

**CORTLAND COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY**

**Cortland, New York**

**FINANCIAL REPORT**

**For the Year Ended  
December 31, 2019**



# **CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

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## **INDEPENDENT AUDITORS' 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, 2019, 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.

### ***Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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, 2019, 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, 2020, 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, 2020

# ***CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2019**

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, 2019, 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 \$220,429 in 2019, as compared to an excess of revenue over expenses of \$64,963 in 2018.
- Total revenue of \$313,310 in 2019 increased from revenue of \$104,288 in 2018, primarily as a result of new project fees received in 2019 for solar projects.
- Total expenses of \$92,881 in 2019 increased from expenses of \$39,325 in 2018, as a result of consulting fees paid on the solar project offset by project expenses in 2019.
- Net position for the year ended December 31, 2019 amounted to \$888,762, reflecting an increase of \$220,429 from net position of \$668,333 at December 31, 2018.

### **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 DECEMBER 31, 2019**

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 40 Main St., 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 DECEMBER 31, 2019**

*Figure 1*

<i>Condensed Statement of Net Position</i>	<i>Agency</i>		<i>Total Dollar Change</i>
	<i>2018</i>	<i>2019</i>	<i>2018 - 2019</i>
<i>Current Assets:</i>			
<i>Cash - Unrestricted</i>	\$ 158,822	\$ 126,418	\$ (32,404)
<i>Investments - Unrestricted</i>	300,000	603,042	303,042
<i>Prepaid Expenses</i>	1,082	1,078	(4)
<i>Noncurrent Assets:</i>			
<i>Investments in Property</i>	301,653	372,653	71,000
<b><i>Total Assets</i></b>	<b>761,557</b>	<b>1,103,191</b>	<b>341,634</b>
<i>Current Liabilities:</i>			
<i>Accounts Payable</i>	1,389	357	(1,032)
<i>Due to BDC</i>	91,835	214,072	122,237
<b><i>Total Liabilities</i></b>	<b>93,224</b>	<b>214,429</b>	<b>121,205</b>
<i>Unrestricted</i>	668,333	888,762	220,429
<b><i>Total Net Position</i></b>	<b>\$ 668,333</b>	<b>\$ 888,762</b>	<b>\$ 220,429</b>

The increase in investments is due to the purchase of a new certificate of deposit in the current year. Revenues in excess of expenses in 2019 and the transition of property from the Cortland County Business Development Corporation (BDC), a related party, contributed to an increase of \$341,634 in total assets during 2019 and an increase in unrestricted net position of \$220,429.

The increase of \$121,205 in total liabilities was primarily due to an increase in amounts due to the BDC, resulting from the transfer of property from the BDC which will be paid when the property is sold by the Agency.

# **CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2019**

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>2018</i>	<i>2019</i>	<i>2018 - 2019</i>
<i>Operating Revenues:</i>			
<i>Fee Income</i>	\$ 97,630	\$ 296,405	\$ 198,775
<i>Lease Income</i>	6,628	13,841	7,213
<i>Non-operating Revenues:</i>			
<i>Interest and Earnings</i>	30	3,064	3,034
<b><i>Total Revenues</i></b>	<b>104,288</b>	<b>313,310</b>	<b>209,022</b>
<i>Operating Expenses:</i>			
<i>Professional and Administrative Expenses</i>	39,325	41,644	(2,319)
<i>Non-operating Expenses:</i>			
<i>Project Expense - Community Share</i>	-	51,237	(51,237)
<b><i>Total Expenses</i></b>	<b>39,325</b>	<b>92,881</b>	<b>(53,556)</b>
<b><i>INCREASE IN NET POSITION</i></b>	<b>\$ 64,963</b>	<b>\$ 220,429</b>	<b>\$ 155,466</b>

Total revenues of the Agency increased \$209,022, primarily due to its large project development fee received in 2019. Total expenses of the Agency increased \$53,556. The increase in expenses stems from an additional consulting fee and project expenses. See Note 4 for an explanation of project expense.

The Cortland County Agriculture Local Development Corporation had \$3,632 in restricted cash and net position at December 31, 2019, compared to \$7,189 in the prior year. The decrease was primarily the result of professional and administrative expenses of \$3,559, offset by interest and earnings of \$2.

### **FACTORS BEARING ON THE AGENCY'S FUTURE**

#### **Downtown Investment**

Planning and design activities continue 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 will begin in 2021, but the Agency and partners will be participating in the development of public information and branding campaigns in advance of that work throughout 2020. The Agency and its partners will also play an important role in refining the scope of the project as it moves forward.

Other significant investments outside of the DRI continue in and near the downtown district. These projects play an important role in the ongoing work to revitalize the district.

# ***CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY***

## **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2019**

### **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, which is now also making the site available. The IDA has been in and will continue discussions about how the property may be repurposed. The site has been identified as a priority brownfield site and may be a candidate for outside funding in support of redevelopment efforts. A major hurdle at the site is ongoing concern about the cost of razing existing structures there as well as the cost of any potential environmental remediation.

### **Lapeer Cortland Solar**

The CCIDA incentivized a 15 MW community solar project for the town of Lapeer in 2019 after lengthy and detailed negotiations with the developer. This was the first IDA-related solar project in Cortland County.

### **Janis Solar Town of Willet**

CCIDA and a developer agreed to an incentive package for a 20 MW solar project in the town of Willet in 2019. This project has yet to close.

### **EDF Renewables Solar Project**

The CCIDA began conversations with EDF renewables for a 90 MW solar project for the towns of Homer, Cortlandville, and Solon in 2019. This is an Article 10 project that will require significant state involvement in the permitting process. It is anticipated that developers will seek IDA incentives.

### **Creamery Hills**

The CCIDA provided incentives facilitating SEPP, Inc.'s \$1.6 million capital investment into Creamery Hills Apartments in the town of Harford, resulting in a complete interior and exterior renovation of the 24-unit complex for low-to-moderate income seniors. The facility also serves as the Harford Senior Center, managed by the Cortland County Area Agency on Aging.

### **Buckbee Mears/Cortland Industrial Center**

The CCIDA continues to work with the site owner on development opportunities at this former manufacturing site. BIO365, a soil manufacturer, began operations at a portion of the site in 2019, and work began on construction of a 30,000 square-foot manufacturing space next door.

### **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, 40 Main St., Cortland, New York 13045.

# CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## STATEMENT OF NET POSITION DECEMBER 31, 2019

	<u>Primary Government</u>	<u>Cortland County Agricultural Local Development Corporation</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents - Unrestricted	\$ 126,418	\$
Cash and Cash Equivalents - Restricted		3,632
Investments - Unrestricted	603,042	
Prepaid Expenses	1,078	
<b>Total Current Assets</b>	<u>730,538</u>	<u>3,632</u>
<b>Noncurrent Assets</b>		
Investments in Property	<u>372,653</u>	
<b>Total Noncurrent Assets</b>	<u>372,653</u>	-
<b>Total Assets</b>	<u>1,103,191</u>	<u>3,632</u>
<b>LIABILITIES</b>		
Accounts Payable	357	
Due to BDC	<u>214,072</u>	
<b>Total Liabilities</b>	<u>214,429</u>	-
<b>NET POSITION</b>		
Restricted		3,632
Unrestricted	<u>888,762</u>	
<b>Total Net Position</b>	<u><u>\$ 888,762</u></u>	<u><u>\$ 3,632</u></u>

*See Notes to Financial Statements*

# **CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

## **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Primary Government</b>	<b>Cortland County Agricultural Local Development Corporation</b>
<b>Operating Revenues</b>		
Fee Income	\$ 296,405	\$
Lease Income	13,841	
<b>Total Operating Revenues</b>	<b>310,246</b>	<b>-</b>
<b>Operating Expenses</b>		
Professional and Administrative Expenses	41,644	3,559
<b>Total Operating Expenses</b>	<b>41,644</b>	<b>3,559</b>
Operating Gain (Loss)	268,602	(3,559)
<b>Nonoperating Revenues (Expenses)</b>		
Interest and Earnings	3,064	2
Project Expense - Community Share	(51,237)	
Nonoperating Gain	(48,173)	2
Change in Net Position	220,429	(3,557)
Net Position, January 1, 2019	668,333	7,189
<b>Net Position, December 31, 2019</b>	<b>\$ 888,762</b>	<b>\$ 3,632</b>

*See Notes to Financial Statements*

# CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

	<b>Primary Government</b>	<b>Cortland County Agricultural Local Development Corporation</b>
<b>Cash Flows from Operating Activities</b>		
Cash Received from Providing Services	\$ 310,246	\$
Cash Payments - Contractual Expenses	(42,672)	(3,559)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>267,574</u>	<u>(3,559)</u>
<b>Net Cash from Noncapital and Capital and Related Financing Activities</b>	<u>-</u>	<u>-</u>
<b>Net Cash Provided (Used) by Noncapital and Capital and Related Financing Activities</b>	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of Investments	(303,042)	
Interest Income Received	3,064	2
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(299,978)</u>	<u>2</u>
Net Change in Cash and Cash Equivalents	(32,404)	(3,557)
Cash and Cash Equivalents, January 1, 2019	158,822	7,189
<b>Cash and Cash Equivalents, December 31, 2019</b>	<u><b>\$ 126,418</b></u>	<u><b>\$ 3,632</b></u>
<b>Reconciliation of Net Revenue (Expense) to Net Cash Provided (Used) by Operating Activities</b>		
Operating Revenue (Expense)	\$ 268,602	\$ (3,559)
<b>Adjustments to Reconcile Net Operating Revenue (Expense) to Net Cash Provided (Used) by Operating Activities</b>		
Decrease in Prepaid Expenses	4	
Decrease in Accounts Payable	(1,032)	
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><b>\$ 267,574</b></u>	<u><b>\$ (3,559)</b></u>
<b>Non-Monetary Investing and Financing Activities:</b>		
<b>Property Transfer</b>	<u><b>\$ 122,237</b></u>	<u><b>\$ -</b></u>
<b>Liability Assumption/Transfer</b>	<u><b>\$(122,237)</b></u>	<u><b>\$ -</b></u>

*See Notes to Financial Statements*

# **CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019**

### **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 (U.S. 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.

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. Based on the application of this 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.

#### **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.

# **CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019**

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

#### **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.

#### **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 the lower of cost or fair market value and consist 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.

# CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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

#### **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 \$126,418 at December 31, 2019, all of which was FDIC insured. Carrying value of deposits at December 31, 2019 totaled \$729,460.

Component unit bank balances, which included certificates of deposit, totaled \$3,632 at December 31, 2019 and were entirely insured.

The Agency also had the following twelve-month certificates of deposit stated at fair value, at December 31, 2019:

<u>Type of Investment</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Carrying Amount Fair Value</u>	<u>Level</u>
Certificate of Deposit	April 25, 2020	\$ 303,042	\$ 303,042	(2)
Certificate of Deposit	November 21, 2020	300,000	300,000	(2)

Financial Accounting Standards Board (FASB) Accounting Standards Codification (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.

# CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### *Note 2*     **Deposits and Investments - Continued**

*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.

### *Note 3*     **Capital Assets**

At December 31, 2019, the Agency's capital assets consisted of the following:

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

The Agency did not incur any depreciation expense for the year ended December 31, 2019.

# ***CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY***

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019**

### ***Note 4* Investments in Properties**

At December 31, 2019, the Agency held investments in three properties with a combined value of \$372,653.

- The Agency maintains railroad property which it leases to New York, Susquehanna, and Western Railway Corporation (see Note 6). Value of the land at December 31, 2019 was \$209,818.
- During 2015, Contento Redevelopment Local Development Corporation, Ltd., a former component unit of the Agency, was dissolved and a related parcel of land transferred to the Agency at a cost of \$91,835 at December 31, 2019.
- During 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. As of December 31, 2019, the Agency had a purchase offer for the property of \$71,000. The Agency will likely sell the property in 2020 related to that offer and has proactively adjusted the value of the parcel at December 31 to that value through the recognition of \$51,237 in project expense in 2019.

### ***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 2019, PILOT payments of \$420,149 were received for real property tax payments compared to the \$1,187,495 which would have been received if businesses paid taxes full. Exemptions for sales tax were \$148,694. Abatements in aggregate totaled \$767,346.

### ***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, per an agreement dated October 18, 2011; effective January 1, 2012 through December 31, 2022. The rate per billboard varies by the type with a combined annual rate of \$14,833.

# **CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019**

### ***Note 7* Related Party Transactions**

During 2019, the Agency acquired Route 11 Motel Property from the BDC. Upon sale of the property the full value of the sale is expected to be paid back to the BDC. At December 31, 2019, the Agency owed the BDC \$122,237 for the parcel.

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, 2019, 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, 2019.

# **CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

## **SCHEDULE OF PROJECTS DECEMBER 31, 2019**

<b>Project Name</b>	<b>Project #</b>	<b>Purpose</b>	<b>Sales Tax Exemptions</b>	<b>Mortgage Tax Exemptions</b>	<b>Payments in Lieu of Taxes</b>	<b>Property Taxes if not Exempt</b>	<b>Total Property Tax Exemptions</b>	<b>Jobs Before/ Jobs at 12/31/19</b>
Clocktower Project	1101-10-04	Property Development	\$ N/A	\$ N/A	\$ 36,529	\$ 44,136	\$ 7,607	0/15.5
Cortland Crown Homes	1101-07-01	Construction	N/A	N/A	18,361	61,320	42,959	N/A
Cortland Commerce Center, LLC	1101-10-01	Property Development	N/A	N/A	93,000	148,129	55,129	196/165
Cortland Commerce Development, LLC	1101-18-01	Property Development					-	0/16
Cortland Plastics	1101-10-02	Manufacturing	N/A	N/A	37,126	50,107	12,981	39/67.5
C'ville, LLC	1101-13-02	Manufacturing	N/A	N/A	73,468	212,252	138,784	0/115.5
Crescent Commons	1101-17-01	Housing/Commercial	N/A	N/A		285,585	285,585	0/2.5
DeWayne Block Building	1101-18-01	Construction	20,800				-	N/A
Greek Peak Holdings	1101-15-01	Tourism	N/A	N/A			-	N/A
Greek Peak Holdings	1101-18-03	Tourism	27,894	N/A			-	80/86
Lapeer Solar	1101-19-1	Solar Construction	100,000				-	N/A
83-85 Main St.	1101-19-2	Commercial	N/A	N/A	13,500	13,500	-	N/A
Northeast Transformer	1101-13-01	Manufacturing	N/A	N/A	18,867	53,901	35,034	37/45.67
Forkey Construction & Fabrication	1101-14-01	Manufacturing	N/A	N/A	34,041	68,081	34,040	83/106
Pyrotek, Inc.	1101-11-02	Manufacturing	N/A	N/A	1,447	62,871	61,424	42/79
Sky Hospitality	1101-12-02	Tourism	N/A	N/A	48,029	96,058	48,029	0/11
Suit-kote Corp.	1101-12-01	Construction	N/A	N/A	45,781	91,555	45,774	210/194
			<b><u>\$148,694</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 420,149</u></b>	<b><u>\$ 1,187,495</u></b>	<b><u>\$ 767,346</u></b>	<b><u>687/903.67</u></b>

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors 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, 2019, 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, 2020.

**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, 2020