

CORTLAND COUNTY DEVELOPMENT CORPORATION

Cortland, New York

FINANCIAL REPORT

December 31, 2018 and 2017



CORTLAND COUNTY DEVELOPMENT CORPORATION

TABLE OF CONTENTS FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

Independent Auditor's Report	1-2
Basic Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-11
Supplementary Information	
Schedule of Conduit Debt - PILOT Incremental Financing	12
Report Required Under <i>Government Auditing Standards</i>	
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 <i>Government Auditing Standards</i>	13-14

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cortland County Development Corporation
Cortland, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Cortland County Development Corporation (the Corporation), a non-profit corporation, which comprise the Statements of Financial Position as of December 31, 2018 and 2017, and the related Statements of Activities, Functional Expenses, 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 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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cortland County Development Corporation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Corporation adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): “Presentation of Financial Statements of Not-for-Profit Entities,” during the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Conduit Debt - PILOT Incremental Financing on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2019 on our consideration of the Cortland County Development Corporation’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 Corporation’s internal control over financial reporting and compliance.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 4, 2019

CORTLAND COUNTY DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31,

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ <u>155,162</u>	\$ <u>156,001</u>
Total Assets	\$ <u><u>155,162</u></u>	\$ <u><u>156,001</u></u>
LIABILITIES AND NET ASSETS		
Total Liabilities	\$ <u>-</u>	\$ <u>-</u>
Net Assets		
Without Donor Restrictions	<u>155,162</u>	<u>156,001</u>
Total Net Assets	\$ <u><u>155,162</u></u>	\$ <u><u>156,001</u></u>

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

CORTLAND COUNTY DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>
Support and Revenue		
Interest and earnings	\$ <u>136</u>	\$ <u>121</u>
Total Support and Revenue	<u>136</u>	<u>121</u>
Expenses		
Administrative	<u>975</u>	<u>975</u>
Total Expenses	<u>975</u>	<u>975</u>
Change in Net Assets	<u>(839)</u>	<u>(854)</u>
Net Assets January 1,	<u>156,001</u>	<u>156,855</u>
Net Assets, December 31,	<u><u>\$ 155,162</u></u>	<u><u>\$ 156,001</u></u>

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

CORTLAND COUNTY DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Professional Services	\$ <u>-</u>	\$ <u>975</u>	\$ <u>975</u>
Total Expenses	\$ <u>-</u>	\$ <u>975</u>	\$ <u>975</u>

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

CORTLAND COUNTY DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>Administrative</u>	<u>Total</u>
Program Expenses			
Professional Services	\$ -	\$ 975	\$ 975
Total Expenses	<u>\$ -</u>	<u>\$ 975</u>	<u>\$ 975</u>

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

CORTLAND COUNTY DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Interest received	\$ 136	\$ 121
Cash paid to suppliers	<u>(975)</u>	<u>(975)</u>
Net Cash (Used) by Operating Activities	<u>(839)</u>	<u>(854)</u>
Cash Flows from Investing Activities	<u>-</u>	<u>-</u>
Cash Flows from Financing Activities	<u>-</u>	<u>-</u>
Net (Decrease) in Cash and Cash Equivalents	(839)	(854)
Cash and Cash Equivalents, January 1,	<u>156,001</u>	<u>156,855</u>
Cash and Cash Equivalents, December 31,	<u><u>\$ 155,162</u></u>	<u><u>\$ 156,001</u></u>

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

CORTLAND COUNTY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

Note 1 Summary of Significant Accounting Policies

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

Organization and Purpose

The Corporation was formed for the purpose of encouraging economic growth in Cortland County during 2011 under Article 14 of the New York not-for-profit corporation law. Because New York State has legislated industrial development agencies can no longer serve not for profit entities, the Corporation will serve that segment of the economy in Cortland County. Although established by the Cortland County Board of Representatives, the Corporation is a separate entity and operates independently of the County.

Basis of Accounting

The Corporation's financial statements are reported using the accrual basis of accounting.

Basis of Presentation

The financial statements of the Corporation have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Corporation to report information regarding its financial position and activities according to the following net asset classification.

- **Net Assets Without Donor Restrictions**

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Corporation's management and the board of directors.

- **Net Assets With Donor Restrictions**

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

At December 31, 2018 and 2017, the Corporation did not have any net assets with donor restrictions.

CORTLAND COUNTY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue, and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Support and Revenue

Operating revenues of the Corporation consist of administrative fees and interest income.

Tax Status

The Corporation is recognized as exempt from federal taxation under §501(c)(3) of the Internal Revenue Code.

Functional Allocation of Expenses

The Statements of Functional Expenses present expenses by function as natural classification. Expenses directly attributable to a specific functional area of the Corporation are reported as expenses of those functional areas based on management's analysis of the expenses.

Reclassifications

During the year ended December 31, 2018, the Corporation changed its method of presenting the statement of cash flows for operating activities from the indirect method (which adjusts net income to remove the effects of noncash operating transactions) to the direct method (which showed principal components of operating cash receipts and payments). This change has been applied retroactively to the 2017 statement of cash flows.

Evaluation of Subsequent Events

The Corporation has evaluated events and transactions for potential recognition or disclosure through March 4, 2019, the date which the financial statements were available to be issued.

CORTLAND COUNTY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

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

New Accounting Pronouncements

In August 2016, the FASB issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958), "Presentation of Financial Statements of Not-for-Profit Entities." The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Corporation adopted ASU 2016-14 in 2018, and applied the changes retrospectively. As a result of the adoption of ASU 2016-14, the Corporation has updated its net asset classifications, presented a Statement of Functional Expenses and a disclosure of liquidity information. The adoption has no effect on the net asset balances previously reported but did enhance the presentation of the prior year expenses through the addition of a comparative statement of functional expenses.

***Note 2* Concentration of Credit Risk**

The Corporation maintains its cash balances at one financial institution. From time to time, the Corporation may have bank balances in excess of Federal Deposit Insurance Corporation insurance limits.

***Note 3* Industrial Revenue Bond and Note Transactions**

Certain industrial development revenue bonds and notes issued by the Corporation are secured by property leased to companies and retired by lease payments. The bonds and notes are not obligations of the Corporation or state. The Corporation does not record the assets or liabilities resulting from completed bond and note issues in its accounts, as its primary function is to arrange financing between the borrowing companies and the bond and note holders; funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Corporation receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

At December 31, 2017, the outstanding value of bonds and notes issued through Cortland County Development Corporation was \$17,530,000. During 2018, the bonds were paid in full. See the Schedule of Conduit Debt - PILOT Incremental Financing on page 12.

CORTLAND COUNTY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017

Note 4 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 Corporation; the Chief Finance Officer and Project Development Director of the BDC acts as the Chief Finance Officer and Project Development Director of the Corporation; and members of Board of Directors of the Corporation are also members of the BDC's Board of Directors.

Cortland County Industrial Development Agency (the Agency) was created for the purpose of advancing job opportunities, health, general prosperity, and economic welfare of the people of Cortland County in 1974. The members of the Board of Directors of the Corporation are also members of the Agency's Board of Directors.

Note 5 Liquidity and Availability of Resources

The Corporation's financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows:

Financial Assets at Year End	2018	2017
Cash and equivalents	\$ <u>155,162</u>	\$ <u>156,001</u>
Total Financial Assets	155,162	156,001
Total Amounts Unavailable Within One Year	<u>-</u>	<u>-</u>
Total Financial Assets Available Within One Year	\$ <u>155,162</u>	\$ <u>156,001</u>

The Corporation manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due.

CORTLAND COUNTY DEVELOPMENT CORPORATION

SCHEDULE OF CONDUIT DEBT - PILOT INCREMENTAL FINANCING DECEMBER 31, 2018 and 2017

	<u>Month and Year</u>	<u>Current Interest Rate</u>	<u>Outstanding 12/31/2017</u>	<u>Issued During Fiscal Year</u>	<u>Paid During Fiscal Year</u>	<u>Outstanding 12/31/2018</u>	<u>Final Maturity</u>
Cortland Regional Medical Center	2/2013	2.78%-4.12%	\$ 17,530,000	\$ -	\$ 17,530,000	\$ -	N/A
TOTAL			\$ 17,530,000	\$ -	\$ 17,530,000	\$ -	

	<u>Month and Year</u>	<u>Current Interest Rate</u>	<u>Outstanding 12/31/2016</u>	<u>Issued During Fiscal Year</u>	<u>Paid During Fiscal Year</u>	<u>Outstanding 12/31/2017</u>	<u>Final Maturity</u>
Cortland Regional Medical Center	2/2013	2.78%-4.12%	\$ 18,515,000	\$ -	\$ 985,000	\$ 17,530,000	7/2032
TOTAL			\$ 18,515,000	\$ -	\$ 985,000	\$ 17,530,000	

See Independent Auditor's Report and Note 3 to Financial Statements.

**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***

Board of Directors
Cortland County Development Corporation
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 Cortland County Development Corporation (the Corporation), which comprise the Statement of Financial Position as of December 31, 2018, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 entity'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 the Corporation'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 Corporation'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 Corporation'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 4, 2019