

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

Cortland, New York

FINANCIAL REPORT

December 31, 2015



CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Cortland County Industrial Development Agency
Cortland, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Cortland County Industrial Development Agency (the Agency) and its aggregate discretely presented component units, a component unit of the County of Cortland, New York, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 the entity'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 the entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business-type activities and aggregate discretely presented component units of Cortland County Industrial Development Agency as of December 31, 2015, and the respective changes in financial positions and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 4d 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, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining component unit financial statements, schedules of indebtedness and projects are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining component unit financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining component unit financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of projects has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Prior Period Financial Statements

The financial statements of Cortland County Industrial Development Agency as of December 31, 2014, were audited by Ciaschi, Dietershagen, Little, Mickelson & Company, LLP who merged with Inero & Co. CPAs, LLP as of January 1, 2016, and whose report dated March 9, 2015, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016, on our consideration of the Agency'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 the Agency's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 14, 2016

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

The Cortland County Industrial Development Agency (the Agency), a component unit of Cortland County, State of New York, was created in 1974 to encourage economic growth in Cortland County.

Mission: The Cortland County Industrial Development Agency was created to promote the prosperity of its residents through the creation of jobs (new or retained), recreational, and economic opportunities in Cortland County. The Agency will achieve these goals through the use of various tax incentives provided by the Agency, which shall be proportional to jobs, economic activity projected, or opportunities provided to the citizens (stakeholders) of Cortland County.

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Agency's financial position as of December 31, 2015, and the result of its operations for the year then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the Agency, which directly follow the MD&A.

FINANCIAL HIGHLIGHTS

- Total expenses exceeded total revenue by \$36,078 in 2015 compared to expenses exceeding revenues by \$19,978 in 2014.
- Total revenue of \$13,167 in 2015 decreased from revenue of \$22,148 in 2014, due to fewer project fees received in 2015.
- Total expenses of \$49,245 in 2015 increased from expenses of \$42,126 in 2014, due primarily to expenses related to the Contento property transfer.
- Net position for the year ended December 31, 2015 amounted to \$546,856, reflecting a decrease of \$(36,078) from net position of \$582,934 at December 31, 2014.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The financial statements of the Cortland County Industrial Development Agency have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

The basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, a Statement of Cash Flows, and accompanying notes. These statements provide information on the financial position of the Agency and the financial activity and results of its operations during the year. Also included in these statements are the component units of the IDA. The Agency includes three separate legal entities in its report - the Cortland County Agricultural Local Development Corporation, the Cortland County Local Development Corporation, and the Contento Redevelopment Local Development Corporation. These component units are reported discretely. Although legally separate, these component units are important because the Agency is financially accountable for them and shares the same Board of Directors. The component units do not prepare financial statements. However, financial information for the Cortland County Agricultural Local Development Corporation, the Cortland County Local Development Corporation, and the Contento Redevelopment Local Development Corporation can be obtained from the Agency's administrative office at 37 Church Street, Cortland, New York 13045. A description of these statements follows:

The Statement of Net Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing the change in the Agency's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement include all items that will result in cash received or disbursed in future fiscal periods.

The Statement of Cash Flows provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used from operating, non-capital financing, capital financing, and investing activities.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

The Agency's total net position for fiscal year ended December 31, 2015, decreased \$(36,078). Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the Agency's activities. Certain accounts in the prior-year column have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

Figure 1

| <i>Condensed Statement of Net Position</i> | <i>Business-type Activities</i> | | <i>Total Dollar Change</i> |
|--|---------------------------------|-------------------|----------------------------|
| | <i>2014</i> | <i>2015</i> | <i>2014 - 2015</i> |
| <i>Current Assets:</i> | | | |
| <i>Cash - Unrestricted</i> | \$ 372,929 | \$ 336,277 | \$ (36,652) |
| <i>Prepaid expenses</i> | 1,047 | 1,082 | 35 |
| <i>Noncurrent Assets:</i> | | | |
| <i>Investment in railroad land</i> | 209,818 | 301,653 | 91,835 |
| <i>Total Assets</i> | 583,794 | 639,012 | 55,218 |
| <i>Current liabilities:</i> | | | |
| <i>Accounts payable</i> | 860 | 321 | (539) |
| <i>Due to BDC</i> | -0- | 91,835 | 91,835 |
| <i>Total Liabilities</i> | 860 | 92,156 | 91,296 |
| <i>Net investment in capital assets</i> | 209,818 | 301,653 | 91,835 |
| <i>Unrestricted</i> | 373,116 | 245,203 | (127,913) |
| <i>Total Net Position</i> | \$ 582,934 | \$ 546,856 | \$ (36,078) |

The decrease in cash reflects an excess of expenditures over revenue in 2015. The net effect was a decrease in unrestricted net position of \$(127,913).

Our analysis in *Figure 2* considers the operations of the Agency's activities.

Figure 2

| <i>Changes in Net Position</i> | <i>Business-type Activities</i> | | <i>Total Dollar Change</i> |
|--|---------------------------------|--------------------|----------------------------|
| | <i>2014</i> | <i>2015</i> | <i>2014 - 2015</i> |
| <i>Operating Revenues:</i> | | | |
| <i>Fee income</i> | \$ 16,606 | \$ 7,638 | \$ (8,968) |
| <i>Lease income</i> | 5,500 | 5,500 | |
| <i>Non-operating Revenues:</i> | | | |
| <i>Interest and earnings</i> | 42 | 29 | (13) |
| <i>Total Revenues</i> | 22,148 | 13,167 | (8,981) |
| <i>Operating Expenses:</i> | | | |
| <i>Contractual expenses</i> | 42,126 | 49,245 | 7,119 |
| <i>Total Expenses</i> | 42,126 | 49,245 | 7,119 |
| <i>(DECREASE) IN NET POSITION</i> | \$ (19,978) | \$ (36,078) | \$ (16,100) |

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

Total revenues of the Agency decreased \$(8,981). The decrease in fee income is due to the closure of a large project in 2014 and receipt of the related fees. Total expenses of the Agency increased \$7,119. The increase in expenses is due to costs associated with the transfer of the Contento property.

FACTORS BEARING ON THE AGENCY'S FUTURE

Suit-Kote Corporation Multimodal Rail Project Completed

Facilitated by \$466,000 in NYSDOT multi-modal funding secured by the Cortland County Industrial Development Agency, the Suit-Kote Corporation has completed work to extend its existing rail line approximately 2,800 feet to access its Town of Cortlandville crushed stone facility. The project will aid in the delivery of coarse crushed aggregate to the nearby sand and gravel plant. The project will greatly assist efficiencies for the company, one of the county's top employers.

Lease/Leaseback Transaction, Greek Peak Ski Resort

A \$985,052 capital investment at Greek Peak over 2015/2016 is assisted by a sale/leaseback transaction (sales tax exemption) with the Cortland County Industrial Development Agency. This latest investment in the resort is designed to enhance its quality, driving growth and visitations, stabilizing its labor force, and spinning off additional sales tax revenues and other residual benefits for the community as a major tourism attraction.

The project, which will require the retention of 75 full-time jobs over the course of the agreement, will be completed in September 2016. It is the second of what is intended to be a series of long-term capital investments driving growth at the resort (a \$3.8 million project in 2013-14, incentivized by sales and mortgage tax exemptions granted by the IDA, helped drive a 38% increase in sales taxes paid for the 7-month period ending in April 2015. Further growth is expected with the completion of the restaurant deck this year. That project committed to the retention of 75 full-time jobs. As of November 2014, an affidavit filed by the company reported 89 full-time positions.

The latest project includes trail snowmaking and related trail improvement infrastructure, a new base building heating system, acquisition of new adventure center equipment and a service vehicle, an expansion of the Edgewater Café to include walk-up seating, and expansion of the Acorn Grill to accommodate kitchen space needs, kitchen equipment, and water park furniture.

Property Acquisition and Dissolution of LDC

The CCIDA exercised its option to purchase the former Contento property in the Town of Cortlandville after more than 15 years of holding development rights at the site. The \$1 acquisition enabled the dissolution of the Contento Redevelopment LDC, the sole purpose for which was to manage the Contento site, a 14-acre former scrapyard that underwent a comprehensive cleanup in 2001.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

Termination Lease, Essex Structural Steel

A CCIDA lease agreement with Essex Structural Steel, effective October 2004, was terminated in 2015 in satisfaction of the terms of the agreement. The company continues to operate on Route 13 in the Town of Cortlandville and bears 100% tax payment obligation.

State OSC Audit of CCIDA Project Management

A state comptroller's audit (January 1, 2014 through June 30, 2015) credited the agency for the transparency, follow-through and monitoring of its active PILOT agreements. The report concluded taxpayers are getting good return on their investments in the subject projects.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's clients, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cortland County Industrial Development Agency, at 37 Church Street, Cortland, New York 13045.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET POSITION DECEMBER 31, 2015

| | <u>Primary Government</u> | <u>Total Component Units</u> |
|----------------------------------|-------------------------------|----------------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash - Unrestricted | \$ 336,277 | \$ -0- |
| Cash - Restricted | -0- | 19,879 |
| Prepaid expenses | 1,082 | -0- |
| Total Current Assets | <u>337,359</u> | <u>19,879</u> |
| Noncurrent Assets: | | |
| Investment in railroad and land | <u>301,653</u> | <u>-0-</u> |
| Total Noncurrent Assets | <u>301,653</u> | <u>-0-</u> |
| Total Assets | <u>639,012</u> | <u>19,879</u> |
| LIABILITIES | | |
| Accounts payable | 321 | 8,799 |
| Other accrued liabilities | 91,835 | -0- |
| Total Liabilities | <u>92,156</u> | <u>8,799</u> |
| NET POSITION | | |
| Net investment in capital assets | 301,653 | -0- |
| Restricted | | 18,356 |
| Unrestricted | <u>245,203</u> | <u>(7,276)</u> |
| Total Net Position | <u>\$ 546,856</u> | <u>\$ 11,080</u> |

See Independent Auditor's Report and Notes to Financial Statements.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2015

| | <u>Primary Government</u> | <u>Total Component Units</u> |
|---|-------------------------------|----------------------------------|
| Operating Revenues: | | |
| Fee income | \$ 7,638 | \$ -0- |
| Lease income | <u>5,500</u> | <u>-0-</u> |
| Total Operating Revenues | <u>13,138</u> | <u>-0-</u> |
| Operating Expenses: | | |
| Professional and administrative expenses | 46,153 | 652 |
| Project closure expense | <u>3,092</u> | <u>-0-</u> |
| Total Operating Expenses | <u>49,245</u> | <u>652</u> |
| Operating (Loss) | <u>(36,107)</u> | <u>(652)</u> |
| Nonoperating Revenues: | | |
| Interest and earnings | 29 | 1 |
| Loss on transfer of property | <u>-0-</u> | <u>(5,050)</u> |
| Net Cash Provided (Used) by Nonoperating Activities | <u>29</u> | <u>(5,049)</u> |
| Net (Loss) | (36,078) | (5,701) |
| Net Position, January 1, 2015, as restated | <u>582,934</u> | <u>16,781</u> |
| Net Position, December 31, 2015 | <u><u>\$ 546,856</u></u> | <u><u>\$ 11,080</u></u> |

See Independent Auditor's Report and Notes to Financial Statements.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

| | Primary Government | Total Component Units |
|--|-------------------------------|----------------------------------|
| Cash Flows from Operating Activities: | | |
| Cash received from providing services | \$ 13,138 | \$ -0- |
| Cash payments - Contractual expenses | (49,819) | (652) |
| Net Cash (Used) by Operating Activities | (36,681) | (652) |
| Cash Flows from Noncapital Financing Activities | -0- | -0- |
| Cash Flows from Investing Activities: | | |
| Interest income received | 29 | 1 |
| Net Cash Provided by Investing Activities | 29 | 1 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (36,652) | (651) |
| Cash and Cash Equivalents, January 1, 2015 as restated | 372,929 | 20,530 |
| Cash and Cash Equivalents, December 31, 2015 | \$ 336,277 | \$ 19,879 |
| Reconciliation of net operating income to net cash (used) by operating activities: | | |
| Operating Expense | \$ (36,107) | \$ (652) |
| Adjustments to reconcile net operating income to net cash (used) by operating activities: | | |
| Decrease in prepaid expenses | (35) | -0- |
| (Decrease) increase in accounts payable | (539) | -0- |
| Net Cash (Used) by Operating Activities | \$ (36,681) | \$ (652) |
| Non-Monetary Investing and Financing Activities: | | |
| Capital Asset Transfer | \$ 91,835 | \$ 96,885 |
| Liability Assumption/Transfer | \$ (91,835) | \$ (91,835) |
| Loss on Capital Asset Transfer | \$ -0- | \$ (5,050) |

See Independent Auditor's Report and Notes to Financial Statements.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

***Note 1* Summary of Significant Accounting Policies**

The financial statements of the Cortland County Industrial Development Agency (the Agency) have been prepared in conformity with generally accepted accounting principles (GAAP). The more significant of the Agency's accounting policies are described below.

A. Organization and Purpose

The Agency was created in 1974 by the New York Legislature under the mandate of Article 18-A, "New York State Industrial Development Agency Act" of New York State municipal law for the purpose of advancing job opportunities, health, general prosperity, and economic welfare of the people of Cortland County. The Agency also works to improve current recreation opportunities, posterity and standard of living. The Agency is exempt from federal, state, and local income taxes. Although established by the Cortland County Board of Representatives, the Agency is a separate entity and operates independently of the County. The Agency is considered a component unit of Cortland County.

B. Reporting Entity

The financial reporting entity consists of (a) the primary government which is the Cortland County Industrial Development Agency, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statement Nos. 14 and 34."

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," and Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statement Nos. 14 and 39," including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following are included as discretely presented component units:

Cortland County Agricultural Local Development Corporation (Ag Corp) - The Ag Corp was created under Article 14 of New York not-for-profit corporation law to provide and administer agricultural easements in Cortland County. The Ag Corp's Board of Directors is the same as the Agency's Board of Directors.

Cortland County Local Development Corporation (LDC) - The LDC was created under Article 14 of New York not-for-profit corporation law to administer special community projects for the benefit of Cortland County. The LDC's Board of Directors is the same as the Agency's Board of Directors.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

Note 1 Summary of Significant Accounting Policies - Continued

Contento Redevelopment LDC, Ltd. (Contento Redevelopment) - Contento Redevelopment was created under Article 14 of the New York not-for-profit corporation law to oversee the development rights to the old Contento junkyard property. Contento Redevelopment's Board of Directors is the same as the Agency's Board of Directors.

C. Basis of Accounting

The accounts of the Agency are maintained on the accrual basis of accounting.

D. Cash and Cash Equivalents

The Agency considers all highly liquid investments having an original maturity of three months or less to be cash equivalents.

E. Equity Classifications

Statement of Net Position

- **Net Investment in Capital Assets**

Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction, or improvement of those assets.

- **Restricted**

Consists of resources with constraints placed on its use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

- **Unrestricted**

Consists of all other resources that do not meet the definition of "restricted."

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Related Parties

Cortland County Business Development Corporation (the BDC) is a private, not-for-profit organization founded in 1992 to attract new business, develop existing business and promote and develop job opportunities in Cortland County. The Executive Director of the BDC acts as the Chief Executive Officer of the Agency; the Chief Finance Officer and Project Development Director of the BDC acts as the Chief Finance Officer and Project Development Director of the Agency; and the Board of Directors of the Agency are all members of the BDC's Board of Directors.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

***Note 1* Summary of Significant Accounting Policies - Continued**

Cortland County Development Corporation (the CDC) is a private, not-for-profit organization founded in 2011 to attract new business, develop existing business and promote and develop job opportunities in Cortland County. The Executive Director of the CDC acts as the Chief Executive Officer of the Agency; the Chief Finance Officer and Project Development Director of the CDC acts as the Chief Finance Officer and Project Development Director of the Agency; and the Board of Directors of the Agency are all members of the CDC's Board of Directors.

H. Capital Assets

Capital assets are recorded at cost. Depreciation is recorded using the straight-line method over the estimated economic useful life of the respective assets. Land and land improvements are held for investment purposes and are not depreciated.

I. Revenues

The Agency first utilizes restricted resources to finance qualifying activities.

J. Operating Revenues

Operating revenues of the Agency and its component unit consist of administrative fees. Investment earnings are reported as non-operating revenues.

K. Subsequent Events

The Agency has evaluated subsequent events through March 14, 2016, the date which the financial statements were available to be issued.

***Note 2* Deposits and Investments**

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

Collateral is required for demand deposits and certificates of deposit at 105% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

Note 2 Deposits and Investments - Continued

Total bank balances were \$567,606 at December 31, 2015, of which \$250,000 was FDIC insured and \$317,606 was collateralized with securities held by the Agency's agent in the Agency's name. Carrying value of deposits at December 31, 2015 totaled \$336,277.

Component unit bank balances totaled \$19,879 at December 31, 2015 and were entirely insured.

Note 3 Capital Assets and Investment in Properties

At December 31, 2015, the Agency's capital assets consisted of the following:

| | | |
|--------------------------------|----|-------------------|
| Office Equipment | \$ | 5,909 |
| Less: Accumulated Depreciation | | <u>(5,909)</u> |
| Net Capital Assets | \$ | <u><u>-0-</u></u> |

In addition, the Agency maintains railroad property which it leases to New York, Susquehanna and Western Railway Corporation (see Note 5). The value of the land at December 31, 2015 was \$209,818.

During 2015, Contento Redevelopment Local Development Corporation, Ltd., formerly a component unit of the Agency was dissolved and a related parcel of land was transferred to the Agency with a cost of \$91,835 at December 31, 2015.

Note 4 Payments in Lieu of Tax

During the time in which property is leased to a company, the property is exempt from taxes other than special and valorem levies and special assessments. However, the Agency enters into Payment in Lieu of Tax (PILOT) agreements wherein the company is required to make annual payments to the County, local municipalities, and school districts.

In 2015, \$331,989 was received in PILOTS compared to the \$872,173 which would have been received if businesses paid taxes in full; for a total tax abatement of \$540,184.

Note 5 Leases

On April 15, 1982, a 30 year land lease was signed with New York, Susquehanna and Western Railway Corporation for the lease of rail owned by the Agency. The lease amount was \$500 per year. Per resolution dated December 10, 2012, the Agency extended the agreement an additional 10 years to December 31, 2023 stipulating annual lease payments of \$1,500.

In addition, the Agency leases three billboards to an advertising firm for \$4,000 a year, per an agreement dated October 18, 2011 and effective January 1, 2012 through December 31, 2022.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

***Note 6* Related Party Transactions**

During 2014, the BDC paid the expenses of Ag Corp, LDC, and Contento Redevelopment. During 2015, the BDC paid the expenses of Ag Corp and LDC and Contento Redevelopment up until its dissolution. The expenses of Ag Corp are expected to be repaid when the Ag Corp is dissolved. At December 31, 2015, Ag Corp owed BDC \$8,799, which is reported as accounts payable in the Combining Statement of Net Position. Upon dissolution of Contento, the assets and related liabilities, including amounts due to BDC were transferred to the Agency. At December 31, 2015 the Agency owed BDC \$91,835, which is reported as other accrued liabilities in the Statement of Net Position and expected to be repaid when the property is sold. There were no amounts due to BDC from Cortland County Local Development Corporation.

During 2014, the Agency entered into an administrative service agreement with the Cortland County Business Development Corporation (the Corporation). Under this agreement, the Agency agreed to pay the Corporation \$25,000 annually for administrative services commencing January 1, 2014.

***Note 7* Restatement of Fund Balance**

During the fiscal year ended December 31, 2015, the determination was made to separately report and exclude the Cortland County Development Corporation (CCDC) as a discretely presented component unit. As a result, the beginning Statement of Net Position, represented principally with cash assets, has been reduced \$157,453 to account for the CCDC separate financial reporting. CCDC administers debt financing for Not for Profit entities.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2015**

| | Cortland County Agricultural Local Development Corporation | Cortland County Local Development Corporation | Contento Redevelopment Local Development Corporation, Ltd. | Total Component Units |
|-------------------------------------|---|--|---|--------------------------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash - Restricted | \$ 1,523 | \$ 18,356 | \$ - | \$ 19,879 |
| Total Assets | <u>1,523</u> | <u>18,356</u> | <u>-0-</u> | <u>19,879</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts payable | <u>8,799</u> | <u>-</u> | <u>-</u> | <u>8,799</u> |
| Total Current Liabilities | <u>8,799</u> | <u>-0-</u> | <u>-0-</u> | <u>8,799</u> |
| NET POSITION | | | | |
| Restricted | | 18,356 | | 18,356 |
| Unrestricted | <u>(7,276)</u> | | | <u>(7,276)</u> |
| Total Net (Deficit) Position | <u>\$ (7,276)</u> | <u>\$ 18,356</u> | <u>\$ -0-</u> | <u>\$ 11,080</u> |

See Independent Auditor's Report.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | Cortland County Agricultural Local Development Corporation | Cortland County Local Development Corporation | Contento Redevelopment Local Development Corporation, Ltd. | Total Component Units |
|---|---|--|---|--------------------------------------|
| Operating Revenues | \$ -0- | \$ -0- | \$ -0- | \$ -0- |
| Professional and administrative expenses | 180 | 220 | 252 | 652 |
| Total Operating Expenses | 180 | 220 | 252 | 652 |
| Operating Loss | (180) | (220) | (252) | (652) |
| Nonoperating Revenues (Expenses): | | | | |
| Interest and earnings | 1 | | | 1 |
| Loss on capital asset transfer | | | (5,050) | (5,050) |
| Total Nonoperating Revenues (Expenses) | 1 | -0- | (5,050) | (5,049) |
| Net (Loss) Income | (179) | (220) | (5,302) | (5,701) |
| Net Position, January 1, 2015 | (7,097) | 18,576 | 5,302 | 16,781 |
| Net Position, December 31, 2015 | \$ <u>(7,276)</u> | \$ <u>18,356</u> | \$ <u>-0-</u> | \$ <u>11,080</u> |

See Independent Auditor's Report.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**SCHEDULE OF PROJECTS
DECEMBER 31, 2015**

| <u>Project Name</u> | <u>Project #</u> | <u>Purpose</u> | <u>Sales Tax Exemptions</u> | <u>Mortgage Tax Exemptions</u> | <u>Payments in Lieu of Taxes</u> | <u>Property Taxes if not Exempt</u> | <u>Total Exemptions</u> | <u>Jobs Before @ 12/31</u> |
|-----------------------------------|------------------|----------------------|-----------------------------|--------------------------------|----------------------------------|-------------------------------------|-------------------------|----------------------------|
| Clocktower Project | 1101-10-04 | Property Development | \$ N/A | N/A | \$ 33,383 | \$ 41,572 | \$ 8,189 | 0/26 |
| Cortland Crown Homes | 1101-07-01 | Construction | N/A | N/A | 12,000 | 57,903 | 45,903 | N/A |
| Cortland Commerce Center, LLC | 1101-10-01 | Property Development | N/A | N/A | 93,000 | 149,786 | 56,786 | 196/206 |
| Cortland Plastics | 1101-10-02 | Manufacturing | N/A | N/A | 14,737 | 52,738 | 38,001 | 39/50 |
| C'ville, LLC | 1101-13-02 | Manufacturing | -0- | N/A | 67,873 | 209,671 | 141,798 | 0/53 |
| Greek Peak Holdings | 1101-13-03 | Tourism | 25,110 | N/A | N/A | N/A | N/A | 75/101 |
| Greek Peak Holdings | 1101-15-01 | Tourism | 5,997 | N/A | N/A | N/A | N/A | 75/92 |
| Northeast Transformer | 1101-13-01 | Manufacturing | N/A | N/A | 17,245 | 49,264 | 32,019 | 37/53 |
| Forkey Construction & Fabrication | 1101-14-01 | Manufacturing | N/A | N/A | 31,641 | 66,811 | 35,170 | 83/92 |
| Pyrotek, Inc. | 1101-11-02 | Manufacturing | N/A | N/A | 62,110 | 62,110 | -0- | 42/124 |
| Sky Hospitality | 1101-12-02 | Tourism | N/A | N/A | 0 | 98,640 | 98,640 | 0/11 |
| Suit-kote Corp. | 1101-12-01 | Construction | N/A | N/A | 0 | 83,678 | 83,678 | 210/266 |
| | | | <u>\$ 31,107</u> | <u>\$ 0</u> | <u>\$ 331,989</u> | <u>\$ 872,173</u> | <u>\$ 540,184</u> | 757/1074 |

*Jobs Before Column = The number of employees before the project to the left; total current employees retained to the right.

**INDEPENDENT AUDITOR'S 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 of
Cortland County Industrial Development Agency
Cortland, 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 the Cortland County Industrial Development Agency (the Agency), and its aggregate discretely presented component units, a component unit of the County of Cortland, New York, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 14, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 14, 2016