

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

This document, prepared by management of the County of Chenango Industrial Development Agency (CCIDA), contains a narrative overview and analysis of the financial activities of CCIDA during the fiscal year ended December 31, 2012, as compared to 2011, where applicable. This discussion and analysis focuses on the significant financial and management issues and activities and identifies any significant changes in the financial statements.

All amounts are expressed in actual dollars.

Financial Highlights

Operating income (loss) for CCIDA was \$60,893 for the fiscal year 2012, compared to (\$27,341) for the fiscal year 2011. This represents an increase in revenue of \$171,705 and an increase in expenses of \$83,471. This increase was mainly caused by an increase of \$84,792 in Rental Income and an increase of \$89,489 in Grant Income, offset by an increase of Grant expense of \$83,227. At the close of fiscal year 2012, CCIDA had a net position of \$1,485,068, an increase of \$63,151 from the prior year. The term "net position" refers to the difference between assets and liabilities.

Overview of 2012 Activities

INDUSTRIAL INCUBATOR

The CCIDA owns an industrial building located at the Warren Eaton Airport. Built as an industrial incubator in 1990, the building has historically been divided for use by two separate tenants; one tenant, Norwich Manufacturing, moved out in 2011. In early 2012 the remaining tenant, Chentronics, Inc., exercised its right of first refusal to lease the entire building. In order to better accommodate Chentronics' manufacturing needs, the company and CCIDA are partnering on a renovation project to expand the manufacturing space and make needed improvements to the remainder of the building. CCIDA is shouldering the cost of improvements deemed to be regular repair and maintenance or required for code or ADA compliance. CCIDA will recover up to \$250,000 in remaining project expenses incurred to make tenant-specific renovations, over the term of the 5-year lease with Chentronics. Renovations in excess of this allowance are to be paid by the tenant not later than project completion. Design, bidding support, and contract management services are being provided by the firm Nelson Associates Architectural engineering. D. Hillman and Son is the general contractor. The renovations are expected to be complete in the 2nd quarter of 2013.

RAILROAD

The CCIDA holds legal title to the right-of-way and rail assets of the New York, Susquehanna, and Western Railroad (NYSW) in Chenango County. The property was deeded to CCIDA in 1982. The CCIDA has held the title since then for the purposes of advancing economic development, rendering the infrastructure tax exempt. In 2006, flood damage closed the railroad between North Norwich and south of Greene. Hurricane Irene and Tropical Storm Lee worsened the damage in 2011. In 2011, CCIDA was awarded \$772,422 in New York State Department of Transportation Multi-modal funds, which comprised 16% of the requested funding. These funds were initially earmarked for repairs between Sherburne and Norwich. However, during 2012, the state funding was leveraged as a portion of the 20% local funding match required to attract \$4.7 million (or 80% of the project budget) in disaster relief assistance from the US Department of Commerce Economic Development Administration (EDA). At the end of 2012, CCIDA and NYSW were negotiating an ownership/lease/operating agreement that would enable the parties to access the federal award, and restore rail service to several interested business, and to CCIDA's currently vacant business park in North Norwich. During 2012, CCIDA also worked to attract additional local funding to fill the remaining funding gap, and received commitments from Chenango County and Development Chenango Corporation to participate in the project.

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CHOBANI Projects

For most of 2012, Chobani Inc., formerly Agro-Farma Inc., produced its Greek-style yogurt for the US market exclusively in the Town of Columbus, Chenango County, employing approximately 1,300 people in Columbus, New York, North Carolina and New York City. Since the company's founding, CCIDA has assisted Chobani in each of several expansion phases as follows:

Phase I (\$22 Million) began in 2010 with the purchase of a lot across the county highway from their facility that was under lease for parking. The lot is the site of a 150,000 square foot refrigerated warehouse, an elevated conveyor belt to transport product from the manufacturing area across the road to the warehouse, new material handling equipment, and additional product space modifications. The Company requested a sales tax exemption for construction material purchases. The CCIDA voted to grant the Company's request. As of 2011, a PILOT was not requested. Phase I was complete in January 2011.

Phase II (\$64 Million) involved the purchase of additional manufacturing equipment, renovations to 70,000 square feet of production area, new milk receiving bay, and new control structures for their waste water treatment. In 2011, Company management requested a payment in lieu of taxes abatement for the new Phase I warehouse, as well as the above Phase II items. After public hearing, the CCIDA granted the request. Estimated completion of Phase II is scheduled between January and March of 2012.

Phase III (over \$100 Million) In early 2012, Chobani, Inc. requested assistance from CCIDA for a project which included the addition of 85,000 square feet (sf) to house operations including packaging, palletizing, chilling, and conveying of increased volumes of product. The project also included land improvements; construction of a 7,000 sf machine room to house chilling equipment and ammonia systems; construction of two new receiving bays comprising 7,400 sf; construction of an approximately 450-vehicle paved parking lot and a 120-trailer space paved area; construction of a three story, 13,000 sf addition to house increased raw milk and yogurt processing capacity; renovation and reconstruction of seven filling rooms; construction of a one-story, 2,400 square foot boiler building; acquisition and installation of power generator units; and the acquisition of furniture, fixtures, equipment, machinery, and other tangible personal property.

The Company indicated that 106 new jobs will be added by this investment. The Company requested a sales tax exemption on construction materials and a PILOT schedule for this new investment. Estimated benefits to the company were approximately \$3.8 million in tax savings. A public meeting was held and at a special meeting of the board, this incentive was approved. Construction on this project began in 2012, but was not completed until 2013.

NYSEG Sales Tax Abatement

Early in 2012, after receiving public comment, CCIDA exempted the purchase of electrical equipment by New York State Electric and Gas (NYSEG) from state and local sales tax. The equipment was used to construct a new transmission line and substation, primarily to meet Chobani's increased demand for electricity at its Town of Columbus plant and to deliver more consistent, uninterrupted service to the residents in that part of Chenango County. The project is expected to be completed by the second quarter of 2013.

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NORWICH PHARMACEUTICALS, INC. Mortgage Recording Tax Abatement

In March of 2012, CCIDA received application from Norwich Pharmaceuticals, Inc. for a Mortgage Recording Tax Abatement related to a mortgage refinance and the acquisition of new equipment for their North Norwich facility. The proposed project would yield 52 high paying, research and development or laboratory jobs at the facility in the first year. CCIDA entertained the request, which would yield up to \$300,000 in tax benefits if approved. A public hearing was held in the Town of North Norwich, where the CCIDA heard a request from the town to consider abating a portion, rather than all, of the mortgage recording tax. Since the original mortgage had not been subject to CCIDA benefits, nor were any requested, the CCIDA board determined a fair benefit to the company and the municipality to be a partial tax exemption, on the newly financed equipment only. The net benefit to the company was approximately \$165,000 in tax savings, and a payment of \$135,000 in mortgage recording tax was made to the Town of North Norwich.

GOLDEN ARTIST COLORS, INC. Sales Tax Abatement

At its regular December 2012 meeting, CCIDA entertained an application by GOLDEN Artist Colors, Inc. for sales tax abatement related to their project proposal in the City of Norwich. The company proposed purchasing, renovating, and equipping the former Apple Converting facility located at 65 Hale Street in Norwich, a long-vacant facility of approximately 45,000 square feet. The proposed \$2.5 million project, which would yield an additional 37 jobs, would benefit from approximately \$48,000 in sales tax savings. The CCIDA Board approved the project at their December 2012 meeting, as the total benefit to the company was below the threshold which required a public hearing. The project is slated to move forward in early 2013.

ADMINISTRATION

A new support services agreement was created, contracted with Commerce Chenango, Inc. (the Chamber) to provide all management and service needs for the CCIDA. That agreement was effective January 1, 2012 and can be renewed at the Board's discretion. As part of the CCIDA's affiliation with the Chamber, the CCIDA agreed to make a one-time payment of \$20,000 to the Chamber to help fund a move to new offices on South Broad Street.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the CCIDA's finances, in a manner similar to private-sector business. Statements are provided on an accrual basis of accounting.

The statements of net position present information on all of the CCIDA's assets and liabilities, with a difference between the two, reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the CCIDA is improving or deteriorating. Net position increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, result in increased net position, which indicate an improved financial position.

The statements of revenue, expenditures and changes in net position present information showing how the CCIDA's net position changes during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing and related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Financial Information

In addition to the basic financial statements and accompany notes, this report also presents certain additional information on schedules, concerning the CCIDA's cash in bank accounts, investments, lease receivables, bonds outstanding and straight leases of the CCIDA's properties.

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the CCIDA's financial position, assets exceeded liabilities by \$1,476,818 at the close of the fiscal year 2012. This represents an increase of 4.44% over the previous year. At the close of the fiscal year 2011, assets exceeded liabilities by \$1,413,667. This represents a decrease of (1.8%) over the previous year.

The smaller portion of the CCIDA's net position reflects its investments in the lands and buildings of industrial parks. The balance of net position (the larger portion) of the CCIDA reflects cash or cash equivalents and accounts receivable, less allowance for doubtful accounts, if necessary. As of December 31, 2012, current assets in the amount of \$804,285 represent an increase of 2.2% from the previous year. As of December 31, 2011, current assets in the amount of \$786,803 represent a decrease of (1.9%) from the previous year.

The following is a 2012-2011 comparative summary of the CCIDA's financial statements displaying the change in net position:

	NET POSITION	
	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 804,285	\$ 786,803
Non-current assets	<u>684,043</u>	<u>640,691</u>
Total assets	<u>\$ 1,488,328</u>	<u>\$ 1,427,494</u>
Liabilities:		
Current liabilities	\$ 3,260	\$ 5,577
Long-term liabilities	<u>8,250</u>	<u>8,250</u>
Total liabilities	<u>11,510</u>	<u>13,827</u>
Net position:		
Invested in capital assets, net of related debt	684,043	640,691
Unrestricted	<u>792,775</u>	<u>772,976</u>
Total net position	<u>1,476,818</u>	<u>1,413,667</u>
Total liabilities and net position	<u>\$ 1,488,328</u>	<u>\$ 1,427,494</u>

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN NET POSITION

	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 277,277	\$ 105,572
Operating expenses	<u>(216,384)</u>	<u>(132,913)</u>
Operating income (loss)	60,893	(27,341)
Non-operating income	<u>2,258</u>	<u>410</u>
Change in net position	63,151	(26,931)
Net position, beginning of year	<u>1,413,667</u>	<u>1,440,598</u>
Net position, end of year	<u>\$ 1,476,818</u>	<u>\$ 1,413,667</u>

Economic Factors

The CCIDA is not aware of any economic factors or conditions that have changed since December 31, 2012 that will have any significant affect on the CCIDA in the future.

Capital Assets and Debt Administration

During 2012, the CCIDA had one significant capital transaction in the amount of \$62,534 for the incubator building. There were no capital purchases in 2011.

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Board of Directors, County of Chenango Industrial Development Agency, 15 South Broad St., Norwich, New York, 13815.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF NET POSITION

December 31, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 757,468	\$ 479,046
Investments	-	301,431
Grants receivable	43,727	-
Prepaid expenses	3,090	6,326
Total current assets	<u>804,285</u>	<u>786,803</u>
Fixed assets:		
Land - Earl B. Clark Park	238,000	238,000
Incubator building	829,808	767,274
	<u>1,067,808</u>	<u>1,005,274</u>
Less: Accumulated Depreciation	<u>(383,765)</u>	<u>(364,583)</u>
Net fixed assets	<u>684,043</u>	<u>640,691</u>
Total assets	<u>\$ 1,488,328</u>	<u>\$ 1,427,494</u>
 <u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Accounts payable	\$ 3,260	\$ 995
Deferred revenue	-	4,582
ERP Project	8,250	8,250
Total liabilities	<u>11,510</u>	<u>13,827</u>
Net Position:		
Investment in capital assets, net of debt	684,043	640,691
Unrestricted	792,775	772,976
Total net position	<u>1,476,818</u>	<u>1,413,667</u>
Total liabilities and net position	<u>\$ 1,488,328</u>	<u>\$ 1,427,494</u>

See accompanying notes.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Rental of real property	140,663	55,871
Project fees	46,661	43,905
Grant revenue - NEG	89,489	-
Other	464	5,796
	<u>277,277</u>	<u>105,572</u>
Operating expenses:		
Economic development	61,000	48,500
Advertising and marketing expense	1,184	688
Depreciation	19,182	19,182
Repairs and maintenance	19,460	16,581
Grant expense - NEG	83,227	-
Legal and auditing	12,043	9,696
Insurance	9,221	7,781
PILOT	2,280	2,250
Utilities	1,382	4,095
Office and Miscellaneous expense	1,919	645
Consulting expense - Engineering	4,461	1,000
Special project	-	21,500
Rental expense	1,025	995
	<u>216,384</u>	<u>132,913</u>
Operating income (loss)	60,893	(27,341)
Non-operating revenue:		
Investment return	2,258	410
	<u>63,151</u>	<u>(26,931)</u>
Change in net position	63,151	(26,931)
Net position as previously stated, beginning of year	<u>1,413,667</u>	<u>1,440,598</u>
NET POSITION, END OF YEAR	<u><u>\$ 1,476,818</u></u>	<u><u>\$ 1,413,667</u></u>

See accompanying notes.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating and non-operating activities:		
Net income (loss)	\$ 63,151	\$ (26,931)
Adjustments to reconcile net income to net cash provided by operating and non-operating activities:		
Depreciation	19,182	19,182
Unrealized (gain) loss on investments	(324)	324
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(43,727)	-
(Increase) decrease in prepaid expenses	3,236	(294)
Increase (decrease) in accounts payable	2,265	(7,200)
Increase (decrease) in deferred revenue	(4,582)	37
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>39,201</u>	<u>(14,882)</u>
Cash flows provided by (used in) investing activities:		
Purchase of fixed asset	(62,534)	-
Proceeds from investments	301,755	50,000
Purchase of investments	-	(351,755)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>239,221</u>	<u>(301,755)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	278,422	(316,637)
Cash and cash equivalents, beginning of year	<u>479,046</u>	<u>795,683</u>
Cash and cash equivalents, end of year	<u>\$ 757,468</u>	<u>\$ 479,046</u>

See accompanying notes.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 1 ORGANIZATION

The County of Chenango Industrial Development Agency (CCIDA) was organized by the Chenango County Legislature under the authority of General Municipal Law, Section 856.1A of the State of New York. CCIDA is a component unit of Chenango County, New York, based on the criteria set forth in Governmental Accounting Standards Board (GASB) Statement 39.

CCIDA was established to attract new industry to the County, to encourage plant modernization, to create job opportunities for the citizens of the County, and to promote commerce and industry. The CCIDA is authorized to encourage, and assist in acquiring, constructing, reconstruction, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, research and recreation facilities, education or cultural facilities, railroad facilities, civic facilities owned or occupied by not-for-profit corporations, and horse racing facilities and thereby advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York and improve their recreation opportunities, prosperity and standard of living.

The CCIDA authorizes the issuance of industrial bonds for industrial development projects and reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The CCIDA received application fees from applicants and closing fees from those accepted for industrial revenue financing.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

As a result of its organization under municipal law, CCIDA uses fund accounting to record transactions. Because a major source of revenue is based on fees and rents, an enterprise fund is used to account for and report CCIDA's financial activity.

All enterprise funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Interest on proceeds used in financing the construction of certain assets is capitalized during the construction period.

Cash and Cash Equivalents

For purpose of the statements of cash flows, CCIDA considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Fee Income and Grant Accounting

Fee income and grant accounting are recorded as receivables, revenues, liabilities and expenses when awarded. All other grants are recorded as receivables and deferred revenues upon award of the contracts; revenues are recognized as the CCIDA meets performance requirements of the contracts. The CCIDA charges a service fee for each project, the proceeds of which are intended to be used for the CCIDA expenses and to fund continuing operations.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

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

Prepaid Expenses

Prepaid expenses represent payments made by the CCIDA for which benefits extend beyond year-end. These items reflect costs applicable to future accounting periods and are recorded as pre-paid at the time of purchase and as an expense in the year the goods or services are consumed.

Fixed Assets

All acquisitions of property and equipment are capitalized and recorded at cost. All property and equipment acquired with grant funds are owned by the CCIDA and are used in the programs for which they are purchased. There are no reversionary interests by grantor agencies in the assets. Capital assets as defined by the CCIDA are assets with an initial unit cost of \$1,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects and depreciated when placed in service.

Depreciation of property and equipment is provided on a straight line method of accounting over the following useful lives (See Note 4):

	<u>Years</u>
Buildings	40
Building improvements	20 – 40
Equipment	3 – 7

Deferred Revenue

CCIDA receives advanced receipt of rental income from its rental properties. Prepaid rents are deferred until earned and recorded as collections in advance and recorded as earned income in the appropriate month.

Net Position

CCIDA reports its net position in three components. Net investment in capital assets are equal to amounts reported for capital assets, net of related debt and accumulated depreciation, plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position is reported when assets (net of related debt) can only be used for a specific purpose that is established by grantors, contributors, laws or regulations governing CCIDA. For this reason, all restricted net position is considered expendable. Unrestricted net position is all other net position that does not meet the definition of invested capital assets or restricted net position.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

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

Revenue and Expense Classification

CCIDA distinguishes operating revenues and expenses from non-operating items in its financial statements. Operating revenues and expenses generally result from providing services in connection with CCIDA's principal on-going operations. CCIDA's operating expenses include project program costs and related administration expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Federal Income Taxes

CCIDA is an entity that is operated by a governmental organization and is exempt from federal, state and local income taxes.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

Events Occurring After Reporting Date

CCIDA has evaluated subsequent events through March 18, 2013, which is the date the financial statements were available to be issued.

NOTE 3 COMMITMENTS AND CONTINGENCIES

Grants

The CCIDA receives grants from other governments that are subject to audit by the agencies of the Federal and New York State jurisdictions. Such audits may result in disallowances and a request for return of funds. The CCIDA believes that disallowances, if any, would be immaterial.

Risks

The CCIDA is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to related parties and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past year.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 3 COMMITMENTS AND CONTINGENCIES (Cont'd.)

Lease Agreements

In May 1990, the CCIDA entered into a 99 year lease agreement with Chenango County, for the rental of 1.59 acres at the Lt. Warren Eaton Airport. The CCIDA may terminate this lease upon 12 months written notice to the County. As of the date of the issuance of the audit report, no such notice has been given to the County.

An industrial incubator building was constructed on the property, by the CCIDA, which has been subleased by a manufacturing company. As of December 31, 2012 and 2011, rent expense for the industrial incubator building amounted to \$603 and \$586, respectively. Each year, the annual rent is calculated by multiplying the prior year rent expense by the Consumer Price Index (CPI) for the Binghamton, NY region. Future minimum lease payments based on the currently available CPI are estimated as follows:

2013	\$ 613
2014	624
2015	635
2016	646
2017	657
Thereafter	<u>92,944</u>
Total	<u>\$ 96,119</u>

In September 1994, the CCIDA entered into a 99 year lease agreement with Chenango County, for an additional 1.27 acres of land at the Lt. Warren Eaton Airport. This land is subleased to a local manufacturing company. The CCIDA may terminate this lease upon 12 months written notice to the County. As of the date of the issuance of the audit report, no notice has been given to the County.

Each year, the annual rent expense is calculated by multiplying the prior year rent by the CPI for the Binghamton, NY region. As of December 31, 2012 and 2011, rent expense for the subleased property amounted to \$422 and \$409, respectively. The CCIDA pays the annual rent expense to Chenango County and bills the subleased tenant for reimbursement. The subleased tenant has a lease that runs concurrently with the CCIDA's lease. Future minimum lease payments based on the currently available CPI are estimated as follows:

2013	\$ 421
2014	428
2015	436
2016	443
2017	451
Thereafter	<u>71,766</u>
Total	<u>\$ 73,945</u>

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 3 COMMITMENTS AND CONTINGENCIES (Cont'd.)

Lease Agreements (Cont'd.)

During February 2012, the CCIDA signed a 5 year lease with Chentronics Corporation starting March 1, 2012. The lease has (5) one year renewal options in which rent increases to \$7 per square foot for the first renewal options and 103% increase each year thereafter. The CCIDA is required to make improvements to the building up to \$250,000. The CCIDA made improvements in the amount of \$54,003 during the current year. Future minimum lease payments are as follows:

2013	\$ 159,210
2014	162,422
2015	165,730
2016	169,134
2017	-
Thereafter	-
Total	<u>\$ 656,496</u>

Payment in Lieu of Taxes

In January 1999, the CCIDA entered into an agreement with the Town of North Norwich for Payment in Lieu of Taxes (PILOT) for the rental of the Earl B. Clark Park.

The CCIDA is required to make an annual PILOT to the Town of North Norwich in the amount of \$2,000. The agreement remains in effect while the CCIDA is the holder of title to all or a portion of the property, and all annual tax payments and/or PILOT made by all third party owners, lessees, licenses, or occupants of the premises total less than \$2,000 per year. Any payments made by the aforementioned parties, if any, would reduce the annual amount due from the CCIDA.

NOTE 4 FIXED ASSETS

As of December 31, fixed assets were comprised of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
2012			
Buildings and improvements	\$ 829,808	\$ 383,765	\$ 446,043
Land	<u>238,000</u>	<u>-</u>	<u>238,000</u>
Net fixed assets	<u>\$ 1,067,808</u>	<u>\$ 383,765</u>	<u>\$ 684,043</u>
2011			
Buildings and improvements	\$ 767,274	\$ 364,583	\$ 402,691
Land	<u>238,000</u>	<u>-</u>	<u>238,000</u>
Net fixed assets	<u>\$ 1,005,274</u>	<u>\$ 364,583</u>	<u>\$ 640,691</u>

Depreciation expense amounted to \$19,182 for the years ending December 31, 2012 and 2011.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 5 INVESTMENTS

All investments are measured at fair value on the statement of net assets. Investments at December 31, are as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Fair Market Value</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Cost</u>
U.S. Government securities	\$ -	\$ -	\$ 199,928	\$ 199,926
NYS Municipal obligations	-	-	101,503	101,831
Total investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,431</u>	<u>\$ 301,757</u>

As of December 31, 2012, all investments were sold and proceeds were transferred to a money market account.

Investment return is summarized as follow for the years ended December 31:

	<u>2012</u>	<u>2011</u>
Net realized and unrealized gain (loss) on investments	<u>\$ 324</u>	<u>\$ (324)</u>
Investment income:		
Interest	1,934	718
Dividends	<u>-</u>	<u>16</u>
Total investment income	<u>1,934</u>	<u>734</u>
Total investment return	<u>\$ 2,258</u>	<u>\$ 410</u>

NOTE 6 OUTSTANDING INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

The CCIDA exercises its mandated power and lawful authority to cause bonds to be issued, to have the proceeds used to construct and equip facilities, to mortgage such facilities as security, and to lease such facilities for rentals sufficient to repay the bond proceeds and related interest. The bonds are special obligations of the CCIDA payable solely from the revenues and receipts derived from the leasing or sale of the underlying facility, or from enforcement of any security provided by the mortgage or assignment. In effect, while the CCIDA serves as a vital conduit in arranging for the financing or construction, and is the apparent owner of record, as a practical matter, bondholders look to the facility and to the owner of the beneficial interests therein for ultimate satisfaction of their debt. The agreements cite that neither the members of the CCIDA nor any person executing the bonds is liable personally thereon by reason of the issuance thereof. It is contemplated that the beneficial owners of the facility will acquire such facility for a nominal considerations upon the termination of the lease term and the repayment of the bond issued. On a *de facto*, substantive basis, the lessees of the facilities may be viewed as the owners, in an economic, if not a formal, sense. Because of this economic interest, the bond liabilities and the related assets consisting of underlying properties are not reflected in the financial statements of the CCIDA.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 7 FINANCIAL INSTRUMENTS WITH CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

State statutes govern CCIDA's investment policies. CCIDA monies must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury, obligations of New York State or its localities, demand accounts and certificates of deposit.

Custodial risk is the risk that in the event of a failure of a depository financial institution, CCIDA may not recover its deposits. Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations to the United States and its agencies and obligations of the State and its municipalities and school districts.

Total financial institution balances at December 31, 2012 and 2011 amounted to \$759,148 and \$780,477, respectively. Insured and collateralized balances at December 31, 2012 and 2011 amounted to \$759,148 and \$80,626, respectively.

Grants Receivable

Credit risk with respect to receivables on December 31, 2012 is limited due to the grantors consisting typically of government agencies whose grants were already approved.

NOTE 8 LITIGATION

Per legal counsel, the CCIDA has been notified by the NYS Dept. of Environmental Conservation that certain land of the New York Western and Susquehanna Railway Corporation (the "Corporation) located in the City of Norwich may be the source of environmental contamination that is possibly posing a health risk to surrounding properties. Under the written lease agreement between the CCIDA and the Corporation, the Corporation is required to defend, indemnify, save and hold harmless the CCIDA from and against any and all suits, claims, judgments, damages arising out of the same. The Corporation is aware of the situation and had acknowledged its obligation to defend and indemnify the CCIDA.

NOTE 9 FAIR VALUE MEASUREMENTS

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This principle also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 9 FAIR VALUE MEASUREMENTS (Cont'd.)

The three levels of fair value hierarchy under GAAP are described below:

- Level 1:* Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. Level 1 includes debt and equity securities that are traded in an active exchange market, as well as U.S. treasury securities.
- Level 2:* Inputs, other than quoted prices in active markets, that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies. This category generally includes certain U.S. government and agency obligations and fixed income securities.
- Level 3:* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

Fair values for securities are based on quoted market prices or dealer quotes, where available. When quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. When necessary, the CCIDA utilizes matrix pricing from a third party pricing vendor to determine fair value pricing. Matrix prices are based on quoted prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the designated security.

The following table sets forth the CCIDA's investments that were accounted for at fair value at December 31, 2012 and 2011. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurements:

<u>2012 *</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ -	\$ -	\$ -	\$ -
Common stock	-	-	-	-
Fixed income securities	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* As of December 31, 2012, all investments were sold and proceeds were transferred to a money market account.

<u>2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ -	\$ -	\$ -	\$ -
Common stock	-	-	-	-
Fixed income securities	301,431	-	-	301,431
Total	<u>\$ 301,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,431</u>

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 10 ADMINISTRATIVE AND SERVICE AGREEMENT

On January 1, 2012, the CCIDA entered into an agreement with the Development Chenango Corporation (DCC) and the Chenango County Chamber of Commerce (the Chamber) to pay for administrative and support services. The Chamber is providing services to both the CCIDA and the DCC. The CCIDA is required to pay the DCC \$5,083 a month to cover their share of the services provided. As of December 31, 2012, the CCIDA paid \$61,000.

During the year ending December 31, 2011, the CCIDA made monthly payments of \$4,042 for administrative and support services. The total payments for the year were \$48,500.

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COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF SUPPLEMENTAL BOND AND NOTE INFORMATION

For The Year Ended December 31, 2012

<u>Purchaser</u>	<u>Issuee</u>	<u>Issue Date</u>	<u>Price</u>	<u>Rate</u>	<u>Balance</u>	<u>Due Date</u>
UHS Chenango Memorial Hospital	179 North Broad Street Norwich, New York 13815	12/22/1998	5,300,000	5.75%	366,775	01/01/2014
Bond Purpose:	Service					
Mid-York Press	2808 State Route 80 Sherburne, New York 13460	05/01/2008	3,165,000	4.47%	1,494,822	06/01/2016
Bond Purpose:	Manufacturing					

** These bonds are the responsibility of the companies listed above and not an indebtedness of the County of Chenango Development Agency (See Note 2).

See auditors' report.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF OUTSTANDING SALE AND LEASE AGREEMENTS

Year ended December 31, 2012

Project Owner Project Owner Address	Purpose	Issue Date	Due Date	Sales Tax Exemptions	
				State	Local
Bytheway Typesetting Services, Inc. 111 County Road 45 Norwich, NY 13815	Manufacturing	-	-	-	-
Wagner Nineveh, Inc. 224 County Route 26 Nineveh, NY 13813	Manufacturing	-	-	-	-
CZ USA d/b/a Dan Wesson Firearms PO Box 171073 Kansas City, KS 66117-0073	Manufacturing	-	-	-	-
The Mid-York Press, Inc. Route 80 West Sherburne, NY 13460	Manufacturing	5/1/2008	6/1/2016	-	-
Who's We, LLC 19 Eaton Avenue Norwich, NY 13815	Service	-	-	-	-
Chenango Memorial Hospital 179 N. Broad Street Norwich, NY 13815	Service	12/22/1998	1/1/2014	-	-
NY Susquehanna & Western One Railroad Avenue Cooperstown, NY 13326	Transportation Service	-	-	-	-
Norwich Pharmaceuticals, Inc. 6826 State Highway 12 Norwich, NY 13815	Manufacturing	-	-	-	-
Upturn Industires 2-4 Whitney Way Bainbridge, NY 13733	Construction	-	-	-	-
NYSEG Agro-Farma, Inc. - Phase I 147 State Hwy 320 Norwich, NY 13815	Manufacturing	-	-	112,232	112,232
Agro-Farma, Inc. - Phase II 111 County Rd 45 Norwich, NY 13815	Manufacturing	-	-	34,335	34,335
Agro-Farma, Inc. - Phase III 111 County Rd 45 Norwich, NY 13815	Manufacturing	-	-	1,292,105	1,292,105
				-	-
				<u>\$ 1,438,672</u>	<u>\$ 1,438,672</u>

See auditors' report.

Tax Exemptions					Payment in Lieu of Taxes			
Real Property Tax		Mortgage		Total Exemptions				
County	Local	School	Recording		County	Local	School	Total
3,701	1,839	7,764	-	13,304	1,481	735	3,106	5,322
11,235	4,149	20,520	-	35,904	3,932	1,452	7,182	12,566
3,084	1,036	6,451	-	10,571	2,621	881	5,483	8,985
-	-	-	-	-	-	-	-	-
17,024	21,012	33,265	-	71,301	7,661	9,455	18,296	35,412
-	-	-	-	-	-	-	-	-
13,109	8,467	25,482	-	47,058	-	-	-	-
151,157	63,128	260,036	165,000	639,321	75,578	31,564	129,629	236,771
2,977	1,276	5,422	-	9,675	2,828	1,212	5,151	9,191
-	-	-	-	224,464	-	-	-	-
106,624	79,144	154,602	-	409,040	5,331	3,963	7,730	17,024
-	-	-	-	2,584,210	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 308,911</u>	<u>\$ 180,051</u>	<u>\$ 513,542</u>	<u>\$ 165,000</u>	<u>\$ 4,044,848</u>	<u>\$ 99,432</u>	<u>\$ 49,262</u>	<u>\$ 176,577</u>	<u>\$ 325,271</u>

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

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

Year ended December 31, 2012

	<u># of FTE Employees at Project Location before IDA Status</u>	<u>Original Estimate of Jobs to be Created</u>	<u>Original Estimate of Jobs to be Retained</u>
Issuee:			
The Mid-York Press, Inc.	66	9	66
Chenango Memorial Hospital	574	0	574
Project Owner:			
Bytheway Typesetting Services, Inc.	17	2	17
Wagner Nineveh, Inc.	27	9	27
CZ USA d/b/a Dan Wesson Firearms	14	13	14
Who's We, LLC	7	60	7
NY Susquehanna & Western	72	0	72
Norwich Pharmaceuticals	202	0	202
Upturn Industries	38	19	38
Agro-Farma, Inc.	250	206	823
	<u>1,267</u>	<u>318</u>	<u>1,840</u>

See auditors' report.

<u>Reported by firm in 2011</u>	<u># of Current FTE Employees</u>	<u># of FTE Jobs Created During Fiscal Year</u>	<u># of FTE Jobs Retained During Fiscal Year</u>
75	74	(1)	66
440	452	12	440
8	7	(1)	7
48	50	2	27
19	17	(2)	14
6	5	(1)	5
72	82	10	72
350	369	19	202
30	32	2	32
966	1120	154	823
<u>2,014</u>	<u>2,208</u>	<u>194</u>	<u>1,688</u>