

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

FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

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 statements of net position of County of Otsego Industrial Development Agency ("COIDA"), a component unit of Otsego County, New York, as of December 31, 2013 and 2012, and the related statements of revenues, expenses 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 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 audit 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, 2013 and 2012, 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.

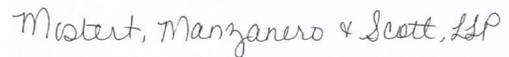
Other Matters

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on Pages 4 – 7 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on COIDA's financial statements as a whole. The supplemental information on Pages 19 and 21 in the other financial information section is presented for purposes of auditing 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 supplementary information in the accompanying schedule on Page 20 in the other financial information section is presented for purposes of additional analysis and is not a required part of the financial statements. The schedules are the responsibility of management and were derived from and related 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. The supplemental information on pages 22-23 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2014 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.

A handwritten signature in cursive script that reads "Mostert, Manzanero & Scott, LLP". The signature is written in black ink on a light-colored background.

Oneonta, New York
May 5, 2014

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT AND DISCUSSION 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, 2013. 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 loan repayments and fee for services including sale/leaseback agreements.

Expenses for COIDA comprise mostly of general agency operations including maintenance for the Pony Farm Industrial Park, professional service fees and annual voluntary PILOT payments. COIDA did not have any direct employees in 2013 and 2012. Administrative and clerical support is provided by the County Economic Development Department for which COIDA contributes an annual payment.

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 2013 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 income for COIDA was \$84,562 for fiscal year 2013, compared to \$45,660 for the fiscal year 2012. This represents an increase in revenue of \$205,337 and an increase in expenses of \$166,435. The revenue increase was mainly caused by an increase of \$230,000 in administrative fees and a decrease of \$13,371 in interest income on notes. The increase in expenses was mostly related to an increase in expenses for consulting and professional fees of \$82,306 and bad debt expense in the amount of \$91,967. At the close of fiscal year 2013, COIDA had net position of \$4,808,140, an increase of \$79,514 from the prior year. The term “net position” refers to the difference between assets and liabilities.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT AND DISCUSSION ANALYSIS

COIDA's prime objective is to provide assistance to existing businesses, expansions and business startups with professional assistance, 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 grants 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 statement shows a net decrease of \$78,413 from \$1,258,758 at year-end 2012 to \$1,180,345 at year-end 2013.

COIDA's current major capital assets are 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:

Organized by Senator James Seward and COIDA, a second Otsego County Economic Development Summit was held on November 14th, 2013 at the Foothills Performing Arts Center in Oneonta, New York. More than 200 business owners and community leaders attended the summit, which included an overview of opportunities in the nanotech industry from Dr. Robert Geer of SUNY IT; an update of the CFA process and awards, and a briefing on the new Start-Up NY program, by Mr. Ken Tompkins of Mohawk Valley; roundtable discussions of successful Economic Development structures, and Otsego County's place in regional economic development; and an assessment of Otsego County's readiness for development by Mr. Richard Sheehy, senior site selector of CH2MHILL. COIDA used the results from this summit to synthesize strategic priorities for economic and community development activities, and to spearhead changes in structure and function to better serve the county's development needs.

In 2013, dozens of businesses made inquiries into economic development services. Many of the businesses were directed to the Small Business Development Center for assistance with creating business plans. Staff made "Financing Your Business" presentations at small business workshops. Businesses requested information to source financing to start or expand their businesses or locating appropriate buildings or properties.

COIDA worked with Clough, Harbor & Associates across the latter half of 2013 to create a Master Plan and Market Analysis for the Pony Farm Industrial Park. It is anticipated that this project will help COIDA define realistic markets to solicit and to more comprehensively understand the infrastructure those industries require in order to ready the vacant land for immediate development. Project should be completed in early 2014.

Throughout 2013, working closely with counsel, COIDA reviewed, revised and updated its entire policy and procedure manual to ensure compliance with Public Authority Accountability Act and changes to general municipal law.

Projects:

Rail Industrial Side Project

A project begun in late 2012 to explore adding additional rail siding to the D&H rail yard continued to be pursued. Clough, Harbor & Associates provided engineering services associated with establishing rail access. This project is expected to be completed in 2014.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT AND DISCUSSION ANALYSIS

Broadband Development

Lack of county-wide broadband access has been a long-standing barrier to economic development. COIDA partnered with a wireless, last-mile provider and was awarded more than \$550,000 to purchase equipment related to wireless broadband through the Connect NY program. Total project is budgeted to be \$800,000. Finalization of the grant is expected to take place in early 2014, as is initial build-out of the project.

PILOTs

Bresee's Block Redevelopment/Parkview Place

In December 2012, COIDA approved a PILOT for the Bresee's Redevelopment Project in the City of Oneonta, and in early 2013 the Agency provided Klugo Oneonta, LLC, the developer, with a PILOT and tax abatement agreement. The project is in the final phases of rehabilitation; commercial tenants began moving into the building in the Fall of 2013, and residential tenants are expected to move into the apartment units in March of 2014.

Hillside Commons

COIDA approved a sale/leaseback PILOT agreement for the Hillside Commons Oneonta project, supported by the City of Oneonta, which will result in the construction of upscale student housing for approximately 330 students. The facility, located adjacent to the SUNY Oneonta campus, will include a fitness center and computer lounge, among other amenities. The project is expected to create 11 full-time jobs within its first two years of operation, and to surpass \$16,500,000 in construction costs.

Otsego County Health Facilities Corporation (OCHFC)

The Otsego County Board of Legislators took action to form the OCHFC in preparation for the sale of the Otsego Manor to a for-profit entity. In November 2013, COIDA held a public hearing regarding the financial assistance being contemplated by the Agency to OCHFC. The resolution to approve a PILOT agreement in advance of the completion of the sale (which PILOT is expected to help protect 17 full-time and 3 part-time jobs at the facility) was approved by the Board in January 2014.

Science, Technology, Engineering, and Mathematics (STEM) Initiatives

COIDA continued to assist with the implementation of Project-Lead-the-Way into the Milford School District by providing financial support (\$5,000) to Creating Opportunity in Rural Education (CORE), for teacher training and certification. Milford School District is the first school in Otsego County to be offering this nationwide, STEM centered curriculum.

Richfield Springs Business Park Development

COIDA has decided not to pursue the development of the Richfield Business Park for feasibility reasons. Immediate plans for development of this property have been put on hold. Richfield Springs continues to be an attractive area for economic development.

Economic Factors

2013 continued to be a difficult economic environment, on the global, national and local level. 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 identify business retention cases. Agribusiness and growth in the downtown Oneonta areas continue to be of significant focus for economic activity during the year.

The 2013 year continues with Governor Cuomo's Regional Economic Development Councils and the commitment to streamline economic development agencies and programs, develop regional strategic plans and build a pipeline for targeted economic development initiatives.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT AND DISCUSSION ANALYSIS

The following is a 2013-2012 comparative summary of COIDA's financial statements, showing the increase in net position:

| | <u>2013</u> | <u>2012</u> |
|---------------------|---------------------|---------------------|
| Current assets | \$ 1,988,728 | \$ 1,866,794 |
| Non-current assets | <u>2,867,928</u> | <u>2,906,580</u> |
| Total assets | 4,856,656 | 4,773,374 |
| Current liabilities | <u>48,516</u> | <u>44,748</u> |
| Net position | <u>\$ 4,808,140</u> | <u>\$ 4,728,626</u> |

CHANGES IN NET POSITION

| | | |
|----------------------------------|---------------------|---------------------|
| Operating revenues | \$ 366,802 | \$ 161,465 |
| Operating expenses | <u>(282,240)</u> | <u>(115,805)</u> |
| Operating income | 84,562 | 45,660 |
| Non-operating income (expenses): | | |
| Payment in lieu of taxes | (6,254) | (17,606) |
| Interest income – Other | <u>1,206</u> | <u>4,781</u> |
| Change in net assets | 79,514 | 32,835 |
| Net assets, beginning of year | <u>4,728,626</u> | <u>4,695,791</u> |
| Net assets, end of year | <u>\$ 4,808,140</u> | <u>\$ 4,728,626</u> |

2014 MARKETING INITIATIVES

- Develop property fact sheets for direct marketing campaigns and website viewing and downloading.
- Develop a comprehensive inventory of available sites and buildings for lease or purchase.
- Local advertising/press releases.
- Participation in a trade show/Target Industry Event.
- Direct mail campaign to site selectors and past leads generated.

2014 GOALS

- Conduct annual business retention and site visits to existing companies in Otsego County.
- Continue to offer a free “How to Start and Operate a Small Business Class” for Otsego County residents to encourage new business start-up ventures.
- Conduct an Economic Development Educational seminar for local officials to understand new business development needs and community readiness.

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, PO Box 220, Oneonta, New York 13820.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF NET POSITION

December 31, 2013 and 2012

| <u>ASSETS</u> | <u>2013</u> | <u>2012</u> |
|---------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 938,511 | \$ 206,130 |
| Certificates of deposit | 658,596 | 1,309,255 |
| Accounts receivable | - | 7,500 |
| Accrued interest receivable | 23,574 | 20,921 |
| Prepaid expenses | 6,537 | 1,723 |
| Notes receivable - Current portion | 361,510 | 321,265 |
| Total current assets | <u>1,988,728</u> | <u>1,866,794</u> |
| Fixed assets, net | <u>1,647,938</u> | <u>1,670,853</u> |
| Other assets: | | |
| Other receivables | 200,000 | 124,997 |
| Due from OCCRC | 2,000 | - |
| Due from OCDC | 199,155 | 173,237 |
| Notes receivable - Long term - Net of allowance for bad debts of \$135,778 for 2013 and \$43,810 for 2012. | 818,835 | 937,493 |
| Total other assets | <u>1,219,990</u> | <u>1,235,727</u> |
| Total assets | <u>4,856,656</u> | <u>4,773,374</u> |
| <u>LIABILITIES AND NET POSITION</u> | | |
| Liabilities: | | |
| Accounts payable | 40,536 | 36,768 |
| Deferred revenue | 7,980 | 7,980 |
| Total liabilities | <u>48,516</u> | <u>44,748</u> |
| Net position: | | |
| Investment in unrestricted capital assets, net of debt | 1,647,938 | 1,670,853 |
| Unrestricted net assets | <u>3,160,202</u> | <u>3,057,773</u> |
| Total net position | <u>\$ 4,808,140</u> | <u>\$ 4,728,626</u> |

See accompanying notes.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION

Years ended December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|------------------------------------------------|---------------------|---------------------|
| Operating revenues: | | |
| Interest income on loans | \$ 38,742 | \$ 52,113 |
| Rental of real property | 95,760 | 95,760 |
| Administrative, bond and loan application fees | 230,300 | 300 |
| Pilot fees | - | 7,500 |
| Bad debt recoveries | - | 5,654 |
| Other | 2,000 | 138 |
| | <u>366,802</u> | <u>161,465</u> |
| Total operating revenues | | |
| Operating expenses: | | |
| Contractual expenses: | | |
| General | 155,316 | 73,010 |
| Industrial park | 4,091 | 8,060 |
| Rental real estate | 7,951 | 10,578 |
| Bad debt expense | 91,967 | - |
| Depreciation | 22,915 | 24,157 |
| | <u>282,240</u> | <u>115,805</u> |
| Total operating expenses | | |
| Operating income | <u>84,562</u> | <u>45,660</u> |
| Non-operating revenues and expenses: | | |
| Interest income other | 1,206 | 4,781 |
| Payment in lieu of taxes | (6,254) | (17,606) |
| | <u>(5,048)</u> | <u>(12,825)</u> |
| Total non-operating revenue and expenses | | |
| Net income | 79,514 | 32,835 |
| Net position, beginning of year | <u>4,728,626</u> | <u>4,695,791</u> |
| NET POSITION, END OF YEAR | <u>\$ 4,808,140</u> | <u>\$ 4,728,626</u> |

See accompanying notes.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years ended December 31, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Cash flows from operating and non-operating activities: | | |
| Net income (loss) | \$ 79,514 | \$ 32,835 |
| Adjustments to reconcile net income to net cash provided by operating and non-operating activities: | | |
| Depreciation | 22,915 | 24,157 |
| Increase (decrease) in allowance for bad debts | 91,968 | (5,654) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in accrued interest receivable | (2,653) | (6,774) |
| (Increase) decrease in prepaid expenses | (4,814) | 914 |
| (Increase) decrease in accounts receivable | 7,500 | (7,500) |
| Increase (decrease) in accounts payable | 3,768 | 34,138 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>198,198</u> | <u>72,116</u> |
| Cash flows provided by (used in) investing activities: | | |
| Net certificates of deposit (purchased) redeemed | 650,659 | (5,302) |
| Issuance of notes receivable and other receivables | (275,003) | (124,997) |
| (Increase) decrease in due to/from | (27,918) | (52,623) |
| Principal payments on notes receivable | 186,445 | 184,859 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>534,183</u> | <u>1,937</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | 732,381 | 74,053 |
| Cash and cash equivalents, beginning of year | <u>206,130</u> | <u>132,077</u> |
| Cash and cash equivalents, end of year | <u>\$ 938,511</u> | <u>\$ 206,130</u> |

See accompanying notes.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2013

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 generally accepted accounting principles (GAAP). Significant accounting policies are:

Measurement Focus and Basis of Accounting

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

IDAs, similar to business enterprises, utilize 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 fund liability. Accordingly, IDAs use 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 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, 2013

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 \$100 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. Depreciation expense charged against rental revenue amounted to \$22,915 and \$24,157 for the years ended December 31, 2013 and 2012, respectively.

Contributed Facilities and Services

COIDA, with the consent of the Board of Representatives from Otsego County, is authorized to use and has shared county employees, facilities, and equipment and may reimburse the county an agreed upon proportion of the compensation or costs of the services provided. COIDA incurred \$17,500 and \$27,500 in expenses in 2013 and 2012, respectively.

Use of Estimates

The preparation of financial statements in conformity with 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.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2013

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

Deferred Revenue

COIDA receives advanced receipt of rental income from its rental properties. Prepaid rents are deferred until earned and recorded as collections in advance and recorded as earned income in the appropriate month.

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.”

New Accounting Pronouncements

During the fiscal year ended December 31, 2013, COIDA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which will be effective for the year ending December 31, 2013. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. COIDA did not have any assets or liabilities that were required to be reclassified to either deferred outflows or inflows of resources for the year ended December 31, 2013.

Additionally, during the year ended December 31, 2013, COIDA completed the process of evaluating the impact that will result from adopting GASB Statements No. 61, *The Financial Reporting Entity; Omnibus – an amendment of GASB Statements No. 14 and No 34*, and No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and 62*. GASB Statements No. 61 and 66 have been adopted, as applicable, for the year ended December 31, 2013 and they did not have a material impact on COIDA’s financial position or results from operations.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2013

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

Events Occurring After Reporting Date

COIDA has evaluated subsequent events through May 5, 2014, which is the date the financial statements were available to be issued.

NOTE 3 CERTIFICATES OF DEPOSIT

At December 31, 2013, there were three certificates of deposit totaling \$658,596 with varying interest rates. The certificates mature at various dates in 2014 and 2015.

At December 31, 2012, there were five certificates of deposit totaling \$1,309,255 with interest rates varying from .10% to 1.1%. The certificates mature at various dates in 2013.

NOTE 4 FIXED ASSETS

Fixed assets are comprised of the following:

| <u>2013</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Book Value</u> |
|-----------------------------------|---------------------|-------------------------------------|---------------------|
| Buildings | \$ 572,707 | \$ 380,544 | \$ 192,163 |
| Improvements | 55,297 | 39,279 | 16,018 |
| Office equipment | <u>3,095</u> | <u>3,095</u> | <u>-</u> |
| Total depreciable assets | 631,099 | 422,918 | 208,181 |
| Land | 472,399 | - | 472,399 |
| Improvements other than buildings | <u>1,029,375</u> | <u>62,017</u> | <u>967,358</u> |
| Net fixed assets | <u>\$ 2,132,873</u> | <u>\$ 484,935</u> | <u>\$ 1,647,938</u> |
| <u>2012</u> | | | |
| Buildings | \$ 572,707 | \$ 367,769 | \$ 204,938 |
| Improvements | 55,297 | 38,516 | 16,781 |
| Office equipment | <u>3,095</u> | <u>3,095</u> | <u>-</u> |
| Total depreciable assets | 631,099 | 409,380 | 221,719 |
| Land | 472,399 | - | 472,399 |
| Improvements other than buildings | <u>1,029,375</u> | <u>52,640</u> | <u>976,735</u> |
| Net fixed assets | <u>\$ 2,132,873</u> | <u>\$ 462,020</u> | <u>\$ 1,670,853</u> |

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2013

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. As of December 31, 2013, 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.

NOTE 6 LINE OF CREDIT

COIDA has available a line of credit with Community Bank in the amount of \$550,000, which is renewed annually. Bank advances on the line of credit are payable on demand and carry an interest rate of 6.3% as of December 31, 2013. The line of credit is secured by the borrowers' certificates of deposit with Community Bank. There were no outstanding balances at December 31, 2013 or 2012.

NOTE 7 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>12/31/13 Principal</u> | <u>12/31/12 Principal</u> |
|--------------------------|----------------------|------------------------|-----------------|---------------------------|---------------------------|
| David Rees | 4.0% | 1,638 | 07-2018 | \$ 100,558 | \$ 110,765 |
| TRC Enterprises #1 | 4.0% | 520 | 12-2014 | 20,154 | 21,195 |
| Centefonte Land, LLC | 4.0% | 1,519 | 12-2014 | 17,835 | 34,972 |
| Butternuts Beer & Ale #2 | 4.0% | 994 | 11-2016 | 58,890 | 58,890 |
| TRC Enterprises #2 | 4.0% | 296 | 08-2014 | 22,090 | 22,615 |
| H.W. Naylor | 4.0% | 1,519 | 09-2017 | 63,364 | 78,719 |
| Enviro Energy | 4.0% | 740 | 08-2023 | 74,047 | 80,307 |
| Ioxus, Inc. | 4.0% | 2,734 | 09-2015 | 55,357 | 85,295 |
| Cleinman, LLC | 4.0% | 1,025 | 12-2018 | 54,146 | 63,917 |
| JSJJ Enterprises, LLC | 4.0% | 1,519 | 02-2019 | 100,477 | 108,654 |
| Mold-A-Matic | 4.0% | 1,369 | 10-2016 | 53,520 | 65,190 |
| Brewery Ommegang | 4.0% | 2,734 | 01-2017 | 94,941 | 123,330 |
| Ioxus, Inc. | 2.5% | 1,299 | 12-2016 | 48,605 | 63,950 |
| Oneonta Theater | 4.0% | 1,012 | 08-2020 | 85,979 | 86,777 |
| Larry's Custom Meats | 4.0% | 1,012 | 08-2020 | 97,956 | 97,956 |

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2013

NOTE 7 NOTES RECEIVABLE (Cont'd.)

| <u>Borrower</u> | <u>Interest Rate</u> | <u>Monthly Payment</u> | <u>Maturity</u> | <u>12/31/13 Principal</u> | <u>12/31/12 Principal</u> |
|-------------------------------|----------------------|------------------------|-----------------|---------------------------|---------------------------|
| The Plains | 3.0% | 2,695 | 03-2016 | 70,287 | 100,036 |
| Foothills PAC | 0.0% | 1,667 | 06-2019 | 100,000 | 100,000 |
| Cooperstown Distillery, LLC | 4.0% | 683 | 09-2020 | 47,917 | - |
| Comp Direct USA | 4.0% | * | 11-2015 | <u>150,000</u> | <u>-</u> |
| Subtotal | | | | 1,316,123 | 1,302,568 |
| Less: Allowance for bad loans | | | | <u>(135,778)</u> | <u>(43,810)</u> |
| Total | | | | 1,180,345 | 1,258,758 |
| Less: Current portion | | | | <u>(361,510)</u> | <u>(321,265)</u> |
| Total long-term portion, net | | | | <u>\$ 818,835</u> | <u>\$ 937,493</u> |

* Repayment of principal and interest will be deferred until November 1, 2015, at which time full payment of the loan will be due.

NOTE 8 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%. During the year ended December 31, 2013 and 2012, COIDA advanced \$75,003 and \$124,997, respectively, under this agreement, for a total of \$200,000. The tax-exempt organization met employment numbers for 2013.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2013

NOTE 9 LEASES

COIDA is a lessor in an operating lease agreement for the industrial incubator building through October 31, 2013. The monthly base rent increases from \$7,980 to \$8,400, starting November 1, 2013. The lessee paid the additional monthly rent of \$420 for November and December 2013 in 2014. COIDA received rental income under this lease in the amount of \$95,760 for the years ending December 31, 2013 and 2012.

NOTE 10 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 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 through out the county.

NOTE 12 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.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2013

NOTE 12 FINANCIAL INSTRUMENTS WITH CONCENTRATION OF CREDIT RISK (Cont'd.)

Total financial institution balances at December 31, 2013 and 2012 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.

NOTE 13 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, 2013 and 2012, loans receivable from OCDC were \$199,155 and \$173,237, respectively. These loans were made to help assist OCDC with the maintenance requirements of the Wright National Soccer Campus. When OCDC begins to generate rental income from the building on the property where the campus is located, repayment of these notes will begin. There is no interest being charged on these loans.

At December 31, 2013, COIDA had an amount due from OCCRC in the amount of \$2,000, for 2012 audit preparation fees. OCCRC will repay this amount in 2014.

NOTE 14 CONSULTING AND EMPLOYMENT AGREEMENT

On January 9, 2014, COIDA entered into a three year consulting agreement, subject to annual renewal. This agreement requires payments of \$10,000 per month plus reimbursement for travel, entertainment, business membership and other related expenses up to \$35,000 per year.

On January 6, 2014, COIDA entered into an employment agreement with an individual, hired as Chief Financial Officer, for an annual salary of \$60,000 plus benefits.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF BUDGETARY COMPARISON

Year ended December 31, 2013

| | <u>Budget</u> | <u>Actual</u> | <u>Over (Under)</u> |
|------------------------------------------------------|-------------------|------------------|-------------------------|
| Revenue: | | | |
| Interest income - Certificates of deposits and banks | \$ 5,000 | \$ 1,206 | \$ (3,794) |
| Interest income - Loans | 44,133 | 38,742 | (5,391) |
| Bond and loan application fees | 7,500 | 230,300 | 222,800 |
| Pilot fees | - | - | - |
| Other income | - | 2,000 | 2,000 |
| Grants | 250,000 | - | (250,000) |
| Rent - Incubator/Siemens | 95,760 | 95,760 | - |
| Total revenue | <u>402,393</u> | <u>368,008</u> | <u>(34,385)</u> |
| Expenses: | | | |
| Promotional advertisements | 11,648 | 6,495 | (5,153) |
| Legal advertisements | - | - | - |
| Membership dues | - | 11,213 | 11,213 |
| Supplies | 2,650 | 3,482 | 832 |
| Travel and lodging | 3,081 | 6,376 | 3,295 |
| Meals and entertainment | - | - | - |
| Conferences/NDC courses | 2,950 | - | (2,950) |
| Insurance | 10,682 | 10,460 | (222) |
| Audit | 5,500 | 5,800 | 300 |
| Professional fees | 106,000 | 97,972 | (8,028) |
| Contract for services | 77,500 | 17,500 | (60,000) |
| Other expenses | 22,749 | 3,215 | (19,534) |
| Other/special assessments | 3,940 | 754 | (3,186) |
| Depreciation - general | - | 22,915 | 22,915 |
| Incubator repairs and maintenance | 12,500 | 4,091 | (8,409) |
| Bad debt expense | - | 91,967 | 91,967 |
| Voluntary PILOTS | 9,050 | 6,254 | (2,796) |
| Total expenses | <u>268,250</u> | <u>288,494</u> | <u>20,244</u> |
| Net income | <u>\$ 134,143</u> | <u>\$ 79,514</u> | <u>\$ (54,629)</u> |

See auditors' report.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF CONTRACTUAL EXPENSES

Year ended December 31, 2013

| | <u>General</u> | <u>Industrial Park</u> | <u>Rental Real Estate</u> | <u>Total</u> |
|----------------------------|-------------------|------------------------|-------------------------------|-------------------|
| Insurance | \$ 3,263 | \$ - | \$ 7,197 | \$ 10,460 |
| Advertising and promotion | 6,495 | - | - | 6,495 |
| Travel and seminars | 6,376 | - | - | 6,376 |
| Professional fees | 103,772 | - | - | 103,772 |
| Maintenance | - | 4,091 | - | 4,091 |
| County contract | 17,500 | - | - | 17,500 |
| Other administrative costs | 2,083 | - | - | 2,083 |
| Membership dues | 11,213 | - | - | 11,213 |
| Office expense | 3,482 | - | - | 3,482 |
| Utilities | - | - | 754 | 754 |
| Other | 1,132 | - | - | 1,132 |
| | <u>155,316</u> | <u>4,091</u> | <u>7,951</u> | <u>167,358</u> |
| Total contractual expenses | <u>\$ 155,316</u> | <u>\$ 4,091</u> | <u>\$ 7,951</u> | <u>\$ 167,358</u> |

See auditors' report.

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

For the year ended December 31, 2013

| Purchaser | Issuee | Issue Date | Price |
|------------------------------------|----------------------------------------------------------------------------------------------------|------------|---------------|
| Wells Fargo Bond Purpose: | Mary Imogene Bassett Hospital Cooperstown, New York 13326 Refinance | 04/01/1998 | \$ 15,000,000 |
| Wells Fargo Bond Purpose: | Mary Imogene Bassett Hospital Cooperstown, New York 13326 Refinance | 05/01/1998 | 14,900,000 |
| Cain Brothers Bond Purpose: | A.O. Fox Memorial Hospital Society Oneonta, New York 13820 Refinance | 10/15/1998 | 15,000,000 |
| Wells Fargo Bond Purpose: | St. James Retirement Community Oneonta, New York 13820 Construction | 09/03/1998 | 4,080,000 |
| Key Bank Bond Purpose: | Templeton Foundation Oneonta, New York 13820 Construction | 06/01/2000 | 9,300,000 |
| Community Bank NA Bond Purpose: | A.O. Fox Memorial Hospital Society Oneonta, New York 13820 Building renovation and equipment | 12/29/2004 | 6,900,000 |

See auditors' report.

| <u>Rate</u> | <u>Balance</u> | <u>Due Date</u> |
|-------------|----------------|-----------------|
| 5.125% | \$ 6,550,000 | 11/01/2020 |
| 5.125% | 3,545,000 | 11/01/2020 |
| 4.25% | 6,435,000 | 10/01/2019 |
| 2.80% | 1,420,000 | 08/01/2023 |
| Adjustable | 1,490,000 | 06/01/2015 |
| 5.21% | 5,622,236 | 11/30/2030 |

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

Year ended December 31, 2013

| 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 | - | - |
| Trefferson 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 at Parish St Hwy 7 Oneonta, NY 13820 | Acquisition and Construction of Building | 2/25/2011 | 1/25/2021 | - | - |
| Klugo Oneonta LLC 11849 East Corning Road Corning, NY 14830 | Acquisition and Removal of Building | 2/1/2013 | 2/1/2023 | 34,681 | 34,681 |
| | | | | \$ 34,681 | \$ 34,681 |

See auditors' report.

| Tax Exemptions | | | | Payment in Lieu of Taxes | | | |
|-------------------|-------------------|-------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| Real Property Tax | | | Total Exemptions | Payment in Lieu of Taxes | | | |
| County | Local | School | | County | Local | School | Total |
| 17,136 | 54,537 | 90,834 | 162,507 | 7,415 | 23,598 | 39,305 | 70,318 |
| 979 | 3,116 | 5,191 | 9,286 | 734 | 2,337 | 3,893 | 6,964 |
| 2,771 | 8,819 | 14,689 | 26,279 | 2,372 | 7,549 | 12,574 | 22,495 |
| 1,131 | 874 | 7,724 | 9,729 | 566 | 437 | 3,862 | 4,865 |
| 7,868 | 5,994 | 46,282 | 60,144 | 5,703 | 4,729 | 33,549 | 43,981 |
| 40,235 | 32,516 | 274,707 | 347,458 | 21,091 | 16,970 | 143,998 | 182,059 |
| 4,896 | 15,581 | 25,953 | 115,792 | 490 | 1,558 | 2,595 | 4,643 |
| <u>\$ 75,016</u> | <u>\$ 121,437</u> | <u>\$ 465,380</u> | <u>\$ 731,195</u> | <u>\$ 38,371</u> | <u>\$ 57,178</u> | <u>\$ 239,776</u> | <u>\$ 335,325</u> |

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

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

Year ended December 31, 2013

| | <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 Foundaton 2000 | - | - | - |
| Springbrook 2000 | 90 | 5 | 90 |
| A.O. Fox Memorial Hospital Society 2004 | Incl. with AO Fox above | - | Incl. with AO Fox above |
| A.O. Fox Memorial Hospital Society 2004 | Incl. with AO Fox above | | Incl. with AO Fox above |
| Templeton Foundation 2007 | Incl. with TF above | | Incl. with TF above |
| Mary Imogene Bassett Hospital 2007 | Incl. with MIBH above | - | Incl. with MIBH above |
| Project Owner: | | | |
| Elizabeth Hotels, Inc. | - | 25 | - |
| Trefffeison 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 Parish Plains | - | 25 | - |
| Klugo Oneonta LLC | - | 2 | - |
| | <u>2,492</u> | <u>99</u> | <u>2,492</u> |

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> |
|---------------------------------------|-----------------------------------------------------|------------------------------------------------------|
| 2591 | 91 | 1,721 |
| Incl. with MIBH above | Incl. with MIBH above | Incl. with MIBH above |
| 732 | - | 600 |
| 12 | - | - |
| 116 | 116 | - |
| 521 | 51 | 90 |
| Incl. with A.O. Fox above | Incl. with AO Fox above | Incl. with AO Fox above |
| Incl. with A.O. Fox above | Incl. with AO Fox above | Incl. with AO Fox above |
| Incl. with TF above | Incl. with TF above | Incl. with TF above |
| Incl. with MIBH above | Incl. with MIBH above | Incl. with MIBH above |
| 19 | - | - |
| 18 | 4 | 18 |
| 20 | - | 9 |
| 30 | - | 25 |
| 103 | 8 | 28 |
| 47 | 6 | - |
| - | - | - |
| <u>1,618</u> | <u>276</u> | <u>2,491</u> |

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Certified Public Accountants

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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 statement of net position as of and for the year ended December 31, 2013, and the related statement of revenues, expenses and changes in net position and statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 5, 2014.

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 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. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control that we consider significant deficiencies, described in the accompanying schedule of findings and responses, as items 2013-1, 2013-2, 2013-3 and 2013-4.

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

COIDA's responses to the findings, identified in our audit, are described in the accompanying schedule of findings and responses. COIDA's responses are not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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*.

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
May 5, 2014

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES

Year Ended December 31, 2013

2013 – 1 Missing or Improper Documentation for Cash Accounts

Condition: The following December 31, 2013 bank statements could not be located during our fieldwork:

- a. Money management account with Community Bank, NA; and
- b. Money market account with NBT Bank.

The following CD's lacked appropriate documentation:

- a. No documentation on file for a CD with the Bank of Cooperstown.
- b. Certificate of Deposit receipt for CD with Community Bank, NA with fixed interest rate, but no interest rate stated on receipt.
- c. Certificate of Deposit form with Community Bank, NA provided by COIDA did not indicate the maturity date, term or rate of interest.

Criteria: Proper internal controls over COIDA's cash accounts require that the general ledger balances are reconciled to bank statements and other appropriate documents. Additionally, these documents need to be retained in accordance with a proper document retention policy.

Effect: Essential controls over cash accounts were not performed which could lead to improper reporting of cash activity in the financial statements and possible misappropriation of assets.

Recommendation: We recommend that COIDA retain copies of all bank statements and proper documentation for cash accounts.

Management

Response: Please note that the comments offered by the accountants consists of administrative and operational issues that occurred for the year ended December 31, 2013, during a period of COIDA's staff transition and turnover. Furthermore, such issues did not occur during the year ended December 31, 2012 and are atypical to the administration and operations of COIDA. Lastly, COIDA is reorganizing and hiring staff in order to take steps to address these issues on a going-forward basis.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES

Year Ended December 31, 2013

2013-2 Cash Receipts Not Deposited Timely

Condition: Cash receipts for notes receivable in September through December were not deposited or applied to notes receivable account until December.

Criteria: Timely deposit and recording of COIDA's cash receipts is a major internal control over receipts.

Effect: Inadequate controls over COIDA's cash receipts could lead to improper reporting of cash and notes receivable activity in the financial statements. There not only is a risk of loss from misplacement or misappropriations, but the cash is not available for expenses or investments. Also the notes receivable balance does not reflect the appropriate principal balance if the cash receipt is not timely entered into the accounting system.

Recommendation: COIDA needs to timely deposit and record all cash receipts according to its policy.

Management

Response: Please note that the comments offered by the accountants consists of administrative and operational issues that occurred for the year ended December 31, 2013, during a period of COIDA's staff transition and turnover. Furthermore, such issues did not occur during the year ended December 31, 2012 and are atypical to the administration and operations of COIDA. Lastly, COIDA is reorganizing and hiring staff in order to take steps to address these issues on a going-forward basis.

2013-3 Reconciliation of the notes receivable software (PORTFOL) and the financial reporting software (Peachtree)

Condition: Adjustments were made to Peachtree to adjust notes receivable to balances in PORTFOL, without any investigation as to why there is a discrepancy. Four separate notes receivable accounts were adjusted incorrectly at year end to reflect the balance in PORTFOL.

Criteria: Account balances need to be reconciled between PORTFOL and Peachtree and differences need to be properly investigated in order for errors to be identified timely and be corrected.

Recommendation: Reconciliation of PORTFOL and Peachtree should be performed periodically. Discrepancies should be identified and adjusted, if appropriate.

Management

Response: Please note that the comments offered by the accountants consists of administrative and operational issues that occurred for the year ended December 31, 2013, during a period of COIDA's staff transition and turnover. Furthermore, such issues did not occur during the year ended December 31, 2012 and are atypical to the administration and operations of COIDA. Lastly, COIDA is reorganizing and hiring staff in order to take steps to address these issues on a going-forward basis.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES

Year Ended December 31, 2013

2013 – 4 Unrecorded Interest Receivable

Condition: COIDA adjusts interest receivable on its notes receivable at year end. An entry was made to reverse the previous year interest receivable but no entry was made to record the current year interest receivable, which left both interest income and interest receivable understated.

Criteria: General ledger accounts should be reviewed after posting of journal entries to insure that the entries were correct and complete.

Recommendation: After year-end adjustments are entered a trial balance should be printed and reviewed to insure that all entries were made and properly entered. Additionally if an entry to reverse prior year interest receivables, is made, an entry for the current year interest receivable also needs to be entered, otherwise the financial statements do not properly reflect interest income from notes receivable for the period.

*Management
Response:*

Please note that the comments offered by the accountants consists of administrative and operational issues that occurred for the year ended December 31, 2013, during a period of COIDA's staff transition and turnover. Furthermore, such issues did not occur during the year ended December 31, 2012 and are atypical to the administration and operations of COIDA. Lastly, COIDA is reorganizing and hiring staff in order to take steps to address these issues on a going-forward basis.