

COUNTY OF OTSEGO
INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Otsego County, New York)

FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

COUNTY OF OTSEGO
INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Otsego County, New York)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County of Otsego Industrial Development Agency
242 Main Street
Oneonta, New York

We have audited the accompanying statements of net position of the County of Otsego Industrial Development Agency ("COIDA"), a component unit of Otsego County, New York, as of December 31, 2015 and 2014, and the related statements of revenues, expenditures and changes in net position, and statements of cash flows and the related notes for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of COIDA as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 4 – 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and 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 method 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 audits 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 Information

Our audits are conducted for the purpose of forming an opinion on COIDA's financial statements as a whole. The supplemental information on Pages 23 – 25 in the other financial information section is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplemental information that is required by the Office of New York State Comptroller. The schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2016 on our consideration of COIDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering COIDA's internal control over financial reporting and compliance.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
March 22, 2016

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the financial management of the County of Otsego Industrial Development Agency ("COIDA"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for COIDA for the fiscal year ended December 31, 2015. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. COIDA encourages its readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Budget

COIDA budgets its operating income and expenses each year. COIDA's primary source of income is generated through lease payments on buildings it owns in the Pony Farm Industrial Park, interest income on loans and fees for services including sale/leaseback agreements.

Expenses for COIDA comprise mostly of general agency operations including development of and maintenance for the Pony Farm Industrial Park, professional service fees, staff and leased office space. COIDA did have employees for the first time in 2014; for years prior to that, COIDA's executive and clerical support was provided by the Otsego County Economic Development Department.

Overview of the Financial Statements

This discussion and analysis accompanies COIDA's financial statements, including notes to the financial statements and the reports on compliance and internal control to help the reader better understand the financials.

Financial Statements

COIDA's financial statements provide readers with a comprehensive reporting of COIDA's 2015 transactions and balances. The difference between the assets and liabilities are reported as net position. Increases or decreases in net position are an indicator of strengthened or weakened financial position.

Notes to the Financial Statements

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

Financial Analysis

Operating loss for COIDA was \$(374,736) for fiscal year 2015, compared to \$(771,587) for the fiscal year 2014. This represents an increase in revenues of \$45,209 and a decrease in expenses of \$351,642.

The increases in operating revenues was mostly attributable to:

- Increase in interest income on notes of \$12,110;
- Increase in rental income of \$8,410;
- Decrease in administration fees of \$47,800; and
- Economic development support of \$75,250.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The decreases in operating expenses was mainly due to:

- Decrease in bad debt allowance of \$444,485; with no change in allowance for current year;
- Increase in salaries and wages of \$20,971;
- Increase in office rent of \$12,500 – full year rental;
- Increase in travel, seminar and training of \$12,229; and
- Increase in depreciation expenses of \$41,541.

At the close of fiscal year 2015, COIDA had net position of \$5,906,663, a decrease of \$250,951 from the prior year. The term “net position” refers to the difference between assets and liabilities.

COIDA's prime objective is to provide assistance to existing businesses, expansions and business startups with professional assistance, tax incentives, educational programs and access to capital for the purposes of creating jobs and economic development activity within Otsego County. The loan funds are comprised of investments dedicated to this purpose and matching funds from COIDA's accumulated working capital. The revolving loan fund in COIDA's statement of net position is the major asset. For COIDA's loan funds, the financial statements show a net decrease of \$134,894 from \$682,069 at year-end 2014 to \$547,175 at year-end 2015.

COIDA's current major capital assets are the former Soccer Hall of Fame property in Oneonta, the Pony Farm Industrial Park in Oneonta, and property in Richfield Springs for a future industrial park. These projects are concurrent with COIDA's objectives of encouraging economic development in the county.

ACCOMPLISHMENTS

Activities and Major Projects

Board and Compliance

COIDA's Board, Audit & Finance Committee, and Project Committee all continued to meet on a monthly basis to address the Agency's governance and projects, its financials and loan portfolio. Staff prepared and submitted the agency's Procurement, Investment and Annual Report on time to the ABO, and adopted a new practice of reviewing drafts of the 2016 budget (also submitted on time) via smartboard so that Board members could go deeper into line items where desired. The Board's membership remained unchanged in 2015. In March of 2015, the agency received a clean certified financial audit from its auditing firm. Staff continued to meet individually with COIDA loan clients, particularly those with delinquent loans, and were successful in obtaining payments from three loan clients who had not serviced their loans for several years. COIDA's loan portfolio has become healthier as a result. The Agency also decided to write off three non-performing loans for a total of approximately \$190,000 in 2016.

Strategic Plan

Under the guidance of Peter Fairweather of Fairweather Consulting, the agency's board convened at two half-day offsite retreats for the purpose of formulating and stress-testing a strategic and tactical plan for 2016 and beyond. COIDA expects to use this plan going forward to help it identify opportunities and, just as important, provide focus across the myriad different directions the agency could take.

Oneonta Business Park

In 2015, as a result of months of work by the agency's CEO, COIDA's 40-plus developable acres in the industrial park formerly known as Pony Farms, achieved shovel-ready status, and is now being marketed aggressively through New York State and site-selector channels.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Oneonta Rail Yards

In 2015, the Canadian Pacific Rail Yards were purchased by Norfolk Southern, a company genuinely invested in development. COIDA, benefitting from a \$47,500 CDBG grant, hired Clark Patterson Lee to conduct an engineering study to identify development potential in the rail yards, environment issues and engineering issues related to traffic, infrastructure and building; COIDA began taking steps to obtain control of approximately 80 acres at the rail yards with a goal of creating multi-modal shovel-ready sites available to market in 2017-2018. COIDA was successful with an Empire State grant at the end of 2015 that will further support rail yards development, including further engineering, SEQR, draft GEIS preparation and local City of Oneonta approvals.

Workforce Development

With the indispensable help of Senator James Seward, Otsego Now obtained significant grant funding to outfit its Workforce Training Center with 20 laptop computers, audio-visual equipment and smart boards, as well as desks, tables, furniture and fixtures for classroom and small-group use. With its 2014 CDBG grant for training activities, the agency developed two curricula (job readiness, and Direct Support Professional certification) and conducted its first classes to train workers in partnership with local employers. 2016 promises to provide additional DSP training, as well as job readiness training that has been enhanced with specific skills relevant to, in one class, the advanced manufacturing industry, and in the other, the hospitality industry. The Center continues to work directly with in the County and targeted sectors for attraction to identify workforce development needs. create curricula and enhanced skills to address them.

Food Hub/Food Innovation District

The agency launched the food-hub feasibility study, for which it was awarded \$165,000 in ESD funds in early 2015, and expects the full analysis and early development plan to be completed by Spring 2016. In the mean time, through Round V of the CFAs, COIDA won an additional \$700,000 of ESD grant funding (available 2016) to acquire real property in Oneonta to advance the creation of the future food hub's physical presence. On a larger level, this project will lead through a progressive strategy connected to a food and beverage innovation area, to a revitalization of Oneonta's Market Street, a currently desolate area with abundant potential (Stella Luna restaurant, vacant land, Foothills Performing Arts Center, etc).

Agriculture Microenterprise Grants

COIDA applied for and received a pool of \$200,000 in agricultural microenterprise grant funds, and following an exhaustive process evaluating more than 20 applications (through a committee comprised of a local bank president, two senior local ag lenders, a local farmer and an intellectual property attorney), decided to award grant money to nine small agribusinesses. Partner Shelter Planning is providing program administration and delivery, and at the time of this writing, all grant funds have been committed and most have been disbursed to the individual farmers.

Grants

Through Governor Cuomo's fifth round of the Consolidated Funding Application process, the agency enjoyed great success in garnering funding commitments for its most important initiatives, including

- \$500,000 to move the Oneonta Rail Yards project forward
- \$700,000 towards capital costs associated with a regional ag center/food & beverage innovation hub
- \$50,000 to conduct a feasibility study pertaining to development of/around the Oneonta Airport
- \$30,000 to study the Route 205 corridor to identify and remediate traffic-related issues that impede economic development and job creation
- \$20,000 to study a possible workforce and tourism rail connection between Cooperstown and Milford

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Further, the agency worked with several businesses to create CFA applications, and succeeded in helping garner \$250,000 in funding for Generations Malting, \$400,000 for renovations for properties owned by the ARC Otsego, and \$110,000 for a business expansion at B&B Ranch.

Cooperstown Plan

Following a fruitful Phase One, COIDA furthered the development of a strategic and revitalization plan for Cooperstown, in order to identify development nodes, attract new business and revitalize the Main Street and greater community. The comprehensive plan, expected to be adopted by the Village in mid-2016, will identify opportunities to bring private investment to Cooperstown and will serve as the backbone of economic development opportunities for the Village.

Richfield Springs Business Park Development

The agency, using ESD planning funds, expects to complete a joint Town/Village comprehensive plan for Richfield Springs by mid 2016, part of which plan will determine the feasibility, archeological and engineering issues, and possible locations of a business park for future development.

Sale/Leaseback

In the late summer of 2014, COIDA approved a sale/leaseback agreement with Northern Eagle Beverages, to provide critical financial assistance for the company's project to build a new warehouse, office space, brewery, brew pub and tasting room on its Browne Street property. The PILOT, which closed at the end of 2015, has assisted the company in this capital project, Phase One of which is expected to be complete mid-2016.

Investment

In mid 2015, COIDA approved an investment in the Cooperstown Distillery, d/b/a The Cooperstown Beverage Exchange, for necessary equipment purchases to open a flagship store on Main Street, Cooperstown, offering beverages and merchandise from all of the participants in Otsego County's Beverage Trail, including COIDA clients Brewery Ommegang, Northern Eagle, and Butternuts Brewery.

Wright National Soccer Campus

At the end of 2014, COIDA acquired the former Soccer Hall of Fame property, appraised at \$2,320,000. IOXUS, the growing ultracapacitor manufacturer, leases the Hall of Fame building itself, and the Oneonta Youth Soccer Association maintains a use agreement with COIDA in which OYSA maintains the fields, bleachers, scoreboards, etc. in exchange for use of the fields for games and tournaments (thus making use of the fields available to teams throughout New York). Effort continues to identify strategies to expand the use of these facilities in the shoulder and winter seasons, possibly through a soccer dome.

Broadband Development

COIDA has created a partnership between Otsego Electric Cooperative, Middleburgh Telephone (Mid-Tel), Otsego County and itself to expand broadband services to under and unserved areas in Otsego County, and stands ready to competitively seek grants and other sources of financing for countywide broadband buildout. The agency has been frustrated by the many delays in launching grant-funding opportunities for this important initiative, but feels confident that its buildout plan, coupled with its experienced partners, will help it garner success in obtaining financing in 2016.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Solar

COIDA continues to work forward with an aggressive renewable energy agenda. Progress is proceeding with COIDA driven solar generation projects in both the Town of Oneonta and Town of Richfield. We are also assisting with the Village of Cooperstown's solar project, supporting site selection and potential operations cost relief. These projects will connect to local off-takers and will, we hope, involve a community solar component.

Upstate Revitalization Initiative

Though the Mohawk Valley was ultimately unsuccessful in its bid to win one of three \$500 million URI prizes from the State, the agency's CEO and COO joined their economic development colleagues from across the region for dozens of meetings and several months' worth of work on the Mohawk Valley's plan.

Education

Staff continued to attend NYS EDC continuing-education conferences. The Director of Workforce Development completed the IEDC's Basic Economic Development course, and the COO successfully completed both the Real Estate Development and Reuse course and the Economic Development Credit Analysis course necessary for CEEdC certification.

Economic Factors

2015 continued to be a difficult economic environment, on the global, national and local level. Locally, most businesses are not growing, whether by circumstance or by choice, and the population is stagnant or declining, making growth all the more challenging. Commercial lending continued to lag, hampering the access to capital many businesses need for growth and stability. However, throughout the year, COIDA continued to reach out to existing businesses for growth opportunities and to identify business retention cases. Agribusiness and growth in the downtown Oneonta and Cooperstown areas continue to be of significant focus for economic activity during the year, as do redevelopment of the Oneonta rail yards and the Market Street area of Oneonta in general. Further, Otsego County hopes to take advantage, in the coming years, of the nanotechnology sectors growing rapidly to our east in Albany and to our west in Utica/Rome.

At the close of 2015, our goals remain in conjunction with Governor Cuomo's Regional Economic Development Councils and the commitment to develop and participate in regional strategic plans, to work to attract private investment and well-paying jobs, and to build a pipeline for targeted economic development initiatives.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a 2015 – 2013 comparative summary of COIDA's financial statements, showing the decrease in net position:

| | <u>2015</u> | Increase/ Decrease Prior Year | <u>2014</u> | Increase/ Decrease Prior Year | <u>2013</u> |
|-----------------------------|---------------------|-------------------------------------|---------------------|-------------------------------------|---------------------|
| Current assets | \$ 2,024,263 | \$ 342,254 | \$ 1,682,009 | \$ (306,719) | \$ 1,988,728 |
| Non-current assets | <u>4,338,487</u> | <u>(173,342)</u> | <u>4,511,829</u> | <u>1,683,901</u> | <u>2,827,928</u> |
| Total assets | <u>6,362,750</u> | <u>168,912</u> | <u>6,193,838</u> | <u>1,377,182</u> | <u>4,816,656</u> |
| Current liabilities | 131,337 | 103,513 | 27,824 | (12,712) | 40,536 |
| Deferred inflows of revenue | <u>324,750</u> | <u>316,350</u> | <u>8,400</u> | <u>420</u> | <u>7,980</u> |
| Total liabilities | <u>456,087</u> | <u>419,863</u> | <u>36,224</u> | <u>(12,292)</u> | <u>48,516</u> |
| Net position | <u>\$ 5,906,663</u> | <u>\$ (250,951)</u> | <u>\$ 6,157,614</u> | <u>\$ 1,389,474</u> | <u>\$ 4,768,140</u> |

CHANGES IN NET POSITION

| | | | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Operating revenues | \$ 391,915 | \$ 45,209 | \$ 346,706 | \$ (20,096) | \$ 366,802 |
| Operating expenses | <u>766,651</u> | <u>(351,642)</u> | <u>1,118,293</u> | <u>796,053</u> | <u>322,240</u> |
| Operating income (loss) | (374,736) | 396,851 | (771,587) | (816,149) | 44,562 |
| Non-operating income (expense) | | | | | |
| Interest income – Other | 2,062 | (3,285) | 5,347 | 4,141 | 1,206 |
| Grant income | 286,305 | 286,305 | - | - | - |
| Grants expended | (163,461) | (163,461) | - | - | - |
| Loss on sale of property | (1,121) | (1,121) | - | - | - |
| Contributions of land and building | - | (2,164,764) | 2,164,764 | 2,164,764 | - |
| Payment in lieu of taxes | <u>-</u> | <u>9,050</u> | <u>(9,050)</u> | <u>(2,796)</u> | <u>(6,254)</u> |
| Change in net assets | (250,951) | (1,640,425) | 1,389,474 | 1,349,960 | 39,514 |
| Net assets – Beginning of year | <u>6,157,614</u> | <u>1,389,474</u> | <u>4,768,140</u> | <u>39,514</u> | <u>4,728,626</u> |
| Net assets – End of year | <u>\$ 5,906,663</u> | <u>\$ (250,951)</u> | <u>\$ 6,157,614</u> | <u>\$ 1,389,474</u> | <u>\$ 4,768,140</u> |

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

2016 MARKETING INITIATIVES

- Continue to build relationships among New York State agencies and individuals, the site-selector community nationally, and key industry groups in order to attract new private investment to Otsego County
- Develop property fact sheets for direct marketing campaigns and website viewing and downloading.
- Continue to develop a comprehensive inventory of available sites and buildings for lease or purchase.
- Continue to publicize Otsego Now activities and successes through a combination of social media, press releases, relationship-building with local and regional press, website marketing and events.
- Participate in targeted industry and sector events.
- Host developers' forums where appropriate to increase visibility.

2016 GOALS

- Continue work redeveloping Oneonta rail yards with partners including Norfolk Southern and the City of Oneonta.
- Aggressively market shovel-ready sites at Oneonta Business Park.
- Complete comprehensive plans for Richfield Springs, Cooperstown, and Oneonta, and utilize plans for business attraction and retention.
- Move countywide broadband coverage project forward significantly.
- Advance solar projects forward significantly.
- Conduct annual business retention and site visits to existing companies in Otsego County.
- Form relationships with strategic partners across the Region and State in order to promote job-creation and economic development throughout Otsego County.

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Elizabeth Horvath, Chief Operating Officer, County of Otsego Industrial Development Agency, 189 Main Street, Suite 500, Oneonta, New York 13820.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF NET POSITION

December 31, 2015 and 2014

| <u>ASSETS</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 769,321 | \$ 888,937 |
| Certificates of deposit | 660,473 | 454,066 |
| Accrued interest receivable | 15,947 | 10,329 |
| Grants receivable | 263,558 | - |
| Accounts receivable | 2,235 | - |
| Prepaid expenses | 4,699 | 15,677 |
| Notes receivable - Current portion | 308,030 | 313,000 |
| Total current assets | <u>2,024,263</u> | <u>1,682,009</u> |
| Capital assets, net | <u>4,019,342</u> | <u>3,969,280</u> |
| Other assets: | | |
| Other receivables | 80,000 | 120,000 |
| Due from OCCRC | - | 2,000 |
| Land for sale | - | 51,480 |
| Notes receivable - Long term - Net of allowance for bad debts of \$381,686 for 2015 and \$580,263 for 2014. | 239,145 | 369,069 |
| Total other assets | <u>319,145</u> | <u>542,549</u> |
| Total assets | <u>6,362,750</u> | <u>6,193,838</u> |
| <u>LIABILITIES AND NET POSITION</u> | | |
| Liabilities: | | |
| Accounts payable | 110,143 | 9,791 |
| Accrued expense | 6,159 | 3,000 |
| Security deposits | 15,035 | 15,033 |
| Total liabilities | <u>131,337</u> | <u>27,824</u> |
| Deferred infows of resources: | | |
| Unearned revenue | <u>324,750</u> | <u>8,400</u> |
| Net position: | | |
| Investment in unrestricted capital assets, net of debt | 4,019,342 | 3,969,280 |
| Unrestricted net assets | <u>1,887,321</u> | <u>2,188,334</u> |
| Total net position | <u>\$ 5,906,663</u> | <u>\$ 6,157,614</u> |

See accompanying notes.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION

Years ended December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|----------------|------------------|
| Operating revenues: | | |
| Interest income on loans | \$ 27,883 | \$ 15,773 |
| Rental of real property | 135,050 | 126,640 |
| Administrative, pilot, bond and loan application fees | 135,300 | 183,100 |
| Economic development program support | 75,250 | - |
| Other | 18,432 | 21,193 |
| | <u>391,915</u> | <u>346,706</u> |
| Operating expenses: | | |
| Bad debt expense | - | 444,485 |
| Employee benefits | 7,349 | 5,452 |
| Payroll taxes | 11,188 | 9,757 |
| Accounting fees | 5,927 | 4,261 |
| Audit fees | 6,800 | 6,200 |
| Legal fees | 14,612 | 8,295 |
| Professional fees - Consulting professional | 55,833 | 120,000 |
| Professional fees - Economic development | 85,749 | 46,510 |
| Professional fees - Other | 145,925 | 154,533 |
| Marketing and promotion | 19,694 | 3,136 |
| Grants and program expense | 45,020 | 52,500 |
| Salaries and wages | 134,549 | 110,643 |
| Membership dues and subscriptions | 4,641 | 10,480 |
| Office expense | 14,583 | 16,250 |
| Computer and equipment expense | 10,946 | 9,247 |
| Telephone | 5,428 | 2,775 |
| Office rent | 30,000 | 17,500 |
| Travel, seminars and training | 32,167 | 19,938 |
| Rental expense | 12,265 | 5,417 |
| Insurance | 13,301 | 7,870 |
| Utilities | 5,041 | 1,035 |
| Repairs and maintenance - Industrial park | 5,095 | 4,088 |
| Maintenance contract - WNSC fields | 25,800 | 25,000 |
| Depreciation expense | 72,783 | 31,242 |
| Other expense | 1,955 | 1,679 |
| | <u>766,651</u> | <u>1,118,293</u> |
| Total operating expenses | | |

See accompanying notes.

| | <u>2015</u> | <u>2014</u> |
|--|----------------------------|----------------------------|
| Operating income (loss) | <u>(374,736)</u> | <u>(771,587)</u> |
| Non-operating revenues and expenses: | | |
| Other interest income | 2,062 | 5,347 |
| Grant Income | 286,305 | - |
| Grants expended | (163,461) | - |
| Loss on sale of land | (1,121) | - |
| Contribution of land and building | - | 2,164,764 |
| Payment in lieu of taxes | - | (9,050) |
| | <u>123,785</u> | <u>2,161,061</u> |
| Total non-operating revenue and expenses | | |
| Net income (loss) | (250,951) | 1,389,474 |
| Net position - Beginning of year | <u>6,157,614</u> | <u>4,768,140</u> |
| NET POSITION - END OF YEAR | <u><u>\$ 5,906,663</u></u> | <u><u>\$ 6,157,614</u></u> |

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years ended December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|--------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Receipts from clients | \$ 290,551 | \$ 353,958 |
| Receipts from economic program support | 400,000 | - |
| Receipts for other sources | 12,099 | 21,193 |
| Payments for employees | (149,927) | (126,915) |
| Payments for suppliers and services | (477,682) | (515,906) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>75,041</u> | <u>(267,670)</u> |
| Cash flows from noncapital financing activities: | | |
| Net grants received (expended) | (52,841) | - |
| Non operating expense | - | (5,681) |
| Increase in notes receivable | (40,000) | (150,000) |
| Principal payments on notes receivable | 174,894 | 203,791 |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | <u>82,053</u> | <u>48,110</u> |
| Cash flows from capital and related financing activities: | | |
| Proceeds from sale of land | 51,480 | - |
| Expense related to land held for resale | (1,121) | - |
| Purchase of capital assets | (122,844) | (32,584) |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(72,485)</u> | <u>(32,584)</u> |
| Cash flows from investing activities: | | |
| Net certificates of deposits redeemed | (206,407) | 204,530 |
| Increase in due to/froms | 1,888 | (7,561) |
| Interest and earnings | 294 | 5,601 |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | <u>(204,225)</u> | <u>202,570</u> |
| NET DECREASE IN CASH | (119,616) | (49,574) |
| Cash - Beginning of year | <u>888,937</u> | <u>938,511</u> |
| Cash - End of year | <u><u>\$ 769,321</u></u> | <u><u>\$ 888,937</u></u> |

See accompanying notes.

| | <u>2015</u> | <u>2014</u> |
|--|------------------|---------------------|
| Reconciliation of net operating loss to net cash provided by (used in) operation activities: | | |
| Net income (loss) | \$ (374,736) | \$ (771,587) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 72,783 | 31,242 |
| Bad debts | - | 444,485 |
| (Increase) decrease in prepaid expenses | 10,978 | (9,140) |
| (Increase) decrease in other receivables | 39,533 | 40,000 |
| (Increase) decrease in grants receivables | (2,375) | - |
| Increase (decrease) in accounts payable and commitments | 18,126 | (15,661) |
| Increase (decrease) in accrued interest | (5,618) | 12,991 |
| Increase (decrease) in unearned revenue | 316,350 | - |
| NET CASH PROVIDED BY (USED IN) | | |
| OPERATING ACTIVITIES | <u>\$ 75,041</u> | <u>\$ (267,670)</u> |

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 1 ORGANIZATION

The County of Otsego Industrial Development Agency (COIDA) was organized May 1, 1973 by the Otsego County Legislature under the authority of General Municipal Law, Section 856.1A of the State of New York. COIDA is a component unit of Otsego County, New York, based on the criteria set forth in Governmental Accounting Standards Board (GASB) Statement 14 and as amended by GASB Statement 39.

COIDA was established to provide professional assistance, educational programs and loans for existing business expansions, business startups in Otsego County to encourage plant modernization, to create job opportunities and promote commerce and industry.

Related Entity

In 2009, the County of Otsego formed the Otsego County Capital Resource Corporation (OCCRC) to facilitate the issuance of civic facility revenue bonds. COIDA and OCCRC are considered related entities because they have similar board members and staff. However, OCCRC does not meet requirements of GASB to be considered a component unit of the COIDA.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of COIDA have been prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP). Significant accounting policies are:

Measurement Focus and Basis of Accounting

COIDA uses the measurement focus and basis of accounting as appropriate for proprietary funds. Measurement focus refers to what it measured and reported in the financial statements, while basis of accounting determines when a transaction or economic event is recognized.

COIDA is similar to a business enterprise, and utilizes a measurement focus based on the flow of economic resources. This includes the capitalization of fixed assets, charging depreciation expense and recording long-term debt as a liability. Accordingly, COIDA uses an accrual basis of accounting which recognizes revenues and expenses when they occur, regardless of cash flow.

Notes Receivable

Notes receivable are shown net of the allowance for uncollectible accounts in accordance with U.S. GAAP. Receivables for loans and mortgages are reviewed periodically by management to update the allowance for uncollectible amounts. These provisions are estimated based on an analysis of the aging of the receivable and any other factors known by management.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Fee Income and Grant Accounting

Fee income and grant accounting are recorded as receivables, liabilities and expenses, when awarded. All other grants are recorded as receivables and deferred revenues upon award of the contracts; revenues are recognized as COIDA meets performance requirements of the contracts. COIDA charges a service fee for each project, the proceeds of which are intended to be used for COIDA expenses and to fund continuing operations.

Cash and Cash Equivalents

For purpose of the statements of cash flows, COIDA considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Fixed Assets

COIDA uses the accounting policy of capitalizing all fixed assets at cost in excess of \$2,000 with an estimated useful life in excess of one year. Depreciation of buildings and improvements are provided for over the estimated useful life, ranging from ten to forty years, of the respective assets, on a straight-line basis.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 report period. Actual results could differ from those estimates.

Revenue and Expense Classification

COIDA distinguishes operating revenues and expenses from non-operating items in its financial statements. Operating revenues and expenses generally result from providing services in connection with COIDA's principal on-going operations. COIDA's operating expenses include project program costs and related administration expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Unearned Revenues

Unearned revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are available by COIDA before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenses. In subsequent periods, when both recognition criteria are met, or when COIDA has legal claim to resources, the liability for unearned revenue is removed and revenues are recognized.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Federal Income Taxes

COIDA is an entity that is operated by a governmental organization and is exempt from federal, state and local income taxes.

Net Position

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

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted – Consists of net assets with constraints on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net assets that do not meet the definition of “invested in capital assets” or “restricted.”

Events Occurring After Reporting Date

COIDA has evaluated subsequent events through March 22, 2016, which is the date the financial statements were available to be issued.

NOTE 3 CERTIFICATES OF DEPOSIT

At December 31, 2015, there were four certificates of deposit totaling \$660,473 with varying interest rates that mature at various dates in 2016. At December 31, 2014, there were two certificates of deposit totaling \$454,066 with varying interest rates. The certificates matured at various dates in 2015.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 4 FIXED ASSETS

Fixed assets are comprised of the following at December 31:

| <u>2015</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Book Value</u> |
|--------------------------|---------------------|-------------------------------------|---------------------|
| Buildings | \$ 2,162,093 | \$ 392,728 | \$ 1,769,365 |
| Improvements | 210,769 | 183,573 | 27,196 |
| Office equipment | <u>146,247</u> | <u>12,659</u> | <u>133,588</u> |
| Total depreciable assets | 2,519,109 | 588,960 | 1,930,149 |
| Land | 1,153,590 | - | 1,153,590 |
| Land improvements | <u>935,603</u> | <u>-</u> | <u>935,603</u> |
| Net fixed assets | <u>\$ 4,608,302</u> | <u>\$ 588,960</u> | <u>\$ 4,019,342</u> |
| | | | |
| <u>2014</u> | | | |
| Buildings | \$ 2,162,093 | \$ 338,714 | \$ 1,823,379 |
| Improvements | 210,769 | 173,136 | 37,633 |
| Office equipment | <u>23,402</u> | <u>4,327</u> | <u>19,075</u> |
| Total depreciable assets | 2,396,264 | 516,177 | 1,880,087 |
| Land | 1,153,590 | - | 1,153,590 |
| Land improvements | <u>935,603</u> | <u>-</u> | <u>935,603</u> |
| Net fixed assets | <u>\$ 4,485,457</u> | <u>\$ 516,177</u> | <u>\$ 3,969,280</u> |

COIDA acquired the former National Soccer Hall of Fame property from OCDC in November 2014. The property was recorded at the appraised value of \$2,320,000 with \$206,716 being recorded as payment of a receivable from OCDC and the balance as a noncash contribution to COIDA.

Depreciation expense amounted to \$72,783 and \$31,242 for the years ended December 31, 2015 and 2014, respectively.

NOTE 5 INDUSTRIAL PARK

COIDA is the owner of Pony Farm Industrial Park (approximately 70 acres) located in the Town and City of Oneonta. COIDA owns one 19,000 square foot building that is currently under lease. All the other buildings located in the park are privately owned. During 2015 and 2014, there were no vacant buildings in the Pony Farm Industrial Park. Improvements in the amount of \$870,314 have been made to the property.

COIDA owns approximately 59 acres of land in Richfield Springs, New York. This land was purchased as a site for an industrial park. Improvements in the amount of \$159,061 have been made to the Richfield Springs property.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 6 NATIONAL SOCCER HALL OF FAME PROPERTY (NSHOF)

During 2014, COIDA acquired the NSHOF property and it is recorded on the books as follows:

| | |
|------------------------------------|---------------------|
| Land – Ioxus, Inc. – 14.07 acres | \$ 239,190 |
| Building – Ioxus, Inc. | <u>1,560,810</u> |
| Total | <u>1,800,000</u> |
| Land – Soccer fields – 33.74 acres | 442,000 |
| Building – Concession stand | <u>78,000</u> |
| Total | <u>520,000</u> |
| Total land and building | <u>\$ 2,320,000</u> |

As part of this agreement, COIDA was assigned the following lease agreement already in place:

Lease agreement with Ioxus, Inc. – a five year lease which expires March 31, 2016 with monthly rental payments of \$10,000. COIDA collected \$12,500 of rental income for November and December 2014, which included \$2,500 of deferred rent. The lease agreement was modified to require monthly installments of \$5,000 for January – June of 2015 and monthly payments of \$14,166.67 for July 2015 through March 31, 2016.

COIDA was also assigned the following use agreement for this property:

Contract with Oneonta Youth Soccer Association (OYSA) for the use of the soccer fields through December 31, 2015. COIDA will also provide OYSA with \$25,000 to be used for field maintenance. COIDA paid \$25,000 during the year ended December 31, 2015 and 2014 for field maintenance.

Future plans for this property are undecided. COIDA is looking for opportunities to make this property more of a year-round venue.

NOTE 7 LINE OF CREDIT

COIDA has available a line of credit with Community Bank, N.A. in the amount of \$300,000, which is renewed annually. Bank advances on the line of credit are payable on demand and carry an interest rate of 4.25% as of December 31, 2015. The line of credit is secured by the borrowers' certificates of deposit with Community Bank, N.A. There were no outstanding balances at December 31, 2015 or 2014.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 8 NOTES RECEIVABLE

The following table summarizes COIDA's notes receivable.

| <u>Borrower</u> | <u>Interest Rate</u> | <u>Monthly Payment</u> | <u>Maturity</u> | <u>12/31/15 Principal</u> | <u>12/31/14 Principal</u> |
|-------------------------------|----------------------|------------------------|-----------------|---------------------------|---------------------------|
| David Rees | 4.0% | \$ 1,638 | 07-2018 | \$ 85,232 | \$ 90,850 |
| TRC Enterprises #1 | 4.0% | 520 | 12-2014 | - | 20,154 |
| Butternuts Beer & Ale #2 | 4.0% | 994 | 11-2016 | 53,249 | 58,890 |
| TRC Enterprises #2 | 4.0% | 296 | 08-2014 | - | 22,090 |
| H.W. Naylor | 4.0% | 1,519 | 09-2017 | 30,752 | 47,383 |
| Enviro Energy | 4.0% | 740 | 08-2023 | 65,224 | 68,534 |
| Ioxus, Inc. | 4.0% | 2,734 | 09-2015 | - | 24,199 |
| Cleinman, LLC | 4.0% | 1,025 | 12-2018 | 33,394 | 43,977 |
| JSJJ Enterprises, LLC | 4.0% | 1,519 | 02-2019 | 86,009 | 94,519 |
| Mold-A-Matic | 4.0% | 1,369 | 10-2016 | 17,396 | 36,516 |
| Brewery Ommegang | 4.0% | 2,734 | 01-2017 | 34,647 | 65,396 |
| Ioxus, Inc. | 2.5% | 1,299 | 12-2016 | 26,661 | 34,067 |
| Oneonta Theater | 4.0% | 1,012 | 08-2020 | 85,979 | 85,979 |
| Larry's Custom Meats | 4.0% | 1,012 | 08-2020 | 95,198 | 95,891 |
| Brook's Bottling Company | 4.0% | 2,052 | 07-2021 | 140,620 | 142,196 |
| The Plains | 3.0% | 2,695 | 03-2016 | - | 39,632 |
| Foothills PAC | 0.0% | 1,667 | 06-2019 | 100,000 | 100,000 |
| Cooperstown Distillery, LLC | 4.0% | 683 | 09-2020 | 35,983 | 42,059 |
| Comp Direct USA | 4.0% | * | 11-2015 | - | 150,000 |
| Cooperstown Distillery, LLC | 2.0% | 368 | 07-2025 | <u>38,517</u> | <u>-</u> |
| Subtotal | | | | 928,861 | 1,262,332 |
| Less: Allowance for bad loans | | | | <u>(381,686)</u> | <u>(580,263)</u> |
| Total | | | | 547,175 | 682,069 |
| Less: Current portion | | | | <u>(308,030)</u> | <u>(313,000)</u> |
| Total long-term portion, net | | | | <u>\$ 239,145</u> | <u>\$ 369,069</u> |

* Repayment of principal and interest was deferred until November 1, 2015, at which time full payment of the loan was due. No payment has been received on this note and it was written off in 2015 against an allowance that was established in 2014.

Accrued interest consisted of interest due on notes that are in arrears and are deemed collectible and no allowance has been established.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 9 OTHER RECEIVABLE

During the prior year COIDA entered into a financial assistance agreement with a local tax-exempt organization for \$200,000. This agreement requires repayment of the funds disbursed, unless job creation requirements are met during the period beginning January 1, 2013 and ending December 31, 2017.

At any time during this period the organization fails to satisfy the job creation requirements, the financial assistance shall be repaid as follows:

| <u>Year</u> | <u>Amount of Repayment</u> |
|-------------|----------------------------------|
| 1 | 100% of the financial assistance |
| 2 | 80% of the financial assistance |
| 3 | 60% of the financial assistance |
| 4 | 40% of the financial assistance |
| 5 | 20% of the financial assistance |

If financial assistance is required to be repaid, the repayment amount shall be amortized over 5 years with equal monthly payments of principal and interest at a fixed interest rate of 4%. The total amount advanced under this agreement was \$200,000. The tax-exempt organization met employment numbers for 2014 and 2015. The receivable was reduced by \$40,000 in 2014 and 2015 as the organization met the job creation requirements in both years. The balance of this receivable was \$80,000 and \$120,000 as of December 31, 2015 and 2016, respectively.

NOTE 10 LEASES

Lessor

COIDA was a lessor in an operating lease agreement for the industrial incubator building through February 2015. The monthly base rent was \$8,400. The lessee paid the additional monthly rent of \$420 for November and December 2014 in 2014. COIDA received rental income under this lease in the amount of \$16,800 and \$101,640 for the years ended December 31, 2015 and 2014.

See Note 6 for lease agreement for Ioxus building.

Lessee

COIDA entered into a lease agreement for office space in 2014. The term of the lease is April 1, 2014 through December 31, 2016. Rent for 2014 and 2015 per the agreement was \$30,000 and \$17,500, respectively. Rent for the balance of the term is \$38,000 for 2016.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 11 OUTSTANDING CIVIC FACILITY REVENUE BONDS

Structured similar to industrial revenue bonds, civic facility bonds are tax-exempt bonds issued for projects undertaken by not-for-profit “civic facilities” owned or occupied by not-for-profit corporations organized and existing under the laws of or authorized to conduct activities in New York State. COIDA is no longer able to provide civic facility bond financing since Section 854 of the NYS General Municipal Law expired. Otsego County Capital Resource Corporation (OCCRC) will now facilitate for issuance of civic facility revenue bonds for eligible organizations throughout the county.

NOTE 12 OUTSTANDING INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes issued by COIDA are secured by property that is leased to companies and is retired by lease payments. The bonds and notes are not obligations of COIDA or the State of New York. COIDA does not record the assets or liabilities resulting from completed bond and note issued in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, COIDA receives bond administration fees from the borrowing companies. This administrative fee income is recognized immediately upon issuance of bonds and notes. Since its inception, COIDA has issued various bonds and notes under these and similar arrangements.

NOTE 13 FINANCIAL INSTRUMENTS WITH CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

State statutes govern COIDA’s investment policies. In addition, COIDA has its own written investment policy. COIDA monies must be deposited in FDIC insured commercial banks or trust companies located within New York State. The treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations to the United States and its agencies and obligations of New York State and its municipalities and school districts.

COIDA had uncollateralized cash of \$56,986 as of December 31, 2015. At December 31, 2014, all cash balances were either covered by FDIC insurance or collateralized by securities.

Notes Receivable

Notes receivable consists of numerous notes with businesses in Otsego County. COIDA has collateralized its interest in these notes by retaining the reversionary rights to the property or by acquiring additional liens and mortgages on the property.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 14 RELATED PARTY TRANSACTIONS

COIDA has related party relationships with OCCRC and Otsego County Development Corp. (OCDC). The same personnel manager is at all three entities.

At December 31, 2014, COIDA had an amount due from OCCRC in the amount of \$2,000, for 2013 audit preparation fees. OCCRC paid this amount in 2015.

COIDA received \$400,000 in December 2015 from OCCRC to provide funding for two separate projects of \$200,000 each. The unspent portion has been deferred until COIDA has incurred additional expenses for these projects. See Note 15.

NOTE 15 UNEARNED REVENUE

In December 2015, COIDA received \$400,000 from OCCRC to provide \$200,000 for the Richfield Springs Project and \$200,000 for the Revitalization Plan for the Village of Cooperstown. As of December 31, 2015, \$75,250 of these funds were expended. The balance of \$324,750 will be recognized in the year that qualifying expenses are incurred.

NOTE 16 RETIREMENT PLAN

COIDA adopted a Simple IRA salary reduction plan that covers all employees who earn at least \$5,000 during both the current year and prior year. Employees are allowed to make contributions. COIDA made nonelective employer contributions of 2% of each eligible employees compensation. Contributions by COIDA were \$576 and \$865 for the years ended December 31, 2015 and 2014, respectively.

NOTE 17 DEFERRED COMPENSATION PLAN

COIDA has a deferred compensation plan available for employees created under Internal Revenue Code Section 457 (b). This plan is administered and accounted for by New York State. Employees may withdraw the current value of their contributions when they terminate employment. This plan allows employees to defer a portion of their salary until future years. Participation is optional and participants elect how their salary deferrals are invested.

* * * * *

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF SUPPLEMENTAL BOND AND NOTE INFORMATION

For the year ended December 31, 2015

| Purchaser | Issuee | Issue Date | Issue Amount | Rate | Balance | Due Date |
|---------------|--|------------|---------------|------------|-----------|-----------|
| Wells Fargo | Mary Imogene Bassett Hospital Cooperstown, New York 13326 | 4/1/1998 | \$ 15,000,000 | 5.125% | \$ - | 11/1/2020 |
| Bond Purpose: | Refinance | | | | | |
| Wells Fargo | Mary Imogene Bassett Hospital Cooperstown, New York 13326 | 5/1/1998 | 14,900,000 | 5.125% | - | 11/1/2020 |
| Bond Purpose: | Refinance | | | | | |
| Key Bank | Templeton Foundation Oneonta, New York 13820 | 6/1/2000 | 9,300,000 | Adjustable | - | 6/1/2015 |
| Bond Purpose: | Construction | | | | | |
| Wells Fargo | St. James Retirement Community Oneonta, New York 13820 | 9/3/1998 | 4,080,000 | Variable | 1,135,000 | 8/1/2023 |
| Bond Purpose: | Construction | | | | | |

See auditors' report.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF OUTSTANDING SALE AND LEASE AGREEMENTS

Year ended December 31, 2015

| Project Owner Project Owner Address | Purpose | Issue Date | Due Date | Sales Tax Exemptions | |
|--|--|------------|------------|----------------------|-----------|
| | | | | State | Local |
| Elizabeth Hotels, Inc. Market Street Oneonta, NY 13820 | Acquisition and construction of building | 3/1/2000 | 2/5/2021 | \$ - | \$ - |
| Treffeisen Properties I, LLC Roundhouse Road Oneonta, NY 13820 | Acquisition and construction of building | 12/21/2000 | 1/31/2016 | - | - |
| R.J. Millworkers, Inc. Lewis Street Oneonta, NY 13820 | Acquisition and renovation of building | 10/23/2001 | 10/23/2016 | - | - |
| Lutz Feed Company, Inc Lower River Street Oneonta, NY 13820 | Acquisition and construction of building | 5/17/2004 | 5/17/2019 | - | - |
| Brewery Ommegang County Hwy 33 Cooperstown, NY 13326 | Acquisition and construction of warehouse building(only) | 2/25/2011 | 1/25/2026 | - | - |
| The Plains LLC St Hwy 7 Oneonta, NY 13820 | Acquisition and Construction of Building | 2/25/2011 | 1/25/2021 | - | - |
| Klugo Oneonta 11849 East Corning Road Corning, NY 14830 | Acquisition, Demo and Renovation of Building | 2/1/2013 | 12/31/2028 | - | - |
| Hillside Commons Oneonta 300 Plaza Drive Vestal, NY 13851 | Construction of Student Housing | 10/1/2014 | 10/1/2030 | - | - |
| Focus Ventures 84 Route 59, Suite 102 Suffern, NY 10901 | Acquisition and renovation of nursing home | 9/1/2014 | 12/31/2040 | - | - |
| Northern Eagle, LLC 7 Railroad Avenue Oneonta, NY 13820 | Construction of warehouse and office building | 12/18/2015 | 12/31/2026 | 89,910 | 89,910 |
| | | | | \$ 89,910 | \$ 89,910 |

* Project owner has not responded to our request for information

See auditors' report.

| Tax | Exemptions | | | Total Exemptions | Payment in Lieu of Taxes | | | |
|-------------------|-------------------|--------------------|---------------------|------------------|--------------------------|-------------------|-------------------|-------|
| | Real County | Property Tax Local | School | | County | Local | School | Total |
| \$ 17,606 | \$ 55,277 | \$ 98,084 | 170,967 | \$ 7,651 | \$ 24,022 | \$ 42,078 | 73,751 | |
| 1,006 | 3,159 | 5,605 | 9,770 | 755 | 2,511 | 4,203 | 7,469 | |
| 2,847 | 8,939 | 15,862 | 27,648 | 2,437 | 7,652 | 13,576 | 23,665 | |
| 1,088 | 898 | 7,885 | 9,871 | 544 | 472 | 5,914 | 6,930 | |
| 11,878 | 7,043 | 69,572 | 88,493 | 7,953 | 6,835 | 46,565 | 61,353 | |
| 38,687 | 31,941 | 280,378 | 351,006 | 20,280 | 16,743 | 146,999 | 184,022 | |
| 5,030 | 15,793 | 28,024 | 48,847 | 503 | 1,579 | 5,605 | 7,687 | |
| 10,564 | 33,166 | 58,851 | 102,581 | 10,155 | 29,541 | 52,620 | 92,316 | |
| 39,861 | 7,825 | 200,090 | 247,776 | 10,537 | 2,069 | 52,894 | 65,500 | |
| - | - | - | - | - | - | - | - | |
| <u>\$ 128,567</u> | <u>\$ 164,041</u> | <u>\$ 764,351</u> | <u>\$ 1,056,959</u> | <u>\$ 60,815</u> | <u>\$ 91,424</u> | <u>\$ 370,454</u> | <u>\$ 522,693</u> | |

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FULL-TIME EQUIVALENT (FTE) JOBS CREATED AND RETAINED

Year ended December 31, 2015

| | <u># of FTE Employees at Project Location before IDA Status</u> | <u>Original Estimate of Jobs to be Created</u> | <u>Original Estimate of Jobs to be Retained</u> |
|---|---|--|---|
| Issuee: | | | |
| Mary Imogene Bassett Hospital 1998 | 1,721 | - | 1,721 |
| Mary Imogene Bassett Hospital 1998 | Incl. with MIBH above | - | Incl. with MIBH |
| A.O. Fox Memorial Hospital Society 1998 | 600 | - | 600 |
| St. James Retirement Community 1998 | - | 10 | - |
| Templeton Foundation 2000 | - | - | - |
| Project Owner: | | | |
| Focus Ventures | 132 | 25 | 132 |
| Hillside Commons | - | 3 | 3 |
| Elizabeth Hotels, Inc. | - | 25 | - |
| Treffeisen Properties I, LLC | 19 | 10 | 19 |
| R.J. Millworkers, Inc. | 9 | 8 | 9 |
| Lutz Feed Co., Inc./Stephen Lutz | 25 | 4 | 25 |
| Brewery Ommegang | 28 | 10 | 28 |
| The Plains LLC | - | 25 | - |
| Northern Eagle | 35 | 4 | 39 |
| Klugo Oneonta, LLC | - | 2 | - |
| | <u>2,569</u> | <u>126</u> | <u>2,576</u> |

* Construction jobs created

See auditors' report.

| <u># of Current FTE Employees</u> | <u># of FTE Jobs Created During Fiscal Year</u> | <u># of FTE Jobs Retained During Fiscal Year</u> |
|---------------------------------------|---|--|
| 3192 | 396 | 1,721 |
| 634 | 86 | 548 |
| 7 | 1 | - |
| 79 | - | - |
| 132 | - | 132 |
| 5 | - | 3 |
| 17 | - | - |
| 14 | - | 14 |
| 23 | - | 9 |
| 33 | - | 25 |
| 48 | - | 28 |
| 44 | 1 | - |
| 35 | * 90 | 35 |
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
County of Otsego Industrial Development Agency
242 Main Street
Oneonta, New York

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of County of Otsego Industrial Development Agency ("COIDA") which comprise the statements of net position as of and for the year ended December 31, 2015, and the related statements of revenues, expenses and changes in net position and statements of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 22, 2016.

Internal Control over Financial Reporting

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

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

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

MEMBERS: American Institute of Certified Public Accountants,
New York State Society of Certified Public Accountants, National Conference of CPA Practitioners

Compliance and Other Matters

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

Response to Findings

COIDA's response to the finding identified in our audit is described in the accompanying schedule of finding and questioned cost. COIDA'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 COIDA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering COIDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of County of Otsego Industrial Development Agency's audit committee, management, State of New York, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mistert, Manzanero & Scott, LLP

Oneonta, New York
March 22, 2016

COUNTY OF OTSEGO
INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Otsego County, New York)

SCHEDULE OF CURRENT YEAR FINDING AND RESPONSE

Year ended December 31, 2015

2015 – 1 Accounting for Grant Revenue, Expenses, Payable and Receivables

Condition: Adjusting journal entries had to be made for unrecorded accounts payable and accounts receivable for the Community Development Block Grants (CDBG) and Empire State Development (ESD) grant activity for the current year. Another entry had to be made to reclass grant revenue that was netted against grant expense for a CDBG grant.

Criteria: To ensure proper reporting of grant revenue and expenses, all grant activity needs to be recorded in a timely manner and revenue should not be netted against the expense.

Effect: Lack of controls over grant reporting can lead to inaccurate reporting of income, expense, assets and liabilities in the financial statements.

Recommendation: We recommend that COIDA review its current procedures for accounting for grants and revise and implement procedures to accurately report grant activity. For reimbursement grants, receivable should be recorded for any grant revenue for which COIDA has incurred grant expenses but has not yet received reimbursement. Accounts payable should be recorded for all grant expenses incurred but not yet paid. Grant revenue should never be netted with grant expense. All grant activity should be reviewed at year end to ensure proper recording of grant activity.

Management

Response: In their first year of accounting for expected and received grant income, while staff did not follow the recording process outlined by Mostert, Manzanero & Scott, LLP above, what the auditors have identified is a matter of coding and recording choices in Quickbooks, as opposed to lack of controls over grant and COIDA monies.

Across 2015 and currently, COIDA staff maintain meticulous files for each ESD and CDBG grant obtained, and they track expenditures and expected reimbursement monthly. Shelter Planning of Queensbury, New York, manages and administers all COIDA CDBG's grants and thus serves as another layer of control for the proper recording and ultimate capture of all grant funds. The staff reports on grant-related financial activity at all monthly board meetings and all monthly audit and finance committee meetings. Grant monies received are deposited promptly and disbursed as necessary.

COIDA concurs with the recommendations made by Mostert, Manzanero & Scott, LLP and has already done the following, as of March 2016:

- Contracted with Jim Lozano, President of CFO for Hire, to train staff in proper recording and tracking of grant-related inflows and outflows of funds in Quickbooks;

COUNTY OF OTSEGO
INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Otsego County, New York)

SCHEDULE OF CURRENT YEAR FINDING AND RESPONSE

Year ended December 31, 2015

2015 – 1 Accounting for Grant Revenue, Expenses, Payable and Receivables

Management
Response (Cont'd.):

- Revised reporting requirements such that receivables will be booked monthly for all grant-reimbursable expenses; and
- Started the process of identifying and hiring a bookkeeping firm with a deep background in governmental and public authority accounting in order to improve the quality and accuracy of its monthly financial reports.

2015 – 2 Salary Deferral and Employer Contribution to SIMPLE IRA

Condition: Employee contributions to SIMPLE IRA account were not processed through payroll and the employer match contribution to the SIMPLE IRA needs to be at least 1%. Wages and payroll taxes were under reported for both 2014 and 2015 as the employee contribution was not included in the required payroll reporting.

Criteria: Employees contributions to a SIMPLE IRA plan are based on elective salary reductions which are processed through a payroll deduction. Employee SIMPLE IRA contributions are included in Gross wages subject to both social security and medicare taxes but excluded from federal and NYS taxable wages. Employers can make matching contributions up to 3%, but it must be at least 1% and for not more than two out of five years.

Effect: A SIMPLE IRA plan must satisfy certain tax rules to obtain favorable tax benefits for employer and participants; not following these rules can result in less favorable tax benefits. Failure to properly report all compensation and withhold required payroll withholdings can subject both COIDA and the employees to penalties.

Recommendation: We recommend that COIDA review the rules and regulations regarding its SIMPLE IRA plan and the current process for processing all payroll transactions. Procedures should be implemented to ensure that all transactions related to payroll reporting and the SIMPLE IRA plan are properly accounted for and are in compliance with federal and NYS reporting requirements. The prior years' payroll reports need to be amended to correct under reporting of compensation and payroll taxes.

Management
Response: Due to major leadership transitions at COIDA at the beginning of 2014, and the hiring of COIDA's first employee, there was an oversight when setting up the new employee's pay and benefits with COIDA's payroll services provider.

COUNTY OF OTSEGO
INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Otsego County, New York)

SCHEDULE OF CURRENT YEAR FINDING AND RESPONSE

Year ended December 31, 2015

Management
Response (Cont'd.):

As of March 2016, COIDA has already taken the following remedies:

- Moving all SIMPLE IRA payments to employees through payroll processing;
- Requesting amended payroll reports from the payroll service provider for the years ended 2014 and 2015; and
- The effected employee has been notified about the need to amend her two prior years' personal tax returns.