

**CITY OF HORNELL
INDUSTRIAL DEVELOPMENT AGENCY**

NEW YORK

BASIC FINANCIAL STATEMENTS

For Years Ended December 31, 2025 and 2024



BUSINESS
ADVISORS
AND CPAS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
City of Hornell Industrial Development Agency

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hornell Industrial Development Agency, New York (the Agency), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency, as of December 31, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 GAAS 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 GAAS and Government Auditing Standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of Agency's proportionate share of the net pension liability, and the schedule of the Agency contributions on pages 4-8 and 28-29 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Mengel, Metzger, Barw & Co. LLP

Fairport, New York
March 3, 2026

City of Hornell Industrial Development Agency

Management's Discussion and Analysis (MD&A)

December 31, 2025

As management of the City of Hornell Industrial Development Agency (Agency) we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the years ended December 31, 2025 and 2024. This document should be read in conjunction with additional information that we have furnished in the Agency's financial statements which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded its liabilities at December 31, 2025 and 2024 by \$11,204,446 and \$10,827,116 respectively. Of these amounts, \$3,520,771 and \$3,375,287 represent *unrestricted net position*, meaning that these amounts may be used to fund the Agency's ongoing operations.
- The Agency's net position increased by \$377,330 during the year ended December 31, 2025, and increased by \$803,444 during the year ended December 31, 2024.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise of two components: 1) the Agency's financial statements and, 2) notes to those financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

BASIC FINANCIAL STATEMENTS

The financial statements are prepared using the accrual basis of accounting. The financial statements include:

The *statements of net position* present information on all of the Agency's assets, liabilities, and deferred outflows/inflows of resources, with the differences reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The *statements of activities* present information showing how the Agency's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statements of cash flows present the cash provided and used during the years ended December 31, 2025 and 2024 and how it affects the cash balances at December 31, 2025 and 2024.

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understating of the data provided in the financial statements.

FINANCIAL ANALYSIS

The Agency provides administrative assistance to companies within the City of Hornell, New York (City) and has limited operations. The Agency's largest type of assets are capital assets, which are composed primarily of rental facilities and land being held for developmental purposes. The Agency also carries long-term debt which is generally debt acquired and held by the Agency on behalf of companies within the City for the purpose of stimulating economic development in the City.

The *Statement of Net Position* and the *Statement of Activities* can assist in determining whether the Agency's financial position has improved or deteriorated. The statement of cash flows provides information about the cash receipts, cash payments, and net change in cash resulting from the operating, investing, and capital financing activities of the Agency during the year. This statement helps users assess the Agency's ability to generate net cash flows, its ability to meet obligations as they come due, and its need for external financing. Condensed financial highlights of these statements are presented below:

STATEMENT OF NET POSITION

<u>ASSETS</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current Assets (net)	\$ 4,540,385	\$ 4,452,480	\$ 4,752,282
Noncurrent Assets	3,173,795	4,120,420	4,672,852
Capital Assets	7,919,091	7,731,103	7,218,509
Lease Assets	78,661	278,718	195,639
Total Assets	\$ 15,711,932	\$ 16,582,721	\$ 16,839,282
DEFERRED OUTFLOW OF RESOURCES	\$ 14,007	\$ 13,805	\$ 13,876
<u>LIABILITIES</u>			
Current Liabilities	\$ 187,571	\$ 378,691	\$ 871,203
Noncurrent Liabilities	378,912	511,554	497,208
Total Liabilities	\$ 566,483	\$ 890,245	\$ 1,368,411
DEFERRED INFLOW OF RESOURCES	\$ 3,955,010	\$ 4,879,165	\$ 5,461,075
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 7,683,675	\$ 7,451,829	\$ 6,902,724
Unrestricted	3,520,771	3,375,287	3,120,948
Total Net Position	\$ 11,204,446	\$ 10,827,116	\$ 10,023,672

The Agency's current assets are comprised primarily of cash and cash equivalents and receivables. These assets increased during the year ended December 31, 2025 for rent related receivables.

The Agency's current liabilities are comprised primarily of PILOT payable and the current portion of notes payable. The Agency's noncurrent liabilities are comprised solely of the noncurrent portion of notes payable, OPEB obligation, and lease liability.

The largest portion of the Agency's net position for the years ended December 2025, 2024, and 2023 (69%, 69%, and 70%, respectively) reflects its investment in capital assets (e.g. land, buildings, improvements, machinery and equipment), less any related outstanding debt used to acquire those assets. Although the Agency's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net position of \$3,520,771 (31%) at December 31, 2025, \$3,375,287 (31%) at December 31, 2024 and \$3,120,948 (30%) at December 31, 2023, represents resources that may be used to meet the Agency's ongoing operations.

AGENCY ACTIVITIES

Agency activities increased net position by \$377,330 for the year ended December 31, 2025, increased net position by \$803,444 for the year ended December 31, 2024, and increased net position by \$2,077,844 for the year December 31, 2023. Key elements of these changes are presented below:

STATEMENT OF ACTIVITIES

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenues	\$ 998,989	\$ 902,535	\$ 872,607
Operating Expenses	<u>(1,161,598)</u>	<u>(964,486)</u>	<u>(907,211)</u>
Operating Income (Loss)	\$ (162,609)	\$ (61,951)	\$ (34,604)
Non-Operating Revenues	144,939	187,518	157,646
Special Item-Contributed Capital	<u>395,000</u>	<u>677,877</u>	<u>1,954,802</u>
Change in Net Position	<u>\$ 377,330</u>	<u>\$ 803,444</u>	<u>\$ 2,077,844</u>

The major sources and uses in revenues and expenses for the year ended December 31, 2025 include:

- Operating revenues consisted of rental income in the amount of \$873,003.
- The most significant sources of operating expenses included salaries and benefits expense of \$208,361 and depreciation and amortization expense of \$477,552.
- Nonoperating revenues (expenses) included interest income of \$155,075, and interest on debt of (\$11,136).

The major sources and uses in revenues and expenses for the year ended December 31, 2024 include:

- Operating revenues consisted of rental income in the amount of \$902,535.
- The most significant sources of operating expenses included salaries and benefits expense of \$209,423 and depreciation and amortization expense of \$398,457.
- Nonoperating revenues (expenses) included interest income of \$198,694, and interest on debt of (\$11,176).

The major sources and uses in revenues and expenses for the year ended December 31, 2023 include:

- Operating revenues consisted of rental income in the amount of \$872,607.
- The most significant sources of operating expenses included salaries and benefits expense of \$200,880 and depreciation and amortization expense of \$374,769.
- Nonoperating revenues (expenses) included interest income of \$165,651, and interest on debt of (\$8,005).

CASH FLOWS

Agency cash and cash equivalents decreased by \$32,604 for the year ended December 31, 2025, increased by \$196,097 for the year ended December 31, 2024, and increased \$728,954 for the year ended December 31, 2023. A condensed version of the Agency's statement of cash flows is presented below:

STATEMENT OF CASH FLOWS

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Cash Flows From			
Operating activities	\$ 136,855	\$ 370,095	\$ 261,379
Capital & related financing activities	(324,534)	(372,692)	301,924
Investing activities	155,075	198,694	165,651
Net Change in Cash and Cash Equivalents	<u><u>\$ (32,604)</u></u>	<u><u>\$ 196,097</u></u>	<u><u>\$ 728,954</u></u>

CAPITAL ASSETS

The Agency's investment in capital assets, net of accumulated depreciation, as of December 31, 2025, 2024, 2023 amounted to \$7,919,091, \$7,731,103, and \$7,218,509, respectively. This investment in capital assets includes land, buildings and improvements, land improvements, and machinery and equipment. The value of the Agency's capital assets, net of accumulated depreciation increased during the year ended December 31, 2025 as a result of land improvement additions. A summary of the Agency's capital assets, net of accumulated depreciation is presented below:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Capital Assets			
Land	\$ 860,921	\$ 860,921	\$ 857,714
Buildings and improvements	14,196,447	13,632,963	9,840,696
Land improvements	897,482	877,218	758,607
Machinery and equipment	81,765	81,765	81,765
Construction in progress	-	-	3,144,001
Less: Accumulated depreciation	(8,117,524)	(7,721,764)	(7,464,274)
Total Capital Assets	<u><u>\$ 7,919,091</u></u>	<u><u>\$ 7,731,103</u></u>	<u><u>\$ 7,218,509</u></u>
Lease Assets			
Buildings and improvements	\$ 239,638	\$ 457,974	\$ 432,415
Less: Accumulated depreciation	(160,977)	(179,256)	(236,776)
Total Lease Assets	<u><u>\$ 78,661</u></u>	<u><u>\$ 278,718</u></u>	<u><u>\$ 195,639</u></u>

Decreases in capital assets relates to the depreciation of capital assets.

More detailed information about the Agency's capital assets is presented in the notes to the financial statements.

DEBT

At December 31, 2025, 2024, and 2023 the Agency had total debt and leases outstanding of \$314,077, \$557,992, and \$511,424, respectively. During the year ended December 31, 2025, the debt and lease liabilities decreased \$243,915, while during the years ended December 31, 2024 and 2023 the debt and lease liabilities increased \$46,568, and \$107,560, respectively. More detailed information about the Agency's debt is presented in the notes to the financial statements.

FUTURE FACTORS

The Agency's purpose continues to be assisting business growth and expansion in the City of Hornell. In the last year, the agency-supported projects have resulted in substantial investment and increased employment opportunities within the City of Hornell.

The Agency continues to work to identify the needs of our businesses and the local economy with the input of all stakeholders. In 2025, we were in the engineering phase and worked with the City of Hornell towards the construction of a new street, which will open up additional industrial construction sites.

In 2025, the initiative continued to progress to develop land purchased by the Agency in a prior period into single-family housing sites. Single-family housing has been a major issue for our businesses in attracting new employees and retaining current employees.

In 2025, we also began working with a company to construct a new manufacturing facility in the City of Hornell.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Hornell Industrial Development Agency
40 Main Street
Hornell, New York 14843

CITY OF HORNELL INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET POSITION

December 31, 2025 and 2024

<u>ASSETS:</u>	<u>2025</u>	<u>2024</u>
<u>Current Assets -</u>		
Cash and cash equivalents	\$ 3,277,701	\$ 3,310,305
Accounts receivable	212,248	143,046
Due from state and federal	157,575	157,575
PILOT receivable	83,838	59,823
Lease receivable	779,352	754,017
Prepaid items	29,671	27,714
Total Current Assets	<u>\$ 4,540,385</u>	<u>\$ 4,452,480</u>
<u>Noncurrent Assets -</u>		
Lease receivable	\$ 3,173,795	\$ 4,120,420
Total Noncurrent Assets	<u>\$ 3,173,795</u>	<u>\$ 4,120,420</u>
<u>Capital Assets -</u>		
Land	\$ 860,921	\$ 860,921
Machines and equipment	81,765	81,765
Accumulated depreciation - machines and equipment	(81,765)	(80,435)
Buildings and land improvements	15,093,929	14,510,181
Accumulated depreciation - buildings and land improvements	(8,035,759)	(7,641,329)
Total Capital Assets	<u>\$ 7,919,091</u>	<u>\$ 7,731,103</u>
<u>Lease Assets -</u>		
Buildings and land improvements	\$ 239,638	\$ 457,974
Accumulated amortization - buildings and land improvements	(160,977)	(179,256)
Total Lease Assets	<u>\$ 78,661</u>	<u>\$ 278,718</u>
TOTAL ASSETS	<u>\$ 15,711,932</u>	<u>\$ 16,582,721</u>
<u>DEFERRED OUTFLOWS:</u>		
Deferred outflows of resources	\$ 14,007	\$ 13,805
<u>LIABILITIES:</u>		
<u>Current Liabilities -</u>		
Accounts payable	\$ 6,457	\$ -
Accrued liabilities	1,482	160
PILOT payable	101,167	67,860
Unearned revenue	-	125,986
Lease liability	38,896	145,290
Chamber payable	22,104	22,104
Notes payable	17,465	17,291
Total Current Liabilities	<u>\$ 187,571</u>	<u>\$ 378,691</u>
<u>Noncurrent Liabilities -</u>		
Net pension liability	\$ 4,719	\$ 5,077
OPEB liability	138,581	133,170
Lease liability	48,357	146,483
Chamber payable	147,320	169,424
Notes payable, net	39,935	57,400
Total Noncurrent Liabilities	<u>\$ 378,912</u>	<u>\$ 511,554</u>
TOTAL LIABILITIES	<u>\$ 566,483</u>	<u>\$ 890,245</u>
<u>DEFERRED INFLOWS:</u>		
Deferred inflows of resources	\$ 3,955,010	\$ 4,879,165
<u>NET POSITION:</u>		
Net investment in capital assets	\$ 7,683,675	\$ 7,451,829
Unrestricted	3,520,771	3,375,287
TOTAL NET POSITION	<u>\$ 11,204,446</u>	<u>\$ 10,827,116</u>

(The accompanying notes are an integral part of the financial statements)

CITY OF HORNELL INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years ended December 31, 2025 and 2024

<u>OPERATING REVENUES:</u>	<u>2025</u>	<u>2024</u>
Rental Income	\$ 873,003	\$ 902,535
Miscellaneous Income	125,986	-
TOTAL OPERATING REVENUES	<u>\$ 998,989</u>	<u>\$ 902,535</u>
<u>OPERATING EXPENSES:</u>		
<u>Personnel Services and Employee Benefits -</u>		
Salaries and Benefits	\$ 208,361	\$ 209,423
<u>Contractual Expenses and Depreciation -</u>		
Repairs and Maintenance	48,106	35,561
Insurance - General and Medical	97,426	120,396
Consulting Fee	3,300	-
Legal and Accounting	35,726	30,959
Dues and Subscriptions	1,500	1,767
Utilities	12,938	33,301
Website Services	618	673
Telephone	13,612	12,916
Depreciation	395,760	257,490
Amortization	81,792	140,967
Office Supplies	11,137	9,634
Office Expense	300	-
Bank Service Charges	190	300
Postage	4,248	3,604
Outside Services	232,130	100,086
Travel and Conferences	1,114	251
Property Taxes	7,358	7,058
Miscellaneous	5,982	100
TOTAL OPERATING EXPENSES	<u>\$ 1,161,598</u>	<u>\$ 964,486</u>
OPERATING INCOME (LOSS)	<u>\$ (162,609)</u>	<u>\$ (61,951)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>		
Interest Income	\$ 155,075	\$ 198,694
Interest on Debt/Leases	(10,136)	(11,176)
TOTAL NONOPERATING REVENUES	<u>\$ 144,939</u>	<u>\$ 187,518</u>
CHANGE IN NET POSITION	\$ (17,670)	\$ 125,567
<u>SPECIAL ITEMS:</u>		
Contributed Capital	395,000	40,832
Grant Income - Federal	-	637,045
INCREASE IN NET POSITION	\$ 377,330	\$ 803,444
NET POSITION - BEGINNING OF YEAR	10,827,116	10,023,672
NET POSITION - END OF YEAR	<u>\$ 11,204,446</u>	<u>\$ 10,827,116</u>

(The accompanying notes are an integral part of the financial statements)

CITY OF HORNELL INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS

For the Years ended December 31, 2025 and 2024

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2025</u>	<u>2024</u>
Cash received from providing services	\$ 687,107	\$ 1,057,789
Cash payments contractual expenses	(469,863)	(505,893)
Cash payments personal services & benefits	(80,389)	(181,801)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 136,855</u>	<u>\$ 370,095</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Disposal of lease assets	\$ (86,255)	\$ (138,256)
Acquisition of capital assets	(583,748)	(770,084)
Chamber building	(22,104)	(22,104)
Contributed capital	395,000	586,046
Principal paid on debt	(17,291)	(17,118)
Interest paid on debt/Leases	(10,136)	(11,176)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (324,534)</u>	<u>\$ (372,692)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Interest income	\$ 155,075	\$ 198,694
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ 155,075</u>	<u>\$ 198,694</u>
NET (DECREASE) INCREASE IN CASH	\$ (32,604)	\$ 196,097
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	3,310,305	3,114,208
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,277,701</u>	<u>\$ 3,310,305</u>
OPERATING INCOME (LOSS)	<u>\$ (162,609)</u>	<u>\$ (61,951)</u>
<u>Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities -</u>		
Depreciation expense	\$ 395,760	\$ 257,490
Amortization expense	81,792	140,967
(Increase) / decrease in accounts receivable	(69,202)	167,739
(Increase) / decrease in prepaid items	(1,957)	1,687
(Increase) / decrease in PILOT receivable	(24,015)	386,801
Increase in OPEB liability	5,411	29,487
Increase / (decrease) in accounts payable and other accrued liabilities	7,779	(150,974)
(Decrease) in deferred revenue	(125,986)	-
Increase / (decrease) in PILOT payable	33,307	(399,286)
(Decrease) in pension liabilities	(3,425)	(1,865)
Total Adjustments	<u>\$ 299,464</u>	<u>\$ 432,046</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 136,855</u>	<u>\$ 370,095</u>

(The accompanying notes are an integral part of the financial statements)

CITY OF HORNELL INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

I. Summary of Significant Accounting Policies:

The financial statements of the City of Hornell Industrial Development Agency (the Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

1. Primary Government

The City of Hornell Industrial Development Agency is a public benefit corporation under the mandate of Article 18-A, "New York State Industrial Development Agency Act" of New York State general municipal law. The Agency was established by a special act of the New York State Legislature on March 20, 1973. The purpose of the Agency is to advance the job opportunities, health, general prosperity, and economic welfare of the people of City of Hornell and improve their recreation opportunities, prosperity and standard of living.

2. Related Entities

a. Hornell Area Industrial Development Corporation - The Hornell Area Industrial Development Corporation (HAIDC) is a nonprofit corporation created to assist companies to establish themselves and prosper in the Hornell area. The HAIDC is considered a related entity since its members are also members of the Agency. HAIDC members have complete independent responsibility and accountability for their fiscal matters, therefore, the HAIDC functions and activities are not included in the Agency's financial statements. During the years ended December 31, 2025 and 2024 there were no transactions between the Agency and the HAIDC, and there are no amounts due from or due to the HAIDC at December 31, 2025 and 2024.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The *Uniform System of Accounts for Industrial Development Agencies* published by the New York State Office of the State Comptroller prescribes for the use of a single fund type to record all financial transactions of the Agency. The City of Hornell Industrial Development Agency has opted to report its activity within a proprietary fund type as follows:

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Fixed assets and long-term liabilities related to these activities are recorded within the fund.

(I.) (Continued)

The Agency applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. The Agency utilizes the following proprietary fund type:

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and /or net income is necessary for management accountability. The Agency's enterprise funds include the following:

Operating Fund - is used to account for the general operating activities of the Agency.

C. Cash and Cash Equivalents

The Agency's monies must be deposited in FDIC insured commercial banks or trust companies located within the state. Cash and cash equivalents are carried at cost plus accrued interest which approximates fair value.

For purposes of presenting the statement of cash flows, the Agency considers all highly liquid short-term investments with maturities of twelve months or less from the date of purchase to be cash or cash equivalents.

D. Accounts Receivable

Receivables are shown net of an allowance for uncollectible accounts, when applicable.

In addition, the Agency will report a receivable relating to a lease arrangement. The receivable is recorded at the present value of the future payments and recognized over the life of the lease.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expense when consumed rather than when purchased.

F. Capital Assets

1. Property, Plant and Equipment

Property, plant and equipment are stated at cost (or estimated historical cost), including interest capitalized during construction, where applicable. The Agency generally capitalizes assets with a cost of \$10,000 or more as purchases and construction outlays occur. Depreciation is computed using the straight-line method over the estimated useful life of the assets as follows:

Buildings/Improvements	30 Years
Land Improvements	10 Years
Furniture, Fixtures and Equipment	5 - 7 Years

(I.) (Continued)

Maintenance and repairs are charged to operations, while renewals and betterments are capitalized. When property and equipment are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

The Agency has developed various properties which it leases under operating leases and direct financing leases to companies establishing or expanding new business activities in the Hornell, New York area. Those properties that are leased under an operating lease are recorded at cost, which includes all costs incurred during the development state, net of accumulated depreciation.

The carrying value of the property leased under a direct financing lease has been removed from the Agency's capital assets and a lease receivable has been recorded. The difference between the total lease receivable and the carrying value of the leased property represents interest income to be earned over the life of the lease.

G. Right To Use Assets

The Agency-wide financial statements, right-to-use-assets are reported within the major class of the underlying asset and valued at the future minimum lease payment. Amortization is between 2 and 5 years based on the contract terms and/or estimated replacement of the assets.

H. Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

I. Net Position

GASB requires the classification of net position into three components as defined below:

1. **Net Investment in Capital Assets** - Capital assets purchased with available funds and grants.
2. **Restricted** - Consists of net position restricted for loan or grant proceeds.
3. **Unrestricted Net Position** - Represents monies available for the future operations of the Agency.

(I.) (Continued)

J. Industrial Development Revenue Bond and Note Transactions

Industrial development revenue bonds and notes issued by the Agency are secured by the properties which are leased to companies and are retired by lease payments. The bonds and notes are not obligations of the Agency, the City, or the State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders. The funds arising there from are controlled by trustees or banks acting as fiscal agents. The Agency receives bond administrative fees from the borrowing companies for providing the service. Such administrative fee income is recognized immediately upon issuance of the bonds and notes.

K. Lease Transactions

The Agency has established a lease program to provide state and local tax benefits to companies developing industrial properties. Under this program the Agency receives title to properties under development and leases the property to the previous titleholder (lessee). The Agency generally contracts for payment-in-lieu-of-tax agreements between lessees and participating municipalities. All risks associated with property ownership and business activities on such properties remain with the lessee. Title to those properties is transferred back to the lessee at the end of the maximum tax benefit period or at any time during the lease period at the option of the lessee. The Agency does not record assets acquired under the lease program since the Agency's primary function is to provide state and local tax benefits to the lessee. The Agency receives lease administrative fees from the lessee for providing this service. Such administrative fee income is recognized at lease inception or ratably over the term of the lease depending on the agreement terms between the lessee and the Agency.

L. Income Taxes

As a public benefit corporation, the Agency is exempt from federal and state income taxes, as well as state and local property and sales taxes.

M. Use of 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 expenditures during the reporting period. Actual results could differ from those estimates.

N. Budget

The Agency is not required to have a legally adopted budget. However, under the Public Authorities Law, the Agency Board must approve and issue a budget on an annual basis representing the Agency's objectives and priorities for the year.

(I.) (Continued)

O. New Accounting Standards

The Agency has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2025, the Agency implemented the following new standards issued by GASB:

GASB has issued Statement 102, *Certain Risk Disclosures*.

P. Future Changes in Accounting Standards

GASB has issued Statement 103, *Financial Reporting Model Improvements*, which will be effective for fiscal years beginning after June 15, 2025.

GASB has issued Statement 104, *Disclosure of Certain Capital Assets*, which will be effective for fiscal years beginning after June 15, 2025.

GASB has issued Statement 105, *Subsequent Events*, which will be effective for fiscal years beginning after June 15, 2026.

The Agency is currently reviewing these statements and plans on adoption as required.

II. Detail Notes on All Funds and Account Groups:

A. Assets

1. Cash and Investments

The Agency's investment policies are governed by state statutes. In addition, the Agency has its own written investment policy. The Agency's monies must be deposited in FDIC insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity. The Combined Statement of Cash Flows uses the indirect method of reporting cash flows. All deposits including certificates of deposit are carried at cost.

Custodial credit risk is the risk that in the event of bank failure, the Agency's deposits may not be returned to it. While the Agency does not have a specific policy for custodial credit risk, New York State statutes govern the Agency's investment policies, as discussed previously in these notes.

(II.) (Continued)

The Agency's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end, however, collateralized as follows:

	<u>2025</u>	<u>2024</u>
Uncollateralized	\$ -	\$ -
Collateralized with securities held by the pledging financial institution	1,889,879	1,957,661
Total	<u><u>\$ 1,889,879</u></u>	<u><u>\$ 1,957,661</u></u>

2. **Receivables**

- a. **Accounts Receivable** - The balance of accounts receivable is stated at net realizable value and represents lease payments due to the Agency as follows:

	<u>2025</u>	<u>2024</u>
Accounts Receivable	<u>\$ 212,248</u>	<u>\$ 143,046</u>

- b. **Due from State and Federal** – Represents amounts due from the US Department of Commerce, Economic Development Administration (EDA) for infrastructure improvements at Shawmut Park.

	<u>2025</u>	<u>2024</u>
Due from State and Federal	<u>\$ 157,575</u>	<u>\$ 157,575</u>

- c. **Payment in Lieu of Taxes (PILOT) Receivable** – Represents amounts that the Agency collects from companies participating in PILOT programs on behalf of the City of Hornell, Hornell City School District, Arkport Central School District and County of Steuben. A corresponding PILOT payable is also recorded. The PILOT receivable due to the Agency as follows:

	<u>2025</u>	<u>2024</u>
PILOT Receivable	<u>\$ 83,838</u>	<u>\$ 59,823</u>

- d. **Lease Receivable** – The Agency leases its real property and improvements to various companies under non-cancelable leases through 2038. The lease receivable is \$3,953,147 for the year ended December 31, 2025.

<u>Year</u>	<u>Leases</u>
2026	\$ 779,352
2027	818,785
2028	823,141
2029	856,213
2030	398,535
2031-35	252,791
2036-38	24,330
Total	<u><u>\$ 3,953,147</u></u>

(II.) (Continued)

3. Capital Assets

The following is a summary of capital assets for the Agency at December 31:

	<u>Balance</u> <u>01/01/25</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2025</u>
Land	\$ 860,921	\$ -	\$ -	\$ 860,921
Buildings and improvements	13,632,963	563,483	-	14,196,446
Machinery and equipment	81,765	-	-	81,765
Land improvements	877,218	20,265	-	897,483
Less: accumulated depreciation	(7,721,764)	(395,760)	-	(8,117,524)
Total Capital Assets	\$ 7,731,103	\$ 187,988	\$ -	\$ 7,919,091

	<u>Balance</u> <u>01/01/24</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2024</u>
Land	\$ 857,714	\$ 3,207	\$ -	\$ 860,921
Buildings and improvements	9,840,695	3,792,268	-	13,632,963
Machinery and equipment	81,765	-	-	81,765
Land improvements	758,607	118,611	-	877,218
Construction in progress	3,144,002	648,141	3,792,143	-
Less: accumulated depreciation	(7,464,274)	(257,490)	-	(7,721,764)
Total Capital Assets	\$ 7,218,509	\$ 4,304,737	\$ 3,792,143	\$ 7,731,103

Depreciation expense for December 31, 2025 and 2024 was \$395,760 and \$257,490, respectively.

4. Lease Assets

The following is a summary of lease assets for the Agency at December 31:

	<u>Balance</u> <u>01/01/25</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2025</u>
Buildings and improvements	\$ 457,974	\$ -	\$ 218,336	\$ 239,638
Less: accumulated amortization	(179,256)	(81,792)	(100,071)	(160,977)
Total Lease Assets	\$ 278,718	\$ (81,792)	\$ 118,265	\$ 78,661

	<u>Balance</u> <u>01/01/24</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2024</u>
Buildings and improvements	\$ 432,415	\$ 224,046	\$ 198,487	\$ 457,974
Less: accumulated amortization	(236,776)	(140,967)	(198,487)	(179,256)
Total Lease Assets	\$ 195,639	\$ 83,079	\$ -	\$ 278,718

Amortization expense for December 31, 2025 and 2021 was \$81,792 and \$140,967, respectively.

(II.) (Continued)

5. Long-Term Debt

The following is a summary of the total outstanding obligations of the Agency at December 31:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Classified As</u>	
	<u>01/01/25</u>			<u>12/31/25</u>	<u>Current</u>	<u>Non-Current</u>
STREDC Mortgage on Iron Horse Depot 1% interest collateralized by rental property	\$ 74,691	\$ -	\$ 17,291	\$ 57,400	\$ 17,465	\$ 39,935
Chamber payable	191,528	-	22,104	169,424	22,104	147,320
Net pension liability	5,077	-	358	4,719	-	4,719
OPEB liability	133,170	5,411	-	138,581	-	138,581
Leases	291,773	-	204,520	87,253	38,896	48,357
Total Long-Term Obligations	\$ 696,239	\$ 5,411	\$ 244,273	\$ 457,377	\$ 78,465	\$ 378,912

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Classified As</u>	
	<u>01/01/24</u>			<u>12/31/24</u>	<u>Current</u>	<u>Non-Current</u>
STREDC Mortgage on Iron Horse Depot 1% interest collateralized by rental property	\$ 91,809	\$ -	\$ 17,118	\$ 74,691	\$ 17,291	\$ 57,400
Chamber Payable	213,632	-	22,104	191,528	22,104	169,424
Net pension liability	9,038	-	3,961	5,077	-	5,077
OPEB liability	103,683	29,487	-	133,170	-	133,170
Leases	205,983	224,046	138,256	291,773	145,290	146,483
Total Long-Term Obligations	\$ 624,145	\$ 253,533	\$ 181,439	\$ 696,239	\$ 184,685	\$ 511,554

The following table summarizes the Agency's future debt service requirements as of December 31, 2025:

<u>Year</u>	<u>Rental</u>		<u>Chamber</u>	<u>Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 17,465	\$ 494	\$ 22,104	\$ 38,896	\$ 2,972
2027	17,640	319	22,104	41,284	1,265
2028	17,817	142	22,104	7,073	38
2029	4,478	-	22,104	-	-
2030	-	-	22,104	-	-
2031-34	-	-	58,904	-	-
Total	\$ 57,400	\$ 955	\$ 169,424	\$ 87,253	\$ 4,275

III. Deferred Inflows/Outflows of Resources

The following is a summary of the deferred inflows/outflows of resources:

	2025		2024	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension	\$ 14,007	\$ 1,863	\$ 13,805	\$ 4,728
Leases	-	3,953,147	-	4,874,437
Total	\$ 14,007	\$ 3,955,010	\$ 13,805	\$ 4,879,165

IV. General Information and Pension Plans:

A. General Information About Pension Plan

1. Plan Description

The Agency participates in the New York State Local Employees' Retirement System (ERS). This is a cost sharing multiple employer defined benefit retirement system. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Agency also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

2. Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

(IV.) (Continued)

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20% of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% of the average of the previous two years.

Tier 3, 4, 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4, and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of wages earned in the three highest consecutive years. For Tier 3, 4, and 5 members, each year of final average salary is limited to no more than 10% of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age of Tier 6 is 63 and ERS members.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 members with five or more years of service can retire as early as 55 with reduced benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% of the average of the previous four years.

(IV.) (Continued)

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75% of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5, and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

3. Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3% of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly, used in computing the employers' contributions based on salaries paid during the Systems' financial year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

(IV.) (Continued)

Prepayment	
<u>Due Date</u>	<u>ERS</u>
12/15/2025	\$ 6,568
12/15/2024	\$ 5,838
12/15/2023	\$ 4,814

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At December 31, 2025, the Agency reported a liability of \$4,719 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2025, the Agency's proportion was 0.0000275% for ERS.

For the year ended December 31, 2025 the Agency recognized pension expense of \$2,958. At December 31, 2025, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,171	\$ 55
Changes of assumptions	198	-
Net difference between projected and actual earnings on pension plan investments	370	-
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	7,342	1,808
Subtotal	\$ 9,081	\$ 1,863
Agency's contributions subsequent to the measurement date	4,926	-
Grand Total	\$ 14,007	\$ 1,863

(IV.) (Continued)

The Agency reported \$4,926 as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year</u>	<u>Amount</u>
2026	\$ 2,719
2027	2,818
2028	895
2029	786
Total	<u><u>\$ 7,218</u></u>

1. Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>ERS</u>
Measurement date	March 31, 2025
Actuarial valuation date	April 1, 2024
Interest rate	5.90%
Salary scale	4.30%
Decrement tables	April 1, 2015- March 31, 2020 System's Experience
Inflation rate	2.90%
COLA	1.50%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

(IV.) (Continued)

<u>Long Term Expected Rate of Return</u>	
<u>ERS</u>	
Measurement date	March 31, 2025
<u>Asset Type -</u>	
Domestic equity	3.54%
International equity	6.57%
Private equity	7.25%
Real estate	4.95%
Opportunistic portfolios	5.25%
Real assets	5.55%
Cash	0.25%
Fixed income	2.00%
Credit	5.40%

The real rate of return is net of the long-term inflation assumption of 2.9%.

2. Discount Rate

The discount rate used to calculate the total pension liability was 5.90%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

3. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the Agency's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (4.90%) or 1-percentage-point higher (6.90%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
	<u>(4.90%)</u>	<u>(5.90%)</u>	<u>(6.90%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (13,657)	\$ (4,719)	\$ 2,744

(IV.) (Continued)

4. **Pension Plan Fiduciary Net Position**

The components of the current year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	<u>(In Thousands)</u>
	<u>ERS</u>
Measurement date	March 31, 2025
Employers' total pension liability	\$ 247,600,239
Plan net position	<u>230,545,512</u>
Employers' net pension asset/(liability)	<u>\$ (17,054,727)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	93.08%

V. **Postemployment Benefits**

A. **General Information About the OPEB Plan**

Plan Description – The Agency’s defined benefit OPEB plan, provides OPEB for certain employees of the Agency. The plan is a single-employer defined benefit OPEB plan administered by the Agency. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Agency Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The Agency provides healthcare benefits for retirees and their spouses. The benefit terms are dependent on individual contracts with the employee. The specifics of each contract are on file at the Agency and are available upon request.

Employees Covered by Benefit Terms – At December 31, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments:	2
Active employees:	<u>0</u>
Total	<u><u>2</u></u>

B. **Total OPEB Liability**

The Agency’s total OPEB liability of \$138,581 was measured as of December 31, 2025 and was determined using the alternative method.

The assumptions used for the alternative method are as follows:

Discount Rate	3.75%
Healthcare Cost Trend Rates	7.50%

The discount rate was based on an Aa rating.

Mortality rates were based on the IRS Social Security tables.

(V.) (Continued)

C. **Changes in the Total OPEB Liability**

Balance at December 31, 2024	\$ 133,170
Changes for the Year -	
Net Changes	<u>5,411</u>
Balance at December 31, 2025	<u><u>\$ 138,581</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Agency, as well as what the Agency’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75%) or 1-percentage-point higher (4.75%) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	<u>(2.75%)</u>	<u>(3.75%)</u>	<u>(4.75%)</u>
Total OPEB liability	\$ 146,756	\$ 138,581	\$ 131,056

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Agency, as well as what the Agency’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current health care cost trend rate:

	1% Decrease	Healthcare	1% Increase
	<u>(6.50%)</u>	Cost Trend Rate	<u>(8.50%)</u>
		<u>(7.50%)</u>	
Total OPEB liability	\$ 132,344	\$ 138,581	\$ 145,111

VI. **Commitments and Contingencies**

A. **Pending or Threatened Litigation**

There is one pending case filed against the Agency in which the outcome and any potential liability cannot be determined at this time.

B. **Grants and Contracts**

The Agency receives various grants and contracts, which may be subject to audit by agencies of the State and Federal government. Such audits may result in disallowances and a request for a return of funds. As of the audit report date management is not aware of any disallowances.

CITY OF HORNELL INDUSTRIAL DEVELOPMENT AGENCY

**SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
(UNAUDITED)**

For the Year ended December 31, 2025

NYSERS Pension Plan

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the net pension liability (assets)	0.0000275%	0.0000345%	0.0000421%	0.0000654%	0.0000759%	0.0000925%	0.0087200%	0.0094500%	0.0087700%
Proportionate share of the net pension liability (assets)	\$ 4,719	\$ 5,077	\$ 9,038	\$ (5,350)	\$ 76	\$ 24,501	\$ 6,176	\$ 3,050	\$ 8,238
Covered-employee payroll	\$ 52,500	\$ 52,500	\$ 51,587	\$ 52,500	\$ 52,500	\$ 53,700	\$ 55,000	\$ 63,155	\$ 58,294
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	8.989%	9.670%	17.520%	-10.190%	0.145%	45.626%	11.229%	4.829%	14.132%
Plan fiduciary net position as a percentage of the total pension liability	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%

10 years of historical information is not available and will be reported each year going forward

(See Independent Auditors' Report)

CITY OF HORNELL INDUSTRIAL DEVELOPMENT AGENCY

**SCHEDULE OF AGENCY CONTRIBUTIONS
(UNAUDITED)**

For the Year ended December 31, 2025

NYSERS Pension Plan

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 5,838	\$ 4,815	\$ 4,222	\$ 5,467	\$ 5,060	\$ 5,017	\$ 4,469	\$ 4,469	\$ 4,105
Contributions in relation to the contractually required contribution	<u>(5,838)</u>	<u>(4,815)</u>	<u>(4,222)</u>	<u>(5,467)</u>	<u>(5,060)</u>	<u>(5,017)</u>	<u>(4,469)</u>	<u>(4,469)</u>	<u>(4,105)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 52,500	\$ 52,500	\$ 51,587	\$ 52,500	\$ 52,500	\$ 53,700	\$ 55,000	\$ 63,155	\$ 58,294
Contributions as a percentage of covered-employee payroll	11.12%	9.17%	8.18%	10.41%	9.64%	9.34%	8.13%	7.08%	7.04%

10 years of historical information is not available and will be reported each year going forward

(See Independent Auditors' Report)

CITY OF HORNELL INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF AGENCY INVESTMENTS

For the Year ended December 31, 2025

Annual Investment Report - Section 2925(6) of Public Authorities Law of the State of New York requires that each public authority must annually prepare and investment report which shall include a) investment guidelines, b) amendments to such guidelines since the last investment report, c) an explanation of the investment guidelines and amendments, d) results of the annual independent audit, e) the investment income of the Agency, and f) a list of the total fees, commissions or other charges paid to each investment banker, broker, dealer and advisor rendering investment associated services to the Agency since the last investment report.

- a. Investment guidelines - The Agency's investment policies are adopted by the Board of Directors
- b. Amendments to guidelines - None
- c. Explanation of guidelines and investments - These guidelines restrict investment of Agency funds to money market accounts and certificates of deposit. The Agency has not made any amendments to its investment policy.
- d. Results of the annual independent audit - The independent auditors have issued an unmodified opinion on the Agency's financial statements for the year ended December 31, 2025.
- e. Investment income record - Investment income for the year ended December 31, 2025 consisted of:

	Interest Earned
Interest earned on cash and cash equivalents	\$ 55,563
Interest earned on leases receivable	99,512
Total	\$ 155,075

- f. List of the total fees, commissions or other charges paid to each investment banker, broker, dealer, and advisor rendering investment associated services to the Agency since the last investment report - no such fees or commissions were paid during the year ended December 31, 2025.

(See Independent Auditors' Report)

CITY OF HORNELL INDUSTRIAL DEVELOPMENT AGENCY

REAL PROPERTY LISTINGS

December 31, 2025

1. **Real property list** - Section 2896(3) of Public Authorities Law of the State of New York requires that each public authority must publish, at least annually, a report listing all real property of the authority. At December 31, 2025, the Agency owned the following real property:

Section/Block/Lot Identification #	Municipality	Property Location and Description
122.01-01-027.111	City of Hornell, NY	1001-1074 Residence Way Phase 3 - vacant
136.03-01-001.011	City of Hornell, NY	1060 State Route 36
136.17-01-001.200	City of Hornell, NY	Shawmut Drive - vacant land
150.00-01-062.000	City of Hornell, NY	Wood Street - vacant land
150.00-01-064.000	City of Hornell, NY	Wood Street - vacant land
151.05-02-001.300	City of Hornell, NY	Shawmut Drive - vacant land
151.05-02-002.100	City of Hornell, NY	Shawmut Drive - vacant land
151.05-02-002.200	City of Hornell, NY	Shawmut Drive - Strobels
151.05-02-007.000	City of Hornell, NY	Shawmut Drive - Alstom
151.05-02-009.000	City of Hornell, NY	Shawmut Drive - vacant land
151.10-01-001.200	City of Hornell, NY	Shawmut Drive - Alstom
151.10-01-044.000	City of Hornell, NY	195-203 Seneca Street - Alstom
151.10-01-048.000	City of Hornell, NY	185 Seneca Street - Alstom
151.10-01-067.000	City of Hornell, NY	Fulton Street - vacant land
151.13-01-061.000	City of Hornell, NY	18 North Main Street
151.15-01-001.000	City of Hornell, NY	Fulton Street - vacant land
151.15-01-093.100	City of Hornell, NY	Washington Street - vacant land
151.17-01-069.100	City of Hornell, NY	West Street Ext.
151.17-01-064.000	City of Hornell, NY	West Street - vacant land
151.17-01-068.200	City of Hornell, NY	67 West Street
151.17-01-068-110	City of Hornell, NY	69 West Street
151.17-01-069.200	City of Hornell, NY	46-116 Fairlawn Ave Even
151.17-01-070.000	City of Hornell, NY	135 Fairlawn Ave - Office
151.63-02-031.000	City of Hornell, NY	44 Main Street
151.63-02-032.000	City of Hornell, NY	40 Main Street
151.63-02-033.100	City of Hornell, NY	38 Main Street Rear
151.63-02-033.200	City of Hornell, NY	38 Main Street Front
151.63-02-035.000	City of Hornell, NY	32-34 Main Street
151.63-02-053.000	City of Hornell, NY	Elm Circle
151.71-03-036.000	City of Hornell, NY	103-113 Main Street - Erieline Antiques
151.10-01-066.000	City of Hornell, NY	1 Wm Jackson Lane
151.71-03-050.000	City of Hornell, NY	33-43 Broadway
151.71-03-039.000	City of Hornell, NY	117 Main Street
166.10-03-038.000	City of Hornell, NY	430 Canisteo St
151.72-01-048.000	City of Hornell, NY	38-40 Broadway
151.19-01-037.000	City of Hornell, NY	27 Bank Street
166.00-03-009.400	City of Hornell, NY	6258 Ice House Rd
166.05-01-006.200	City of Hornell, NY	25-127 Fairlawn Ave Odd
166.15-01-001.000	City of Hornell, NY	231 East Avenue
166.15-01-070.000	City of Hornell, NY	232 East Avenue

(See Independent Auditors' Report)

1. Real property list (Continued) –

Section/Block/Lot Identification #	Municipality	Property Location and Description
166.05-01-006.110	City of Hornell, NY	Hartshorn Street
166.06-07-045.001	City of Hornell, NY	111 Loder St
166.06-07-046.103	City of Hornell, NY	17 Park Drive
166.06-07-044-111	City of Hornell, NY	Transit Drive
166.11-01-014.100	City of Hornell, NY	Park Drive
166.11-01-015.000	City of Hornell, NY	Transit Drive - Alstom
166.25-02-020.000	City of Hornell, NY	1 Prindle Ave
166.33-01-012.100	City of Hornell, NY	Transit Drive - Alstom
166.33-01-012.200	City of Hornell, NY	Transit Drive - Alstom
166.00-03-009.100	City of Hornell, NY	South Yard - Lin Industries
166.00-03-009.200	City of Hornell, NY	Vacant Land
166.00-03-009.500	City of Hornell, NY	Vacant Land
166.00-03-009.600	City of Hornell, NY	Vacant Land
166.11-01-014.200	City of Hornell, NY	30 Park Drive
166.00-03-009.300	City of Hornell, NY	GMI
166.33-04-008.000	City of Hornell, NY	GMI
122.00-01-024.200	Town of Hornellsville, NY	Generalli Property
122.01-01-027.500	City of Hornell, NY	Airport Road
122.01-01-027.600	City of Hornell, NY	Residences
122.03-01-056.000	Town of Hornellsville, NY	Generalli Property - vacant land
122.03-01-024.100	Town of Hornellsville, NY	Generalli Property - vacant land
121.00-01-046.200	Town of Hornellsville, NY	Pump Station
151.05-01-063.000	Town of Hornellsville, NY	Shawmut Drive - vacant land
151.05-01-064.400	Town of Hornellsville, NY	Shawmut Drive - vacant land
151.05-01-064.500	Town of Hornellsville, NY	Shawmut Drive - vacant land
150.00-01-057.000	Town of Hornellsville, NY	Hartshorn/West Street

2. Real property list - Additions –

Section/Block/Lot Identification #	Municipality	Property Location and Description
122.01-01-027.111	City of Hornell	1001-1074 Residence Way Phase 3
166.10-03-038.000	City of Hornell	430 Canisteo St

(See Independent Auditors' Report)