

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

FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of the County of Otsego Industrial Development Agency ("COIDA"), a component unit of Otsego County, New York, which comprise the statements of net position as of December 31, 2016 and 2015, and the related statements of revenues, expenditures and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

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 from 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 auditors' 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, 2016 and 2015, and the respective changes in financial position 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 – 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the 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 were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on Pages 24 – 26 are 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. Such information is the responsibility of management and derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements and other additional procedures in accordance 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, 2017 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.

Mistert, Manzanero & Scott, LLP

Oneonta, New York
March 22, 2017

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, 2016. 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 at 18 Stadium Circle and in the Oneonta Business 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 Oneonta Business Park, professional service fees, staff and leased office space.

Overview of the Financial Statements

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

Financial Statements

COIDA's financial statements provide readers with a comprehensive reporting of COIDA's 2016 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

The operating loss for COIDA was \$(534,160) for fiscal year 2016, compared to \$(374,736) for the fiscal year 2015. This represents an increase in revenues of \$28,200 and an increase in expenses of \$187,624.

The increase in operating revenues was mostly attributable to:

- Decrease in interest income on notes of \$20,022;
- Decrease in rental income of \$10,050;
- Decrease in administration fees of \$65,062;
- Increase in Economic development support of \$100,855;
- Recovery of bad debt of \$36,416; and
- Decrease in other income of \$13,937.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The increase in operating expenses was mostly attributable to:

- Increase in bad debt allowance of \$65,224;
- Increase in professional fees of \$57,436;
- Increase in office rent of \$8,000;
- Increase in travel, seminar and training of \$14,742;
- Increase in depreciation expenses of \$17,797;
- Increase in membership dues and subscriptions of \$10,405; and
- Increase in maintenance of WNSC fields of \$9,400.

At the close of fiscal year 2016, COIDA had net position of \$5,372,836, a decrease of \$533,827 from the prior year. The term "net position" refers to the difference between assets and liabilities.

COIDA's primary 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 a major asset. For COIDA's loan funds, the financial statements show a net decrease of \$187,313 from \$547,175 at year-end 2015 to \$359,862 at year-end 2016.

COIDA's current major capital assets are the former Soccer Hall of Fame property, the Oneonta Business Park both 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 Otsego County.

ACCOMPLISHMENTS

Activities and Major Projects

Board and Compliance

COIDA's Board, Audit and Finance Committee, and Project Committee all continued to meet on a monthly basis to address COIDA's governance and projects, its financials and loan portfolio. Staff prepared and submitted COIDA's Procurement, Investment and Annual Report on time to the ABO, and prepared and submitted its 2017 budget to the ABO in October 2016. Staff continued to meet individually with COIDA loan clients particularly those with delinquent loans and were successful in obtaining payments from clients who had not serviced their loans for several years. COIDA's loan portfolio has become healthier as a result. During 2016, COIDA's board gained members Richmond Hulse, Jr. and Cheryl Robinson, and saw the retirement of long-serving members Joseph Bernier and James Jordan.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Real Property

COIDA's 40-plus "shovel-ready", developable acres in the Oneonta Business Park is being marketed aggressively by staff through site-selector channels as well as through New York State, with the goal of attracting high-paying jobs to the County. COIDA's vacant spec building, also in the Oneonta Business Park, which was occupied by Siemens Medical for 20 years, has attracted the attention of two regional, growing companies, and should be leased by early 2017. IOXUS continues to lease from the IDA the building which formerly housed the Soccer Hall of Fame, and the IDA has almost finalized a new five-year use agreement with the Oneonta Soccer Club to provide limitless access to the high-quality soccer fields on the property, for their use for training, tournaments and events. COIDA is in serious discussions with a solar energy developer to lease some of its undeveloped land in both Oneonta and Richfield Springs for solar-array development, which is expected to add an income stream to the COIDA's finances in 2017. These projects will feed less expensive and "greener" energy to the two principal off-takers, the City of Oneonta and Oneonta City School District.

Downtown Revitalization Initiative

COIDA staff worked closely with the City of Oneonta to craft an application for the Mohawk Valley Regional Economic Development Council's (MVREDC) competition for \$10 million in downtown revitalization funding, which Oneonta ultimately won, thanks in large part to the investment that both COIDA and the City have made over the past two years paving the path for growth. Highlights in the application included the future Food & Beverage Innovation Center that COIDA and a consultant team, with the benefit of an Empire State Development (ESD) grant of \$150,000, studied across 2016. As of the end of 2016, COIDA's COO was serving on the Local Planning Committee of the Oneonta Downtown Revitalization Initiative (DRI), tasked with creating a strategic investment plan for the \$10 million award, including detailed projects with budgets and timelines. The DRI plan is due to the State in March of 2017, and COIDA staff will continue to be actively involved in developing the Innovation Center, revitalizing Market Street, and working with existing businesses to revive and enhance Main Street.

Oneonta Rail Yards

In 2016, COIDA benefitted from a \$47,500 CDBG grant and 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. As of the end of 2016, COIDA is scheduled to close shortly on the purchase of the approximately 80 acres of vacant land at the rail yards. The goal is to create multi-modal shovel-ready sites available to market in 2018. COIDA was successful with an Empire State grant at the end of 2015 that will further support rail yards' development, including further engineering, State Environmental Quality Review (SEQR), draft Generic Environmental Impact Statement (GEIS) preparation, an update to the City's comprehensive plan, and a comprehensive County-wide housing study to support growth.

Workforce Development

In 2015, the Workforce Development Center (the "Center") conducted its first classes to train workers in partnership with local employers. In 2016, the Center shifted its focus to work more directly with existing employers to upskill incumbent workers. The Center sought and won funding for a large local company to receive several weeks of training for existing workers, and worked with the Workforce Development Institute to obtain grant funding for two additional companies to be used towards equipment purchases. 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. 2017 promises to further enhance partnerships with existing companies, and to lead to partnerships with local educators to prepare students for jobs in industries COIDA expects to attract across the next five years.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Agriculture Microenterprise Grants

COIDA applied for and received a pool of \$200,000 in agricultural microenterprise grant funds in 2015, 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. All funds have been disbursed and expected job creation numbers and financial benefits have been met.

Grants

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

- \$1,000,000 in capital grants to continue to move the Oneonta Rail Yards project forward;
- \$3,000,000 in funding to construct the Food & Beverage Innovation Center;
- \$500,000 to convert portions of Oneonta's Market Street into a pedestrian-friendly arts and entertainment district;
- \$57,000 towards a public wifi "hotspot" initiative for the City of Oneonta and the Village of Cooperstown; and
- \$49,500 to prepare master redevelopment plans for the two remaining underutilized districts of Cooperstown: Railroad Avenue, and the Doubleday Field corridor.

Further, COIDA was awarded \$477,000 in RESTORE NY funds to support the demolition and remediation of the blighted building in Oneonta targeted as the site for the Innovation Center.

Cooperstown Plan

By October of 2016, COIDA and its consultant team, working with the Village of Cooperstown, completed the strategic and revitalization plan for Cooperstown, which identifies development nodes, will help to attract new business and revitalize the Main Street and the greater community. The comprehensive plan also identifies opportunities to bring private investment to Cooperstown and will serve as the backbone of economic development opportunities for the Village. Empire State Development had committed \$58,000 in funding towards this plan, which COIDA expects to receive by mid-2017.

Richfield Springs Business Park Development

COIDA, using ESD planning funds, has nearly completed a joint Town/Village comprehensive plan for Richfield Springs. Part of the plan will determine the feasibility, archeological and engineering issues, and possible locations of a business park for future development. Reimbursement of \$150,000 is expected from ESD by the end of 2017.

Schenevus Site

In mid-2016, COIDA was made aware of a 100-plus acre site in the Town of Schenevus, proximate to Interstate 88, that – when shovel-ready – will be highly attractive to companies seeking warehouse and distribution sites. Through the latter half of 2016, COIDA staff worked to secure a purchase option on this land, and met with the local community and legislature to discuss future plans. COIDA anticipates spending much of 2017 performing the environmental and archeological analyses that will lead to the site being pre-permitted and "shovel-ready" for interested businesses.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, COIDA's CEO and COO continued to work with their economic development colleagues from across the region in 2016, in anticipation of the \$50 million in funding that the State promised to the regions who were not awarded the full URI. Applications for the \$50 million are expected to be evaluated in early 2017, with awards distributed soon after.

Education

Staff continued to attend NYS EDC continuing-education conferences, which took place in January, May and October of 2016; further, the COO completed the IEDC's Workforce Development and Marketing & Attraction courses, both of which are required for eventual Certified Economic Developer certification. All staff further enhanced their skills through economic development – and sector-targeted webinars throughout the year.

Comments on Financial Analysis

Concerning the increases in operating revenues:

- Interest income on notes continues to decrease as a natural result of the portfolio shrinking over time;
- Rental income was down slightly due to an arrangement with a renter to “back load” rent from April 1, 2016 – March 31, 2017, resulting in smaller payments for the first sixth months of the rental term;
- Administrative fees are contingent upon projects such as PILOT agreements, of which there were none in 2016;
- Economic development support is a result largely of New York State grant reimbursement; and
- Bad debt recovery of more than \$36,000 was enjoyed.

Concerning operating expenses:

- The agency took a bad debt allowance of approximately \$65,000 to reflect the fact that one debtor had encountered financial difficulties and was unlikely to pay the note receivable in full;
- Professional fees increased substantially, largely due to grant-related expenditures – these fees will largely be reimbursed to COIDA by New York State across 2017;
- Office rent increased per the terms of the three-year lease;
- As projects become increasingly active, so do related expenses like travel, staff training and memberships; and
- COIDA provided over \$9,000 in asphalt maintenance to the WNSC Soccer Fields to support the Oneonta Soccer Club's ongoing enjoyment of the facilities – the parking lots were beginning to age and required resurfacing.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors

2016 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. Furthermore, with an unemployment rate of 4%, existing businesses in all industries are having a difficult time filling job vacancies in Otsego County. 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 2016, 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 summary of COIDA's financial position at December 31, 2016, 2015 and 2014:

	<u>2016</u>	<u>Higher/ Lower Prior Year</u>	<u>2015</u>	<u>Higher/ Lower Prior Year</u>	<u>2014</u>
Current assets	\$ 1,452,551	\$ (571,712)	\$ 2,024,263	\$ 342,254	\$ 1,682,009
Non-current assets	<u>4,160,638</u>	<u>(177,849)</u>	<u>4,338,487</u>	<u>(173,342)</u>	<u>4,511,829</u>
Total assets	<u>5,613,189</u>	<u>(749,561)</u>	<u>6,362,750</u>	<u>168,912</u>	<u>6,193,838</u>
Current liabilities	90,208	(41,129)	131,337	103,513	27,824
Deferred inflows of revenue	<u>150,145</u>	<u>(174,605)</u>	<u>324,750</u>	<u>316,350</u>	<u>8,400</u>
Total liabilities	<u>240,353</u>	<u>(215,734)</u>	<u>456,087</u>	<u>419,863</u>	<u>36,224</u>
Net position	<u>\$ 5,372,836</u>	<u>\$ (533,827)</u>	<u>\$ 5,906,663</u>	<u>\$ (250,951)</u>	<u>\$ 6,157,614</u>

The following is a summary of COIDA's results of operations for the fiscal years ended December 31, 2016, 2015 and 2014:

	<u>2016</u>	<u>Higher/ Lower Prior Year</u>	<u>2015</u>	<u>Higher/ Lower Prior Year</u>	<u>2014</u>
Operating revenues	\$ 420,115	\$ 28,200	\$ 391,915	\$ 45,209	\$ 346,706
Operating expenses	<u>954,275</u>	<u>187,624</u>	<u>766,651</u>	<u>(351,642)</u>	<u>1,118,293</u>
Operating income (loss)	(534,160)	(159,424)	(374,736)	396,851	(771,587)
Non-operating income (expense)					
Interest income – Other	333	(1,729)	2,062	(3,285)	5,347
Grant income	494,324	208,019	286,305	286,305	-
Grants expended	(494,324)	(330,863)	(163,461)	(163,461)	-
Loss on sale of property	-	1,121	(1,121)	(1,121)	-
Contributions of land and building	-	-	-	(2,164,764)	2,164,764
Payment in lieu of taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,050</u>	<u>(9,050)</u>
Change in net position	(533,827)	(282,876)	(250,951)	(1,640,425)	1,389,474
Net position – Beginning 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>
Net position – End of year	<u>\$ 5,372,836</u>	<u>\$ (533,827)</u>	<u>\$ 5,906,663</u>	<u>\$ (250,951)</u>	<u>\$ 6,157,614</u>

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

2017 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; and
- Host developers' forums where appropriate to increase visibility.

2017 GOALS

- Continue work redeveloping Oneonta rail yards with partners including Norfolk Southern and the City of Oneonta;
- Continue advancing all Oneonta DRI projects, including the Food & Beverage Innovation Center, the Transit Hub, Market Street streetscape improvements, the Westcott Lot building, and all other related initiatives;
- Significantly advance the status of the Schenevus site;
- Aggressively market shovel-ready sites at Oneonta Business Park;
- Continue to conduct annual business retention and site visits to existing companies in Otsego County;
- 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;
- Advance solar projects forward significantly;
- Conduct annual business retention and site visits to existing companies in Otsego County; and
- 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, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 515,424	\$ 769,321
Certificates of deposit	353,487	660,473
Accrued interest receivable	4,559	15,947
Grants receivable	371,674	263,558
Accounts receivable	29,498	2,235
Prepaid expenses	6,365	4,699
Notes receivable - Current portion	171,544	308,030
Total current assets	<u>1,452,551</u>	<u>2,024,263</u>
Capital assets, net	<u>3,932,320</u>	<u>4,019,342</u>
Other assets:		
Other receivable	40,000	80,000
Notes receivable - Long term - Net of allowance for bad debts of \$410,493 for 2016 and \$381,686 for 2015	<u>188,318</u>	<u>239,145</u>
Total other assets	<u>228,318</u>	<u>319,145</u>
Total assets	<u>5,613,189</u>	<u>6,362,750</u>
 <u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Accounts payable	69,298	110,143
Accrued expense	5,875	6,159
Security deposits	15,035	15,035
Total liabilities	<u>90,208</u>	<u>131,337</u>
Deferred infows of resources:		
Unearned revenue	<u>150,145</u>	<u>324,750</u>
Net position:		
Investment in unrestricted capital assets, net of debt	3,932,320	4,019,342
Unrestricted net assets	<u>1,440,516</u>	<u>1,887,321</u>
Total net position	<u>\$ 5,372,836</u>	<u>\$ 5,906,663</u>

See accompanying notes.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Interest income on loans	\$ 7,861	\$ 27,883
Rental of real property	125,000	135,050
Administrative, pilot, bond and loan application fees	70,238	135,300
Economic development program support	176,105	75,250
Other	40,911	18,432
Total operating revenues	<u>420,115</u>	<u>391,915</u>
Operating expenses:		
Bad debt expense	65,224	-
Employee benefits	2,334	7,349
Payroll taxes	14,778	11,188
Accounting fees	17,735	12,727
Legal fees	23,749	14,612
Professional fees - Consulting professional	50,761	55,833
Professional fees - Economic development	192,790	85,749
Professional fees - Other	87,247	145,925
Marketing and promotion	25,629	19,694
Grants and program expenses	40,000	45,020
Salaries and wages	144,124	134,549
Membership dues and subscriptions	15,046	4,641
Office expenses	16,464	14,583
Computer and equipment expenses	4,620	10,946
Telephone	4,703	5,428
Office rent	38,000	30,000
Travel, seminars and training	46,909	32,167
Rental expenses	10,809	12,265
Insurance	15,089	13,301
Utilities	4,340	5,041
Repairs and maintenance - Industrial park	5,440	5,095
Maintenance contract - WNSC fields	35,200	25,800
Depreciation expense	90,580	72,783
Other expenses	2,704	1,955
Total operating expenses	<u>954,275</u>	<u>766,651</u>

See accompanying notes.

	<u>2016</u>	<u>2015</u>
Operating loss	<u>(534,160)</u>	<u>(374,736)</u>
Non-operating revenues (expenses):		
Other interest income	333	2,062
Grant income	494,324	286,305
Grants expended	(494,324)	(163,461)
Loss on sale of land	-	(1,121)
Total non-operating revenues (expenses)	<u>333</u>	<u>123,785</u>
Net loss	(533,827)	(250,951)
Net position - Beginning of year	<u>5,906,663</u>	<u>6,157,614</u>
NET POSITION - END OF YEAR	<u><u>\$ 5,372,836</u></u>	<u><u>\$ 5,906,663</u></u>

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Receipts from interest notes receivable	\$ 19,249	\$ 22,265
Receipts from rents	100,000	135,050
Receipts from fees	69,738	133,236
Receipts from economic program support	-	400,000
Receipts for other sources	40,911	12,099
Payments for employees	(160,469)	(149,927)
Payments for suppliers and services	(632,664)	(477,682)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(563,235)</u>	<u>75,041</u>
Cash flows from noncapital financing activities:		
Net grants expended	(155,041)	(52,841)
Increase in notes receivable	-	(40,000)
Principal payments on notes receivable	158,506	174,894
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>3,465</u>	<u>82,053</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	(3,558)	(122,844)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,558)</u>	<u>(72,485)</u>
Cash flows from investing activities:		
Net certificates of deposits redeemed	306,986	(206,407)
Increase in due to/due from	345	1,888
Interest and earnings	2,100	294
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>309,431</u>	<u>(204,225)</u>
NET DECREASE IN CASH	(253,897)	(119,616)
Cash - Beginning of year	<u>769,321</u>	<u>888,937</u>
Cash - End of year	<u>\$ 515,424</u>	<u>\$ 769,321</u>

See accompanying notes.

	<u>2016</u>	<u>2015</u>
Reconciliation of net operating loss to net cash provided by (used in) operation activities:		
Net loss	\$ (534,160)	\$ (374,736)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	90,580	72,783
Bad debts	65,224	-
(Increase) decrease in prepaid expenses	(1,666)	10,978
(Increase) decrease in other receivables	(27,000)	39,533
(Increase) decrease in grants receivables	-	(2,375)
Increase in accounts payable and commitments	7,004	18,126
Increase (decrease) in accrued interest	11,388	(5,618)
Increase (decrease) in unearned revenue	(174,605)	316,350
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (563,235)</u>	<u>\$ 75,041</u>

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2016

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 of America (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, 2016

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 purposes 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.

Revenues and Expenses Classifications

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, 2016

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

Prepaid Expenses

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

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, 2017, which is the date the financial statements were available to be issued.

NOTE 3 CERTIFICATES OF DEPOSIT

At December 31, 2016, there was one certificate of deposit totaling \$353,487 with an interest rate of .10% that matures June 30, 2017. At December 31, 2015, there were four certificates of deposit totaling \$660,473 with varying interest rates. These certificates matured at various dates in 2016.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2016

NOTE 4 FIXED ASSETS

Fixed assets are comprised of the following at December 31:

<u>2016</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Buildings	\$ 2,162,093	\$ 447,335	\$ 1,714,758
Improvements	210,769	193,415	17,354
Office equipment	<u>149,804</u>	<u>38,789</u>	<u>111,015</u>
Total depreciable assets	2,522,666	679,539	1,843,127
Land	1,153,590	-	1,153,590
Land improvements	<u>935,603</u>	<u>-</u>	<u>935,603</u>
Net fixed assets	<u>\$ 4,611,859</u>	<u>\$ 679,539</u>	<u>\$ 3,932,320</u>
<u>2015</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>

Depreciation expense amounted to \$90,580 and \$72,783 for the years ended December 31, 2016 and 2015, respectively.

NOTE 5 BUSINESS PARKS

COIDA is owner of the Oneonta Business Park (approximately 70 acres) located in the Town and City of Oneonta. COIDA owns one 19,000 square foot building that was available for lease in 2016. Improvements in the amount of \$870,314 have been made to this property. All the other buildings located in the park are privately owned. During 2016 and 2015, there were no vacant privately owned buildings in the Oneonta Business Park.

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

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2016

NOTE 6 NATIONAL SOCCER HALL OF FAME PROPERTY (NSHOF)

COIDA acquired the NSHOF property in 2014 and has the following recorded on the books:

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>

The lease agreement for this property will expire on March 31, 2017 and includes the following payment schedule:

April 1, 2016 – September 1, 2016 – monthly installments of \$7,500
October 1, 2016 – March 1, 2017 – monthly installments of \$12,500

Under the previous lease agreement the rental payments were:

January 1, 2015 – June 1, 2015 – monthly installments of \$5,000
July 1, 2015 – March 1, 2016 – monthly installments of \$14,167

Rental income from this property was \$125,000 and \$115,000 for the years ended December 31, 2016 and 2015, respectively.

COIDA approved a five year use agreement with Oneonta Youth Soccer Association (OYSA) for the use of the soccer fields through December 31, 2020. COIDA paid \$25,000 during the years ended December 31, 2016 and 2015 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, 2016. The line of credit is secured by the borrowers' certificate of deposit with Community Bank, N.A. There were no outstanding balances at December 31, 2016 or 2015.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2016

NOTE 8 NOTES RECEIVABLE

Notes receivable consisted of the following at December 31:

<u>Borrower</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Maturity</u>	<u>12/31/16 Principal</u>	<u>12/31/15 Principal</u>
David Rees	7.0%	\$ 1,638	07-2018	\$ 82,939	\$ 85,232
Butternuts Beer & Ale #2	4.0%	994	11-2016	43,269	53,249
H.W. Naylor	4.0%	1,519	09-2017	13,443	30,752
Enviro Energy	4.0%	740	08-2023	48,662	65,224
Cleinman, LLC	4.0%	1,025	12-2018	22,380	33,394
JSJJ Enterprises, LLC	4.0%	1,519	02-2019	74,772	86,009
Mold-A-Matic	4.0%	1,369	10-2016	2,756	17,396
Brewery Ommegang	4.0%	2,734	01-2017	2,645	34,647
Ioxus, Inc.	2.5%	1,299	12-2016	11,568	26,661
Oneonta Theater	4.0%	1,012	08-2020	85,979	85,979
Larry's Custom Meats	4.0%	1,012	08-2020	95,198	95,198
Brook's Bottling Company	4.0%	2,052	07-2021	122,833	140,620
Foothills PAC	0.0%	1,667	06-2019	100,000	100,000
Cooperstown Distillery, LLC	4.0%	683	09-2020	29,096	35,983
Cooperstown Distillery, LLC	2.0%	368	07-2025	<u>34,815</u>	<u>38,517</u>
Subtotal				770,355	928,861
Less: Allowance for bad debts				<u>(410,493)</u>	<u>(381,686)</u>
Total				359,862	547,175
Less: Current portion				<u>(171,544)</u>	<u>(308,030)</u>
Total long-term portion, net				<u>\$ 188,318</u>	<u>\$ 239,145</u>

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

NOTE 9 OTHER RECEIVABLE

In 2012 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.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2016

NOTE 9 OTHER RECEIVABLE (Cont'd.)

At any time during this period if COIDA 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 2016 and 2015. The receivable was reduced by \$40,000 in 2016 and 2015 as the organization met the job creation requirements in both years. The balance of this receivable was \$40,000 and \$80,000 as of December 31, 2016 and 2015, 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. COIDA received rental income under this lease in the amount of \$16,800 for the year ended December 31, 2015. This building was vacant for all of 2016.

See Note 6 for lease agreement for Ioxus building that is located on the NSHOF property.

Lessee

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

This lease has been renewed for an additional two years through December 31, 2018 requiring monthly payments of \$3,667, for a total of \$44,000 for each year.

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 revenue bond financing since Section 854 of the NYS General Municipal Law expired. OCCRC will now facilitate for issuance of civic facility revenue bonds for eligible organizations throughout Otsego County.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2016

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 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 \$-0- and \$56,986 as of December 31, 2016 and 2015, respectively.

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.

NOTE 14 RELATED PARTY TRANSACTIONS

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

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.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2016

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. For the years ended December 31, 2016 and 2015, \$176,105 and \$75,250 of these funds were expended. The balance of \$148,645 will be recognized in the year that qualifying expenses are incurred. The December 31, 2016 total also included \$1,500 for an administrative fee received for 2017.

2017

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 to this plan. COIDA has elected to match employee elective deferrals dollar for dollar up to 3% of wages. Contributions by COIDA were \$2,334 and \$576 for the years ended December 31, 2016 and 2015, 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.

NOTE 18 OTHER INCOME

The detail for other income is as follows:

	<u>2016</u>	<u>2015</u>
Expense reimbursement	\$ 4,495	\$ 12,099
Bad debt recoveries	<u>36,416</u>	<u>6,333</u>
Total other income	<u>\$ 40,911</u>	<u>\$ 18,432</u>

* * * * *

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

For the year ended December 31, 2016

Purchaser	Issuee	Issue Date	Issue Amount	Rate	Balance	Due Date
Wells Fargo	St. James Retirement Community Oneonta, New York 13820	9/3/1998	\$ 4,080,000	Variable	\$ 985,000	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, 2016

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	12,876	1,345
				<u>\$ 12,876</u>	<u>\$ 1,345</u>

See auditors' report.

Tax Exemptions				Payment in Lieu of Taxes			
Real Property Tax			Total Exemptions	Payment in Lieu of Taxes			Total
County	Local	School		County	Local	School	
\$ 17,245	\$ 55,748	\$ 98,084	\$ 171,077	\$ 7,798	\$ 25,208	\$ 44,353	\$ 77,359
985	3,186	-	4,171	739	2,533	-	3,272
2,789	9,015	15,862	27,666	2,387	7,717	13,403	23,507
1,124	944	7,662	9,730	559	472	6,472	7,503
11,686	7,133	69,937	88,756	8,700	9,235	53,556	71,491
39,966	33,565	272,499	346,030	20,828	17,594	207,637	246,059
4,927	15,928	28,024	48,879	985	3,186	5,605	9,776
88,690	286,702	504,433	879,825	10,459	30,427	54,199	95,085
47,621	5,108	200,089	252,818	12,918	1,360	53,711	67,989
-	-	-	14,221	-	-	-	-
<u>\$ 215,033</u>	<u>\$ 417,329</u>	<u>\$ 1,196,590</u>	<u>\$ 1,843,173</u>	<u>\$ 65,373</u>	<u>\$ 97,732</u>	<u>\$ 438,936</u>	<u>\$ 602,041</u>

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

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

Year ended December 31, 2016

	<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>
Issue:			
St. James Retirement Community 1998	-	10	-
Project Owner:			
Focus Ventures	132	25	132
Hillside Commons	-	3	3
Elizabeth Hotels, Inc.	-	25	-
Trefffeisen 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>248</u>	<u>126</u>	<u>255</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>
6	-	-
146	14	132
4	-	3
13	-	-
16	-	16
22	-	9
34	1	25
50	-	28
39	-	-
52	* 9	39
<u>1</u>	<u>-</u>	<u>-</u>
<u><u>383</u></u>	<u><u>24</u></u>	<u><u>252</u></u>

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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 and the related statements of revenues, expenditures and changes in net position and cash flows as of and for the year then ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit 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. 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 a deficiency in internal control, described in the accompanying schedule of current year finding and response that we consider to be a significant deficiency.

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 current year finding and response. 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.

Mistert, Manzanero & Scott, LLP

Oneonta, New York
March 22, 2017

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, 2016

2016 – 1	<u>Accounting for Revenue, Expenses, Receivable and Payable</u>
Condition:	Adjusting journal entries had to be made for unrecorded accounts receivable and payable for the current year.
Criteria:	To ensure proper reporting of revenue and expenses, activity needs to be recorded in a timely manner.
Effect:	Lack of controls over accounts receivable and payable reporting can lead to inaccurate reporting of income, expense, assets and liabilities in the financial statements.
Recommendation:	<p>We recommend that COIDA review its current procedures for recording accounts receivable and payable and revise and implement procedures to ensure accurate financial reporting.</p> <ul style="list-style-type: none">• Grants receivable should be recorded for any reimbursement grant for which COIDA has incurred grant expenses, but has not yet received reimbursement;• Accounts receivable should be recorded for any rental income due but not collected at year end;• Accounts payable should be recorded for any expenses incurred, but not paid by year end.
Management Response:	<p>Concerning expected grant revenue, COIDA staff and Jim Lozano, of CFO for Hire, have made monthly journal entries to account for grant-related expenditures for several ongoing grants. The auditors' finding concerns an oversight: an end-of-year journal entry that would identify funds expended for two ongoing grants for which reimbursement has not yet been sought. To remedy this problem, staff will, going forward, use a month-end checklist for all open grants to ensure that any spending is posted monthly as a corresponding receivable. In the mean time, staff will continue to inform all Audit Committee and Board members of grant-related expenditures (which are identified in the monthly Bills to be Paid report, reviewed monthly by the full Board, as well as in the grant-tracking spreadsheet reviewed monthly by Audit Committee) and timelines for grant reimbursement requests made to New York State.</p> <p>Concerning accounts receivable for rental income not received, while it is our policy to post monthly rent receivable, towards the end of the fiscal year, our tenant incurred certain financial difficulties that they informed COIDA staff of; we made a one-time decision not to post a receivable due to a sense that payment would not be forthcoming. Going forward, we will post all rent due as a receivable with our month-end closing process, and if there is a concern regarding payment, we will book a corresponding "loss reserve" in order to more fairly represent the financial statements to management.</p>

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, 2016

2016 – 1 Accounting for Revenue, Expenses, Receivable and Payable (Cont'd.)

Management
Response:

Concerning accounts payable, COIDA staff make every effort to book all identified accounts payable as of fiscal year end, and indeed, for fiscal year 2016, did book thousands of dollars' worth of accounts payable that were received after 12/31/16 but were incurred in 2016. Any dollar amounts missed were simply an oversight. Members of the Audit Committee, and the Board of Directors, review all payables on a monthly basis and review detailed reports monthly concerning existing payables. Extra diligence will be exercised in fiscal year 2017 to ensure that all possible payables are accounted for in year-end journal entries.