

**CORTLAND COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

Cortland, New York

FINANCIAL REPORT

December 31, 2018



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 Financial Statements

We have audited the accompanying financial statements of the Cortland County Industrial Development Agency (the Agency), a component unit of the County of Cortland, New York, and its discretely presented component unit as of and for the year ended December 31, 2018, 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 opinions 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 position of the Cortland County Industrial Development Agency and its discretely presented component unit as of December 31, 2018, and the respective changes in financial position and cash flows thereof 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 4-4d 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 Schedule of Projects is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Projects is the responsibility of management and was derived from and relates 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 Schedule of Projects is fairly stated in all material respects in relation to the basic 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 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 4, 2019

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

The Cortland County Industrial Development Agency (the Agency), a component unit of Cortland County, 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, 2018, 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 revenue exceeded total expenses by \$64,963 in 2018, as compared to an excess of revenue over expenses of \$92,232 in 2017.
- Total revenue of \$104,288 in 2018 decreased from revenue of \$128,485 in 2017, primarily as a result of less project fees received in 2018.
- Total expenses of \$39,325 in 2018 increased from expenses of \$36,253 in 2017, based primarily on an increase in legal fees during 2018.
- Net position for the year ended December 31, 2018 amounted to \$668,333, reflecting an increase of \$64,963 from net position of \$603,370 at December 31, 2017.

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, 2018

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 is the component unit of the Agency. The Agency includes one separate legal entity in its report - the Cortland County Agricultural Local Development Corporation. This component unit is reported discretely. Although legally separate, this component unit is important because the Agency is financially accountable for it and shares the same Board of Directors. The component unit does not prepare financial statements. However, financial information for the Cortland County Agricultural Local Development Corporation can be obtained from the Agency's administrative office at 37 Church Street, Cortland, New York 13045. A description of the Agency's financial 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

Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the Agency's activities.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Agency</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>Current Assets:</i>			
<i>Cash - Unrestricted</i>	\$ 392,470	\$ 158,822	\$ (233,648)
<i>Investments - Unrestricted</i>		300,000	300,000
<i>Prepaid expenses</i>	1,082	1,082	-
<i>Noncurrent Assets:</i>			
<i>Investment property</i>	301,653	301,653	-
<i>Total Assets</i>	695,205	761,557	66,352
<i>Current Liabilities:</i>			
<i>Accounts payable</i>	-	1,389	1,389
<i>Due to BDC</i>	91,835	91,835	-
<i>Total Liabilities</i>	91,835	93,224	1,389
<i>Net investment in property</i>	301,653	301,653	-
<i>Unrestricted</i>	301,717	366,680	64,963
<i>Total Net Position</i>	\$ 603,370	\$ 668,333	\$ 64,963

The decrease in cash and increase in investments is due to the purchase of a certificate of deposit in the current year. Revenues in excess of expenditure in 2018 contributed to an increase of \$66,352 in total assets during 2018 and an increase in unrestricted net position of \$64,963.

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

Figure 2

<i>Changes in Net Position</i>	<i>Agency</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>Operating Revenues:</i>			
<i>Fee income</i>	\$ 122,944	\$ 97,630	\$ (25,314)
<i>Lease income</i>	5,500	6,628	1,128
<i>Non-operating Revenues:</i>			
<i>Interest and earnings</i>	41	30	(11)
<i>Total Revenues</i>	128,485	104,288	(24,197)
<i>Operating Expenses:</i>			
<i>Professional and administrative expenses</i>	36,253	39,325	(3,072)
<i>Total Expenses</i>	36,253	39,325	(3,072)
<i>INCREASE IN NET POSITION</i>	\$ 92,232	\$ 64,963	\$ (27,269)

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

Total revenues of the Agency decreased \$(24,197). The decrease in fee income was based on fewer projects in 2018. Total expenses of the Agency increased \$3,072. The increase in expenses stems, partially, from an increase in legal fees during 2018.

The Cortland County Agriculture Local Development Corporation had \$7,189 in restricted cash and net position at December 31, 2019, compared to \$8,369 in the prior year. The decrease was primarily the result of professional and administrative expenses of \$1,183, offset by interest and earnings of \$3.

FACTORS BEARING ON THE AGENCY'S FUTURE

Crescent Commons Revitalization Project

The \$15 million Crescent Commons mixed-use rehabilitation project was completed in 2018. Incentivized in 2017 by the Cortland County Industrial Development Agency, the previously vacant and deteriorating 144,000 square-foot manufacturing building now features top commercial space for multiple agencies as well as 47 market rate loft-style apartment units. The project has significant impact on the availability of quality housing in the City of Cortland, and also stabilizes the south side neighborhood through significant capital investment, traffic flow, and residency.

Greek Peak Holdings, LLC

The CCIDA approved of sales tax exemptions for a \$9.2 million capital investment at Greek Peak in August 2018. The resort's capital investment is part of an ongoing initiative to enhance the skier experience and drive more visits. Project components include trail snowmaking and infrastructure enhancements, the acquisition of two grooming machines, replacement of a dated chairlift, improvements at the water park, new base building lighting, expansion of the Taverna, upgrades at the reservation desk and replacement of certain furniture, fixtures, and equipment. The project, which is to be completed by December 31, 2019, pledges retention of 80 full-time jobs over a 5-year term.

Cortland Companies

The CCIDA in February 2018 supported a sales and mortgage tax incentive package for Cortland Commerce Development, LLC., for its proposed construction of a 35,000 square-foot facility for lease to Cortland Companies in the town of Cortlandville. Now complete, the building houses Cortland Companies' expanded medical device design and manufacturing business. The expansion means retention of two jobs and creation of 23 more over the first two years. Up to 28 additional well-paying positions could be created in years 3-5 of operation.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

Dwayne Block Building, Homer

In 2018 the CCIDA provided sales and mortgage tax abatement to incentivize the mixed-use redevelopment of a building destroyed by fire several years earlier. The \$1.7 million project comprises construction of a three-story mixed-use structure at 23 South Main Street in the heart of the village's business district. The site had been little more than a hole in the ground in the streetscape since post-fire cleanup. The first floor will accommodate one to two commercial operations while the second and third floors will be built out for market rate housing. Project completion is scheduled for the first half of 2019.

Cortland Line Company

In March 2018 the CCIDA authorized an amendment to a grant agreement allowing Cortland Line Company until the end of 2018 to complete updates and modifications to its processes at its Cortland facilities. The project will make Cortland Line more competitive in the marketplace, and therefore assist with employee retention and job creation.

Downtown Investment

Planning and design activities are underway for the reconstruction of Main Street and related projects in downtown Cortland as proposed under the city's \$10 million Downtown Revitalization Initiative (DRI) grant. Actual construction for Main Street and many of the other projects is not expected until 2020. Other significant investment outside of the DRI continues in and near the downtown district. These improvements contributed greatly to the city's winning DRI application and also set the stage for future economic progress in the city.

APEX

The former APEX manufacturing site on the city's east end was mothballed in 2017 after operations ceased there. The CCIDA has been notified that the facility has been sold to an out-of-town interest. No further details are available at this time.

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, 37 Church Street, Cortland, New York 13045.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET POSITION DECEMBER 31, 2018

	<u>Primary Government</u>	<u>Cortland County Agricultural Local Development Corporation</u>
ASSETS		
Current Assets		
Cash and cash equivalents - Unrestricted	\$ 158,822	\$ 7,189
Cash and cash equivalents - Restricted	-	7,189
Investments - Unrestricted	300,000	
Prepaid expenses	1,082	
Total Current Assets	<u>459,904</u>	<u>7,189</u>
Noncurrent Assets		
Investments in property	<u>301,653</u>	
Total Noncurrent Assets	<u>301,653</u>	<u>-</u>
Total Assets	<u>761,557</u>	<u>7,189</u>
LIABILITIES		
Accounts payable	1,389	
Due to BDC	<u>91,835</u>	
Total Liabilities	<u>93,224</u>	<u>-</u>
NET POSITION		
Net investment in property	301,653	
Restricted		7,189
Unrestricted	<u>366,680</u>	
Total Net Position	<u>\$ 668,333</u>	<u>\$ 7,189</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, 2018

	<u>Primary Government</u>	<u>Cortland County Agricultural Local Development Corporation</u>
Operating Revenues		
Fee income	\$ 97,630	\$
Lease income	<u>6,628</u>	<u></u>
Total Operating Revenues	<u>104,258</u>	<u>-</u>
Operating Expenses		
Professional and administrative expenses	<u>39,325</u>	<u>1,183</u>
Total Operating Expenses	<u>39,325</u>	<u>1,183</u>
Operating gain (loss)	<u>64,933</u>	<u>(1,183)</u>
Nonoperating Revenues		
Interest and earnings	<u>30</u>	<u>3</u>
Nonoperating gain	<u>30</u>	<u>3</u>
Increase (decrease) in net position	64,963	(1,180)
Net Position, January 1, 2018	<u>603,370</u>	<u>8,369</u>
Net Position, December 31, 2018	\$ <u><u>668,333</u></u>	\$ <u><u>7,189</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, 2018

	Primary Government	Cortland County Agricultural Local Development Corporation
Cash Flows from Operating Activities		
Cash received from providing services	\$ 104,258	\$ -
Cash payments - Contractual expenses	<u>(37,936)</u>	<u>(1,183)</u>
Net Cash Provided (Used) by Operating Activities	<u>66,322</u>	<u>(1,183)</u>
Net Cash from Capital and Related Financing Activities	<u>-</u>	<u>-</u>
Net Cash from Financing Activities	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities		
Purchase of investments	(300,000)	
Interest income received	<u>30</u>	<u>3</u>
Net Cash (Used) Provided by Investing Activities	<u>(299,970)</u>	<u>3</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(233,648)	(1,180)
Cash and Cash Equivalents, January 1, 2018	<u>392,470</u>	<u>8,369</u>
Cash and Cash Equivalents, December 31, 2018	<u>\$ 158,822</u>	<u>\$ 7,189</u>
Reconciliation of net revenue (expense) to net cash provided (used) by operating activities		
Operating revenue (expense)	\$ 64,933	\$ (1,183)
Adjustments to reconcile net operating revenue (expense) to net cash provided (used) by operating activities		
Increase in accounts payable	<u>1,389</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 66,322</u>	<u>\$ (1,183)</u>

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

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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.

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.

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 GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," GASB Statement No. 80, "Blending Requirement for Certain Component Units – an amendment of GASB Statement No. 14," and GASB Statement No. 85, "Omnibus 2017."

The decision to include a potential component unit in the Agency'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," GASB Statement No. 80 "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14," and GASB Statement No. 85, "Omnibus 2017," 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 INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Equity Classifications - Statement of Net Position

- Net Investment in Property - Consists of property and 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.”

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.

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 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 members of the Board of Directors of the Agency are also members of the CDC’s Board of Directors.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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.

Investments in Property

Investments in property are recorded at cost and consists of land and land improvements held for investment purposes. The land and related improvements are not depreciated.

Revenues

The Agency first utilizes restricted resources to finance qualifying activities.

Operating Revenues

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

***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 Federal Deposit Insurance Corporation (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.

Total cash balances were \$158,822 at December 31, 2018, all of which was FDIC insured. Carrying value of deposits at December 31, 2018 totaled \$458,822.

Component unit bank balances totaled \$7,189 at December 31, 2018 and were entirely insured.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Note 2 Deposits and Investments - Continued

The Agency also had the following investments stated at fair value, at December 31, 2018:

Type of Investment	Cost	Carrying Amount Fair Value	Level
Certificate of deposit	\$ 300,000	\$ 300,000	(2)

FASB ASC 820, “Fair Value Measurements and Disclosures,” establishes a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs derived principally from or corroborated observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Agency does not typically purchase investments for a duration long enough to cause it to believe that it is exposed to any material interest rate risk.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Note 3 Capital Assets

At December 31, 2018, 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>-</u></u>

The Agency did not incur any depreciation expense for the year ended December 31, 2018.

Note 4 Investments in Properties

At December 31, 2018, the Agency held investments in two properties with a combined value of \$301,653.

- The Agency maintains railroad property which it leases to New York, Susquehanna and Western Railway Corporation (see Note 6). The value of the land at December 31, 2018 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 at a cost of \$91,835 at December 31, 2018.

Note 5 Payments in Lieu of Taxes

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 Taxes (PILOT) agreements wherein said company is required to make annual payments to the county, local municipalities, and school districts.

In 2018, PILOT payments of \$388,909 were received for real property tax payments compared to the \$896,253 which would have been received if businesses paid taxes full. Exemptions for sales tax and mortgage tax were \$588,523 and \$68,349 respectively. Abatements in aggregate totaled \$1,164,216.

Note 6 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 effective January 1, 2012 through December 31, 2022.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

***Note 7* Related Party Transactions**

During 2015, Contento Redevelopment LDC, Ltd (Contento), a component unit of the Agency, was dissolved and all related property asset and liabilities were transferred to the Agency. Prior to its dissolution, the BDC had paid and Contento had owed \$91,835 in expenses related to the property asset. At December 31, 2018, the Agency owed BDC \$91,835. This amount is expected to be paid to BDC upon sale of the property.

During 2014, the Agency entered into an administrative service agreement with the BDC. Under this agreement, the Agency agreed to pay BDC \$25,000 annually for administrative services commencing January 1, 2014. The agreement renews automatically unless terminated. Under the agreement, the Agency paid the BDC \$25,000 for the year ended December 31, 2018.

***Note 8* Subsequent Event**

At the board meeting January 14, 2019, the Board of Directors approved a resolution to convey a parcel of land currently owned by the BDC, a related party, to the Agency. In exchange for the parcel, the Agency promised to pay an amount up to the cost of the parcel, \$122,237, to the BDC from the proceeds of the eventual sale of the parcel.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF PROJECTS DECEMBER 31, 2018

Project Name	Project #	Purpose	Sales Tax Exemptions	Mortgage Tax Exemptions	Payments in Lieu of Taxes	Property Taxes if not Exempt	Total Property Tax Exemptions	Jobs Before/ Jobs at 12/31/18
Clocktower Project	1101-10-04	Property Development	\$ N/A	\$ N/A	\$ 36,293	\$ 43,522	\$ 7,229	0/23
Cortland Crown Homes	1101-07-01	Construction	N/A	N/A	20,141	60,618	40,477	N/A
Cortland Commerce Center, LLC	1101-10-01	Property Development	N/A	N/A	93,000	147,820	54,820	196/173
Cortland Commerce Development, LLC	1101-18-01	Property Development	198,612	61,849			-	N/A
Cortland Plastics	1101-10-02	Manufacturing	N/A	N/A	36,609	49,410	12,801	39/68
C'ville, LLC	1101-13-02	Manufacturing	N/A	N/A	72,028	205,457	133,429	0/107
Crescent Commons	1101-17-01	Housing/Commercial	256,399	N/A	14,905	24,065	9,160	N/A
DeWayne Block Building	1101-18-01		6,153	6,500			-	N/A
Greek Peak Holdings	1101-13-03	Tourism	N/A	N/A			-	75/88
Greek Peak Holdings	1101-15-01	Tourism	55,350	N/A			-	N/A
Greek Peak Holdings	1101-18-03	Tourism	72,009	N/A			-	80/88
Northeast Transformer	1101-13-01	Manufacturing	N/A	N/A	18,383	52,516	34,133	37/46
Forkey Construction & Fabrication	1101-14-01	Manufacturing	N/A	N/A	25,366	66,307	40,941	83/107
Pyrotek, Inc.	1101-11-02	Manufacturing	N/A	N/A	-	60,858	60,858	42/92
Sky Hospitality	1101-12-02	Tourism	N/A	N/A	36,398	96,657	60,259	0/12
Suit-kote Corp.	1101-12-01	Construction	N/A	N/A	35,786	89,023	53,237	210/188
			<u>\$ 588,523</u>	<u>\$ 68,349</u>	<u>\$ 388,909</u>	<u>\$ 896,253</u>	<u>\$ 507,344</u>	<u>870/992</u>

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

See Independent Auditor's Report.

**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), a component unit of the County of Cortland, New York, and its discretely presented component unit, as of and for the year ended December 31, 2018, 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 4, 2019.

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. 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 4, 2019