

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

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

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

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4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com



Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Mary E. Manzanero, CPA
David E. Brownell, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County of Otsego Industrial Development Agency
189 Main Street, Suite 500
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, 2018 and 2017, 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, 2018 and 2017, 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 – 10 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 April 5, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of COIDA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering COIDA's internal control over financial reporting and compliance.

Other Reporting Required by New York State Public Authorities Law

In accordance with New York State Public Authorities Law, we have also issued our report dated April 5, 2019 on our consideration of COIDA's compliance with Section 2925 of New York State Public Authorities Law. The purpose of that report is to determine whether COIDA obtained and managed its investments in compliance with its own policies and relevant sections of the New York State Public Authorities Law.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
April 5, 2019

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

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, 2018. 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 2018 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 \$(77,415) for fiscal year 2018, compared to \$(209,326) for the fiscal year 2017. This represents a decrease in revenues of \$28,020 and a decrease in expenses of \$159,931.

The decrease in operating revenues was mostly attributable to:

- Decrease in interest income on notes of \$5,855;
- Increase in rental income of \$17,450; related to the sublease of office space;
- Decrease in economic development support of \$6,950;
- Decrease in other income of \$141,042; and
- Increase in fee revenue of \$108,377.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The decrease in operating expenses was mostly attributable to:

- Decrease in grants and program expenses of \$50,250;
- Decrease in rental expense of \$9,271
- Increase in pilot payments of \$4,110;
- Decrease in professional fees of \$116,938;
- Decrease in marketing expense of \$16,076;
- Decrease in travel, seminar and training of \$20,883;
- Decrease in depreciation expenses of \$4,949;
- Increase in membership dues and subscriptions of \$2,497;
- Decrease in maintenance of WNSC fields of \$5,000;
- Increase in payroll and payroll related expenses of \$53,008;
- Increase in repairs and maintenance of \$6,278; and
- Decrease in other expenses of \$2,458.

At the close of fiscal year 2018, COIDA had net position of \$5,039,126, a decrease of \$124,490 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, net of allowance show a net decrease of \$61,651 from \$216,448 at year-end 2017 to \$154,797 at year-end 2018.

COIDA's current major capital assets are the former Wright National Soccer Campus property, the Oneonta Business 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 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 2019 budget to the ABO in October 2018. 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 2018, COIDA's board gained members Andrew Marietta and saw the retirement of long-serving members Devin Morgan and Sarah Poole.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Staff Changes

During 2017, the Chief Executive Office, the Chief Operating Officer and support staff, for a variety of reasons and career decisions, all left employment of the Agency by mid-2017. The Board of Directors hired Valletta Ritson and Company to do a nationwide search for a new chief executive officer during the summer of 2017; at the end of the search, a new CEO was hired and started in late September 2017. A new administrative director was hired in December 2017.

Real Property

COIDA's 40-plus "shovel-ready", developable acres in the Oneonta Business Park continues to be marketed aggressively by staff. In early spring 2018, TENTRR, a camping manufacturing company, began manufacturing operations in one of the vacant buildings in the Park. Hale Transportation continues to lease a building from the COIDA in the Oneonta Business Park as well. IOXUS continues to lease from the COIDA the building which formerly housed the Soccer Hall of Fame, and the Oneonta Soccer Club continues to occupy the COIDA soccer fields to provide limitless access to the high-quality soccer fields on the property, for their use for training, tournaments and events. The IDA also sub-leases office space to the County of Otsego Chamber of Commerce, Southern Tier 8 Regional Planning Agency, and the Center for Agriculture, Development and Entrepreneurism at the IDA offices at 189 Main Street in Oneonta.

Downtown Revitalization Initiative

COIDA staff continued to work with the City of Oneonta to acquire downtown property for the future site of the Food & Beverage Innovation Center and will continue to be actively involved in developing the Innovation Center and helping with the revitalization of Market Street.

Oneonta Rail Yards

During the 2018, Delaware Engineering, under contract to the COIDA, continued to work on a full environmental impact assessment of the site along with Elan Planning to update the City of Oneonta's master plan to incorporate the railyard development. It is expected that these studies will be completed in the spring of 2019. The goal is to create multi-model shovel-ready sites available to market by 2019.

Workforce Development

In 2018, the Workforce Development Center (the "Center") shifted its focus to conduct training programs of its own and has its partners located in the same offices provide training. These partners include the NYS Small Business Development Center, the Otsego County Chamber of Commerce, SUNY Broome, the NYS Department of Labor and the Center for Agriculture, Development and Entrepreneurship (CADE). These agencies provide training in the COIDA's facilities and using the IDA computers and other equipment.

Grants

The COIDA is administering the following grants:

- \$1,000,000 in capital grants to continue to move the Oneonta Rail Yards project forward;
- \$250,000 grant from the NYS Dormitory Authority towards a public wifi "hotspot" initiative for the Village of Cooperstown.
- \$750,000 Community Development Block Grant (CDBG) to the Town of Oneonta for the expansion of Custom Electronics and the creation of 50 new manufacturing jobs.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Other Grant Submissions

The COIDA also worked on securing a \$960,000 ESD grant for Andela Products in Richfield Springs for a planned expansion of their manufacturing facilities.

Also, the COIDA secured a \$30,000 ESD grant for Steiner's Meat Packing Facility in Otego for their planned expansion.

Corning

COIDA was successful in negotiating a payment-in-lieu-of-tax agreement with Corning form a \$12 million plant upgrade which will require Corning to retain 175 manufacturing jobs in Oneonta for the next 15 years.

Cooperstown Plan

Empire State Development had reimbursed the COIDA \$58,000 in funding towards the Village of Cooperstown Comprehensive Plan in the spring of 2018.

Richfield Springs Business Park Development

Empire State Development had reimbursed the COIDA \$150,000 in funding towards the Village of Richfield Springs Business Park Development Plan in the spring of 2018.

Natural Gas and Electric Supply

Staff continued to work with various companies and non-for-profit organizations in the County to look at the issues of natural gas and electric supply. The COIDA met with NYSE&G in early 2018 through the summer to explore alternative means to supply increase energy within the County. The County of Otsego created an energy task for in late 2018 to continue the efforts of the COIDA.

One Stop Business Center

The COIDA concluded discussions with the Otsego County Chamber of Commerce to move its operations into the COIDA offices. In addition, Southern Tier 8 Regional Planning Agency and the Center for Agriculture, Development and Entrepreneurism (CADE) also took up space at the COIDA offices. This cooperative venture would allow the COIDA, the Chamber and the NYS Small Business Development Center, CADE and Southern Tier 8 to function as a cohesive unit enhancing the services provided to businesses of all sectors.

Comments on Financial Analysis

Concerning the increases in operating revenues:

- Operating revenues for the COIDA remained fairly constant. There was an increase in revenues from the recovery of bad debt, but this revenue cannot be depended upon.
- Similarly, revenues from economic development where slightly down 2018 – but this also is a fluctuating revenue source.
- Rents, increased in 2018 with planned subleasing to the Chamber of Commerce, CADE and Southern Tier 8. Additional office space rent is expected in 2019 with the addition of U.S. Congressman Delgado's office staff.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Concerning operating expenses:

- Major decreases in operating expenditures included office expenses, consulting services related to lobbying efforts, grant writing and administration, executive management, travel and conferences. These operating expenditures will continue into future years.
- Consulting services for the railyard development which were authorized in 2017, while they have had little fiscal impact in 2017, greatly increased operating expenses in 2018.

Economic Factors

2018 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. Another factor in New York State is the lack of available natural gas supply and electricity. 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, Richfield Springs 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 2018, 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a summary of COIDA's financial position at December 31, 2018, 2017 and 2016:

NET POSITION	<u>2018</u>	<u>Higher/ Lower Prior Year</u>	<u>2017</u>	<u>Higher/ Lower Prior Year</u>	<u>2016</u>
Current assets	\$ 1,196,252	\$ (78,760)	\$ 1,275,012	\$ (140,348)	\$ 1,415,360
Non-current assets	<u>4,158,148</u>	<u>(100,250)</u>	<u>4,258,398</u>	<u>60,569</u>	<u>4,197,829</u>
Total assets	<u>5,354,400</u>	<u>(179,010)</u>	<u>5,533,410</u>	<u>(79,779)</u>	<u>5,613,189</u>
Current liabilities	315,274	23,968	291,306	201,098	90,208
Deferred inflows of revenue	<u>-</u>	<u>(78,488)</u>	<u>78,488</u>	<u>(71,657)</u>	<u>150,145</u>
Total liabilities	<u>315,274</u>	<u>(54,520)</u>	<u>369,794</u>	<u>129,441</u>	<u>240,353</u>
Invested in capital assets, Net of related debt	3,767,439	(79,966)	3,847,405	(84,915)	3,932,320
Unrestricted	<u>1,271,687</u>	<u>(44,524)</u>	<u>1,316,211</u>	<u>(124,305)</u>	<u>1,440,516</u>
Total net position	<u>\$ 5,039,126</u>	<u>\$ (124,490)</u>	<u>\$ 5,163,616</u>	<u>\$ (209,220)</u>	<u>\$ 5,372,836</u>

CHANGES IN NET POSITION

Operating revenues	\$ 412,079	\$ (28,020)	\$ 440,099	\$ 19,984	\$ 420,115
Operating expenses	<u>489,494</u>	<u>(159,931)</u>	<u>649,425</u>	<u>(304,850)</u>	<u>954,275</u>
Operating income (loss)	(77,415)	131,911	(209,326)	324,834	(534,160)
Non-operating income (expense)	<u>(47,075)</u>	<u>(47,181)</u>	<u>106</u>	<u>(227)</u>	<u>333</u>
Change in net position	((124,490)	84,730	(209,220)	324,607	(533,827)
Net position – Beginning of year	<u>5,163,616</u>	<u>(209,220)</u>	<u>5,372,836</u>	<u>(533,827)</u>	<u>5,906,663</u>
Net position – End of year	<u>\$ 5,039,126</u>	<u>\$ (124,490)</u>	<u>\$ 5,163,616</u>	<u>\$ (209,220)</u>	<u>\$ 5,372,836</u>

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

2018 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.

2019 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;
- 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;
- Utilize the completed comprehensive plans for Richfield Springs, Cooperstown, and Oneonta for business attraction and retention;
- Work to move forward significantly WiFi and Broadband development;
- Working with NYSEG and other energy providers, development a plan for increasing both natural gas, compressed and/or liquified gas, electric and solar capacity within the County;
- 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 Jody Zakrevsky, Chief Operating Officer, County of Otsego Industrial Development Agency, 189 Main Street, Suite 500, Oneonta, New York 13820.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY
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STATEMENTS OF NET POSITION

December 31, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 581,194	\$ 432,956
Certificate of deposit	353,487	353,487
Accrued interest receivable	1,064	1,064
Grants receivable	194,617	408,282
Accounts receivable	5,000	102
Prepaid expenses	9,150	-
Notes receivable - Current portion (net of allowance for bad debts of \$214,457 for 2018 and \$204,398 for 2017)	51,740	79,121
Total current assets	<u>1,196,252</u>	<u>1,275,012</u>
Capital assets, net	<u>3,767,439</u>	<u>3,847,406</u>
Other assets:		
Due from Oneonta Rail Yards LDC	287,652	273,665
Notes receivable - Long term (net of allowance for bad debts of \$38,814 for 2018 and \$57,899 for 2017)	103,057	137,327
Total other assets	<u>390,709</u>	<u>410,992</u>
Total assets	<u>5,354,400</u>	<u>5,533,410</u>
 <u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Accounts payable	39,011	15,281
Accrued expense	5,500	4,100
Line of credit	255,728	256,890
Security deposits	15,035	15,035
Total liabilities	<u>315,274</u>	<u>291,306</u>
Deferred infows of resources:		
Unearned revenue	<u>-</u>	<u>78,488</u>
Net position:		
Investment in unrestricted capital assets, net of debt	3,767,439	3,847,406
Unrestricted net assets	<u>1,271,687</u>	<u>1,316,210</u>
Total net position	<u>\$ 5,039,126</u>	<u>\$ 5,163,616</u>

See accompanying notes.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY
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STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION

Years Ended December 31, 2018 and 2017

	2018	2017
Operating revenues:		
Interest income on loans	\$ 6,111	\$ 11,966
Rental of real property	134,950	117,500
Administrative, PILOT, bond and loan application fees	179,440	71,063
Economic development program support	78,488	85,438
Other	13,090	154,132
Total operating revenues	<u>412,079</u>	<u>440,099</u>
Operating expenses:		
Employee benefits	-	759
Payroll taxes	10,615	7,206
Accounting fees	24,103	30,507
Legal fees	20,036	10,469
Professional fees - Consulting professional	8,819	75,684
Professional fees - Economic development	84,698	111,845
Professional fees - Other	3,911	30,000
Marketing and promotion	5,377	21,453
Grants and program expenses	5,000	55,250
Salaries and wages	133,477	83,119
Membership dues and subscriptions	6,466	3,969
Office expenses	9,232	10,975
Computer and equipment expenses	8,141	6,696
Telephone	656	2,638
Office rent	44,000	44,000
Travel, seminars and training	3,052	23,935
Rental expenses	1,685	10,956
Insurance	18,743	19,740
Utilities	2,405	3,801
Repairs and maintenance	6,162	-
Repairs and maintenance - Industrial park	5,106	4,990
Maintenance contract - WNSC fields	-	5,000
Depreciation expense	79,965	84,914
Pilot payment - railyards	4,110	-
Other expenses	3,735	1,519
Total operating expenses	<u>489,494</u>	<u>649,425</u>

See accompanying notes.

	<u>2018</u>	<u>2017</u>
Net operating loss	<u>(77,415)</u>	<u>(209,326)</u>
Non-operating revenues (expenses):		
Other interest income	150	106
Grant income	194,617	74,160
Grants expended	<u>(241,842)</u>	<u>(74,160)</u>
Total non-operating revenues (expenses)	<u>(47,075)</u>	<u>106</u>
Net loss	(124,490)	(209,220)
Net position - Beginning of year	<u>5,163,616</u>	<u>5,372,836</u>
NET POSITION - END OF YEAR	<u><u>\$ 5,039,126</u></u>	<u><u>\$ 5,163,616</u></u>

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY
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STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Receipts from interest notes receivable	\$ 6,111	\$ 15,461
Receipts from rents	129,950	117,500
Receipts from fees	179,542	71,063
Receipts from economic program support	-	15,281
Receipts from other sources	13,090	182,028
Payments to employees	(142,692)	(92,100)
Payments to suppliers and services	(250,857)	(473,705)
NET CASH USED IN OPERATING ACTIVITIES	<u>(64,856)</u>	<u>(164,472)</u>
Cash flows from noncapital financing activities:		
Net grants expended	166,440	(159,997)
Net line of credit activity	(1,162)	256,890
Principal payments on notes receivable	61,653	258,670
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>226,931</u>	<u>355,563</u>
Cash flows from investing activities:		
Increase in due to/due from	(13,987)	(273,665)
Interest and earnings	150	106
NET CASH USED IN INVESTING ACTIVITIES	<u>(13,837)</u>	<u>(273,559)</u>
NET INCREASE (DECREASE) IN CASH	148,238	(82,468)
Cash - Beginning of year	<u>432,956</u>	<u>515,424</u>
Cash - End of year	<u><u>\$ 581,194</u></u>	<u><u>\$ 432,956</u></u>

See accompanying notes.

	<u>2018</u>	<u>2017</u>
Reconciliation of net operating loss to net cash provided by (used in) operation activities:		
Net operating loss	\$ (77,415)	\$ (209,326)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	79,965	84,914
(Increase) decrease in prepaid expenses	(9,150)	6,365
(Increase) decrease in other receivables	(4,898)	29,396
Increase (decrease) in accounts payable and commitments	25,130	(7,659)
Increase in accrued interest	-	3,495
Decrease in unearned revenue	<u>(78,488)</u>	<u>(71,657)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (64,856)</u>	<u>\$ (164,472)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

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 No. 14 and as amended by GASB Statement No. 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 Entities

In 2009, the County of Otsego formed the Otsego County Capital Resource Corporation (OCCRC) to facilitate the issuance of civic facility revenue bonds. In 2017, the County of Otsego formed the Oneonta Rail Yards Local Development Corporation (ORYLDC) to induce investment and industry in Otsego County. Both entities considered related entities because they have similar board members and staff. However, they do 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
(A Component Unit of Otsego County, New York)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

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

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments, purchased with a maturity of three months or less.

Capital Assets

COIDA uses the accounting policy of capitalizing all capital 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
(A Component Unit of Otsego County, New York)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

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 a quasi-governmental organization. COIDA is not subject to federal or state income taxes, nor is it required to file federal and state income tax returns, therefore, no provisions for income taxes is reflected in these financial statements.

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.”

Statements of Cash Flows

For purposes of the statements of cash flows, COIDA considers cash to be all unrestricted and restricted cash accounts including demand accounts and certificate of deposit with an original maturity of generally three months or less.

Accounting Pronouncements

During the year ended December 31, 2018, the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective.

COIDA has evaluated these Statements and determined that they have no significant impact on COIDA's financial statements for the year ended December 31, 2018.

The following are GASB Statements that have been issued recently and are currently being evaluated by COIDA for their potential impact in future years:

- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending December 31, 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

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

Accounting Pronouncements (Cont'd.)

- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending December 31, 2019.
- Statement No. 87, *Leases*, which will be effective for the year ending December 31, 2020.
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which will be effective for the year ending December 31, 2019.
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective for the year ending December 31, 2020.
- Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which will be effective for the year ending December 31, 2019.

Events Occurring After Reporting Date

COIDA has evaluated subsequent events through April , 2019, which is the date the financial statements were available to be issued.

NOTE 3 CERTIFICATE OF DEPOSIT

At December 31, 2018, COIDA had one certificate of deposit totaling \$353,487 with an interest rate of 1.12% that matures on August 27, 2019.

At December 31, 2017, COIDA had one certificate of deposit totaling \$353,487 with an interest rate of .44%, which matured June 30, 2018.

NOTE 4 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 first 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 2018, there was one privately owned building that was vacant for several months in the Oneonta Business Park. During 2017, there were no vacant privately owned buildings.

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
(A Component Unit of Otsego County, New York)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 5 CAPITAL ASSETS

Capital assets are comprised of the following at December 31:

<u>2018</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Buildings	\$ 2,162,093	\$ 555,958	\$ 1,606,135
Improvements	210,769	198,563	12,206
Office equipment	<u>149,804</u>	<u>89,899</u>	<u>59,905</u>
Total depreciable capital assets	2,522,666	844,420	1,678,246
Land	1,153,590	-	1,153,590
Land improvements	<u>935,603</u>	<u>-</u>	<u>935,603</u>
Capital assets, net	<u>\$ 4,611,859</u>	<u>\$ 844,420</u>	<u>\$ 3,767,439</u>
<u>2017</u>			
Buildings	\$ 2,162,093	\$ 501,646	\$ 1,660,447
Improvements	210,769	197,800	12,969
Office equipment	<u>149,804</u>	<u>65,007</u>	<u>84,797</u>
Total depreciable capital assets	2,522,666	764,453	1,758,213
Land	1,153,590	-	1,153,590
Land improvements	<u>935,603</u>	<u>-</u>	<u>935,603</u>
Capital assets, net	<u>\$ 4,611,859</u>	<u>\$ 764,453</u>	<u>\$ 3,847,406</u>

Depreciation expense amounted to \$79,965 and \$84,914 for the years ended December 31, 2018 and 2017, respectively.

NOTE 6 WRIGHT NATIONAL SOCCER CAMPUS (CAMPUS)

COIDA acquired the Campus property in 2014 and has the following recorded as part of capital assets:

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 that expired March 31, 2018 required monthly payments of \$5,000 from April 1, 2017 – March 31, 2018. There currently is no signed lease agreement for this property. The tenant continues to pay \$5,000 per month.

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 6 WRIGHT NATIONAL SOCCER CAMPUS (CAMPUS) (Cont'd.)

Under the previous lease agreement the rental payments were:

April 1, 2016 – September 1, 2016 – monthly installments of \$7,500

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

Rental income from this property was \$60,000 and \$82,500 for the years ended December 31, 2018 and 2017, 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 \$-0- and \$5,000 during the years ended December 31, 2018 and 2017, respectively 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 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>12/31/18 Principal</u>	<u>12/31/17 Principal</u>
Jones Marine	4.0%	\$ 973	01-2020	\$ 12,371	\$ 23,313
H.W. Naylor	4.0%	1,519	09-2017	-	1,512
Enviro Energy	4.0%	740	08-2023	47,143	48,662
Cleinman, LLC	4.0%	1,025	12-2018	-	10,918
JSJJ Enterprises, LLC	4.0%	1,519	02-2019	40,353	55,314
Oneonta Theater	4.0%	1,012	08-2020	85,979	85,979
Brook's Bottling Company	2.0%	1,939	07-2022	80,400	100,059
Foothills PAC	0.0%	1,667	06-2019	100,000	100,000
Cooperstown Distillery, LLC	4.0%	683	09-2020	14,592	21,928
Cooperstown Distillery, LLC	2.0%	368	08-2025	27,230	31,060
Subtotal				408,068	478,745
Less: Allowance for bad debts				(253,271)	(262,297)
Total				154,797	216,448
Less: Current portion				(51,740)	(79,121)
Total long-term portion, net				<u>\$ 103,057</u>	<u>\$ 137,327</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 8 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 6.25% as of December 31, 2018. The line of credit is secured by the borrowers' certificate of deposit with Community Bank, N.A. The outstanding balance at December 31, 2018 and 2017 was \$255,728 and \$256,890, respectively. This line of credit was used to finance the purchase of land for the Oneonta Rail Yards Local Development Corporation (ORYLDC) during 2017 (See Note 13).

NOTE 9 LEASES

Lessor

COIDA was a lessor in a 36 month operating lease agreement for the industrial incubator building through May 2020. The monthly rent is \$5,000. COIDA received rental income under this lease in the amount of \$60,000 and \$35,000 for the year ended December 31, 2018 and 2017. This lease agreement also includes an option to purchase the building for \$750,000 at any time during lease term. This was not exercised as of the date of these financial statements. Future minimum lease payments to be received for the following years ending December 31, are as follows:

2019	\$ 60,000
2020	<u>25,000</u>
	<u>\$ 85,000</u>

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

Leasee

COIDA entered into a lease agreement for office space. The original term of the lease was April 1, 2014 through December 31, 2016. The lease was renewed for an additional two years expiring December 31, 2020. Monthly payments were \$3,667 in 2018. Total rent for 2018 and 2017 per the agreement was \$44,000.

Sublease of Office Space

COIDA has the following sublease agreement for office space during 2018:

<u>Term</u>	<u>Monthly Payment</u>	<u>Number of Months</u>	<u>Total Rents Received in 2018</u>
02/01/18 – To Prime Lease Expiration Date	\$ 1,000	10	\$ 11,000
06/01/18 – To Prime Lease Expiration Date	100	7	700
08/01/18 – To Prime Lease Expiration Date	650	5	3,250

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 10 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 civil facility revenue bonds for eligible organizations throughout Otsego County.

NOTE 11 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 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 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 no uncollateralized cash as of December 31, 2018 and 2017.

Notes Receivable

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 13 RELATED PARTY TRANSACTIONS

COIDA has related party relationships with OCCRC and ORYLDC, with the same personnel manager 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 was deferred until COIDA has incurred additional expenses for these projects (See Note 14).

During 2017, ORYLDC utilized COIDA's line of credit to purchase 79.41 acres of vacant commercial land to induce investment and industry as well as to increase employment opportunities in Otsego County. As of December 31, 2018 and 2017, ORYLDC owed COIDA \$287,652 and \$273,665, respectively. Repayment of this line of credit is planned when approved grant funding is received from NYS Empire State Development for the Oneonta Rail Yards project.

NOTE 14 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, 2018 and 2017, \$400,000 and \$321,512 of these funds had been expended.

NOTE 15 RETIREMENT PLAN

COIDA adopted a Simple IRA salary reduction plan that covers all employees who earn at least \$5,000 during both the current year and prior year. Employees are allowed to make contributions to this plan. COIDA has elected to match employee elective deferrals dollar for dollar up to 3% of wages. Contributions by COIDA were \$-0- and \$759 for the years ended December 31, 2018 and 2017, respectively.

NOTE 16 DEFERRED COMPENSATION PLAN

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 17 OTHER INCOME

The detail for other income is as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Expense reimbursement and refunds	\$ 4,065	\$ 5,936
Bad debt recoveries	<u>9,025</u>	<u>148,196</u>
Total other income	<u>\$ 13,090</u>	<u>\$ 154,132</u>

* * * * *

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

For the year ended December 31, 2018

<u>Purchaser</u>	<u>Issuee</u>	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Rate</u>	<u>Balance</u>	<u>Due Date</u>
Wells Fargo	St. James Retirement Community Oneonta, New York 13820	9/3/1998	\$ 4,080,000	Variable	\$ 680,000	8/1/2023
Bond Purpose:	Construction					

See auditors' report.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF OUTSTANDING SALE AND LEASE AGREEMENTS

draft

Year ended December 31, 2018

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	\$ -	\$ -
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	-	-
				<u>\$ -</u>	<u>\$ -</u>

See auditors' report.

Tax Exemptions							
Real Property Tax			Total	Payment in Lieu of Taxes			
County	Local	School	Exemptions	County	Local	School	Total
\$ 15,428	\$ 47,835	\$ 88,328	\$ 151,591	\$ 11,294	\$ 35,846	\$ 65,268	\$ 112,408
1,083	7,734	975	9,792	812	731	5,800	7,343
13,026	13,191	64,679	90,896	11,335	13,931	64,266	89,532
38,513	275,049	34,671	348,233	29,351	26,423	209,614	265,388
3,283	10,418	18,969	32,670	1,313	4,167	7,588	13,068
59,085	187,522	341,441	588,048	11,096	32,280	57,499	100,875
46,249	5,962	1,440,360	1,492,571	2,190	282	68,194	70,666
754	679	5,387	6,820	5,801	5,222	45,216	56,239
<u>\$ 177,421</u>	<u>\$ 548,390</u>	<u>\$ 1,994,810</u>	<u>\$ 2,720,621</u>	<u>\$ 73,192</u>	<u>\$ 118,882</u>	<u>\$ 523,445</u>	<u>\$ 715,519</u>

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

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

Year ended December 31, 2018

draft

	<u># of FTE Employees at Project Location before IDA Status</u>	<u>Original Estimate of Jobs to be Created</u>
Issuee:		
St. James Retirement Community 1998	-	10
Project Owner:		
Focus Ventures	132	25
Hillside Commons	3	3
Elizabeth Hotels, Inc.		25
Lutz Feed Co., Inc./Stephen Lutz	25	4
Brewery Ommegang	28	10
The Plains LLC	-	25
Northern Eagle	35	4
Klugo Oneonta, LLC	-	2
	<u>223</u>	<u>108</u>

* Construction jobs created

See auditors' report.

<u>Original Estimate of Jobs to be Retained</u>	<u># of Current FTE Employees</u>	<u># of FTE Jobs Created During Fiscal Year</u>	<u># of FTE Jobs Retained During Fiscal Year</u>
-	10	-	-
132	183	37	132
3	7	-	3
0	13	3	-
25	34	-	25
28	34	-	25
-	45	7	38
39	47	* 1	46
<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
<u><u>227</u></u>	<u><u>374</u></u>	<u><u>48</u></u>	<u><u>270</u></u>

4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com



Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Mary E. Manzanero, CPA
David E. Brownell, CPA

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
189 Main Street, Suite 500
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, 2018, and the related notes to the financial statements, and have issued our report thereon dated April 5, 2019.

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. However, material weaknesses may exist that have not been identified.

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.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
April 5, 2019

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

SCHEDULE OF PRIOR YEAR FINDING AND RESPONSE

Year ended December 31, 2018

2017 – 1 Grant Receivables and Reporting

Condition: Documentation/requests for payment for four separate grant awards totaling \$360,782 were not timely submitted to receive payment from Empire State Development (ESD). One of these projects was completed in 2016 and the payment request was sent, but the payment was never received because of insufficient documentation had been submitted. One of the other three projects was completed in 2016 and the other two were completed by early April of 2017 but the grant requests were not submitted until 2018, well after the deadline for filing a request for payment.

Criteria: To ensure a timely receipt of grant awards, proper documentation and grant requests need to be filed by required deadlines.

Effect: Lack of controls over grant reporting can lead to grant awards being delayed and possibly denied.

Recommendations: We recommend that COIDA implement procedures for grant reporting to ensure that all requests for grant monies are filed timely with the appropriate documentation so that grant funds are received in a timely manner.

Continuous monitoring of grant activity should continue even with changes in staff.

Monthly board review of grant activity status to ensure timely grant reporting and receipt of grant monies.

Management
Response:

During 2017, COIDA had seen all its executive and support staff leave the Agency. While the Board of Directors did procure the services of several consulting firms, which were to oversee, among other things, management of existing grants, none of these firms took on the responsibility of seeking reimbursement of grant funds expended.

COIDA hired a new CEO for the Agency in late September 2017. This individual has extensive experience in grant administration and grant reimbursement. The new CEO has met with granting agencies on several occasions in the fall of 2017 and has become familiar with all of the existing grant awards to the Agency; he has been diligently working on revising grant disbursement agreements, including extension of grant deadlines for filing for reimbursement, reviewing consultant contracts and work performed, and has begun seeking reimbursements for grants ready to be closed out.

4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com



Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Mary E. Manzanero, CPA
David E. Brownell, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH INVESTMENT GUIDELINES FOR PUBLIC AUTHORITIES

To the Board of Directors
County of Otsego Industrial Development Agency
189 Main Street, Suite 500
Oneonta, New York

We have examined the County of Otsego Industrial Development Agency ("COIDA") compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") for the year ended December 31, 2018. Management of COIDA is responsible for COIDA's compliance with the specified requirements. Our responsibility is to express an opinion on COIDA's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether COIDA complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether COIDA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination of COIDA's compliance with specified requirements.

In our opinion, COIDA complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2018.

This report is intended solely for the information and use of the Board of Directors, management and others within COIDA and the New York State Authorities Budget Office, and is not intended to be and should not be used by anyone other than these specified parties.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
April 5, 2019

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