34,750
Other revenue	-	50
Total operating revenues	533,349	85,710
OPERATING EXPENSES:		
Cost of sales	50,152	47,648
Unrealized loss on inventory	343,522	-
General and administrative expenses	317	2,015
Professional services	38,916	45,544
Insurance	1,104	-
Total operating expenses	434,011	95,207
OPERATING INCOME (LOSS)	99,338	(9,497)
CHANGE IN NET POSITION	99,338	(9,497)
NET POSITION - beginning of year	55,067	64,564
NET POSITION - end of year	$ 154,405	$ 55,067

The accompanying notes are an integral part of these statements.

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Statements of Cash Flows
For the years ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grant and government subsidies	$ 924,027	$ 251,543
Cash received from sale of property	1,000	34,750
Cash received from other revenue	-	50
Cash paid for inventory	(492,012)	(741)
Cash paid for general and administrative expenses	(317)	(2,015)
Cash paid for professional services	(35,918)	(51,540)
Cash paid for insurance	(1,104)	(2,560)
Net cash from operating activities	395,676	229,487
CHANGE IN CASH	395,676	229,487
CASH - beginning of year	278,231	48,744
CASH - end of year	$ 673,907	$ 278,231
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION:		
Cash - unrestricted	$ 35,850	$ 31,852
Cash - restricted	638,057	246,379
Total	$ 673,907	$ 278,231
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	$ 99,338	$ (9,497)
Adjustments to reconcile operating income (loss) to net cash flow from operating activities:		
Unrealized loss on inventory	343,522	-
Changes in:		
Inventory	(441,860)	44,347
Accounts receivable	2,998	(2,998)
Grant and government subsidy revenue advance	391,678	197,635
Net cash from operating activities	$ 395,676	$ 229,487

The accompanying notes are an integral part of these statements.

1. ORGANIZATION

The Tioga County Property Development Corporation (the Corporation), was formed in 2017 to address the problems of vacant, abandoned, or tax delinquent property in the County of Tioga, New York (the County), in a coordinated manner through the acquisition of real property. Operations did not commence until 2019. The mission of the Corporation is to return that property to productive use in order to strengthen the economy, improve the quality of life, and improve the financial condition of the municipalities, through the use of the powers and tools granted to land banks by New York State (NYS).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial principles.

Measurement Focus and Basis of Accounting

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

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates, particularly given the economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and such differences may be significant.

Income Tax Status

The Corporation was organized as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code.

Restricted Cash

Certain amounts of cash are classified as restricted because their use is restricted by grant agreements. Restricted cash balances have been offset by grant and government subsidy revenue advances at December 31, 2021 and 2020.

Inventory

Inventory consists of vacant, abandoned, or tax delinquent property in the County purchased by the Corporation. Inventory is valued at the lower of cost or market. Market value is defined as estimated selling price and is based on third-party appraisals. Cost includes but is not limited to, property purchase cost, appraisal, inspection and recording fees, renovation costs and professional services.

Grant and Government Subsidy Revenue Advance

Grant advances consist of amounts of received grant and government subsidy revenue for which the definition of earned has not been met. Such amounts are reflected as a liability until the amounts are deemed earned and then recognized as revenue.

Operating and Non-Operating Revenues and Expenses

As a business-type activity, the Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues are mostly comprised of grant and government subsidy revenue resulting from exchange transactions, in-kind services, and sale of properties associated with the principal activities of the Corporation. Operating expenses generally result from the acquisition, demolition and renovation of properties, and general and administrative expenses in accordance with the Corporation's mission. There were no non-operating revenues and expenses for the years ended December 31, 2021 and 2020.

Cost of Sales

At the time of sale of inventory, the book value of inventory is recognized as expense under cost of sales. Cost of sales also include expenses incurred to maintain properties held in inventory that do not meet the definition to be treated as inventory. These include, but are not limited to, property taxes, mowing, and other property maintenance costs.

Unrealized Loss on Inventory

Deterioration, damage, changing prices and other factors have caused certain inventory's cost to exceed its market value. In accordance with GAAP, inventory is stated at market value as of December 31, 2021 and 2020. Any reduction to market value is recognized as unrealized loss on inventory.

Net Position
Equity is classified as net position and displayed in three components:

a. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Corporation did not have net investment in capital assets at December 31, 2021 and 2020.

b. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Corporation did not have restricted net position at December 31, 2021 and 2020.

c. Unrestricted net position - all other net position that does not meet the definition of net investment in capital assets or restricted net position.

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

3. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

Credit Risk
The Corporation's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations.

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

The Corporation restricts the securities to the following eligible items:

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

The Corporation maintained cash balances with a financial institution insured by the FDIC up to $250,000, for demand and non demand accounts. At December 31, 2021 and 2020, the Corporation's deposits consisted of $679,708 and $278,231 in cash, respectively. At December 31, 2021 and 2020, deposits of $250,000 were insured by the FDIC and $429,708 and $28,231 were uncollateralized, respectively.

4. CONCENTRATIONS OF CREDIT RISK

The Corporation receives significant support from certain governmental entities. The primary source of funding is through a grant award from Enterprise Community Partners, Inc. Funding from these sources comprised nearly 100% and 59% of revenue for the years ended December 31, 2021 and 2020, respectively.

5. AGREEMENT WITH COUNTY OF TIOGA, NEW YORK

The Corporation entered into an agreement with the County for the period of January 1, 2019 through December 31, 2020, under which to operate. The agreement was extended through December 31, 2021. The Corporation is to pay an administrative fee of up to $65,065 annually for the term of the agreement. For each of the years ended December 31, 2021 and 2020, $32,532 was paid to the County for these expenses.

6. COVID-19

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Corporation and its future results and financial position is not presently determinable.

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

March 4, 2022

To the Board of Directors of
Tioga County Property Development Corporation

We have audited, 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, the financial statements of the Tioga County Property Development Corporation (the Corporation) as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item number 2021-001 to be a material weakness.

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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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Corporation's Response to Finding

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Corporation'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.

Bonadio & Co., LLP

TIOGA COUNTY PROPERTY DEVELOPMENT CORPORATION

Schedule of Findings and Responses
For the year ended December 31, 2021

Reference Number: 2021-001

Criteria:

Management must record certain non-cash adjustments in accordance with U.S. GAAP:

Inventory is required to be valued at the lower of cost or market value, as prescribed by U.S. GAAP. Market value should be applied consistently in accordance with the Corporation's accounting policies.

Grant revenues should be recognized as restrictions are met. The grant advance liability should be adjusted to reflect the portion of grant funds received that are unearned.

Condition/Cause:

During the year ended December 31, 2021, there were not sufficient procedures in place to record necessary adjustments to recognize impaired inventory and properly state grant revenue and grant advances.

Effect:

As a result, the following material audit adjustments were required:

Increased unrealized loss on inventory and decreased inventory by $343,522.

Increased grant and government subsidy revenue and decreased grant and government subsidy revenue advance by $108,322.

Recommendation:

We recommend that the Corporation establish a process to evaluate and record entries necessary for financial reporting in order to present financial statements in accordance with U.S. GAAP.

Management's Response:

We agree with the auditors' recommendation, and the following action will be taken to improve the situation. The Tioga County Property Development Corporation and organizational staff will establish a process to evaluate and record entries necessary for financial reporting in order to present financial statements in accordance with U.S. GAAP. This process will be implemented by the end of the first quarter of 2022.