

**CORTLAND COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

Cortland, New York

FINANCIAL REPORT

December 31, 2012

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

DECEMBER 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the aggregate discretely presented component units of Cortland County Industrial Development Agency (the Agency), a component unit of the County of Cortland, State of New York, as of and for the year ended December 31, 2012, 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Agency'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 Agency'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate discretely presented component units of Cortland County Industrial Development Agency as of December 31, 2012, 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 3-3d 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 Cortland County Industrial Development Agency, State of New York's basic financial statements. The combining component unit financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining component unit financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The schedules of indebtedness and projects are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013 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.



Ithaca, New York
March 11, 2013

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Agency's financial position as of December 31, 2012, and the result of its operations for the year then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the Agency, which directly follow the MD&A.

FINANCIAL HIGHLIGHTS

- Total expenses exceeded total revenues by \$(3,267,153) in 2012 compared to revenues exceeding expenses by \$1,031,946 in 2011, primarily due to the conveyance of business park land and improvements to the Town of Cortlandville.
- Total revenue of \$54,968 in 2012 decreased from revenue of \$1,231,621 in 2011, due predominantly due to \$1,120,691 grant funding which ended in 2011. No similar revenues were received during 2012.
- Total expenses of \$3,321,121 in 2012 increased from expenses of \$199,675 in 2011, due primarily to the conveyance of property and improvements to the Town of Cortlandville during the year ended December 31, 2012.
- Net position for the year ended December 31, 2012 amounted to \$489,539, reflecting a decrease of \$(3,267,153) from net position of \$3,756,692 at December 31, 2011.

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).

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

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

The Agency's total net position for fiscal year ended December 31, 2012, decreased by \$(3,267,153). Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the Agency's activities. Certain accounts in the prior-year column have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Figure 1

Condensed Statement of Net Position	Business-type Activities and Total Agency		Total Dollar Change
	2011	2012	2011 - 2012
<i>Current assets:</i>			
<i>Cash - Unrestricted</i>	\$ 144,443	\$ 224,716	\$ 80,273
<i>Grants receivable</i>	227,961	-0-	(227,961)
<i>Accounts receivable</i>	1,391	25,306	23,915
<i>Prepaid expenses</i>	1,044	1,115	71
<i>Noncurrent assets:</i>			
<i>Investment in railroad land</i>	209,818	209,818	-0-
<i>Investment in business park land and improvements</i>	4,576,255	1,278,776	(3,297,479)
Total assets	5,160,912	1,739,731	(3,421,181)
<i>Current liabilities:</i>			
<i>Accounts payable</i>	17,220	192	(17,028)
<i>Deferred revenue</i>	-0-	100,000	100,000
<i>Line-of-credit</i>	237,000	-0-	(237,000)
<i>Noncurrent liabilities:</i>			
<i>Loans payable</i>	1,150,000	1,150,000	-0-
Total liabilities	1,404,220	1,250,192	(154,028)
<i>Invested in capital assets, net of related debt</i>	3,395,251	338,594	(3,056,657)
<i>Unrestricted</i>	361,441	150,945	(210,496)
Total net position	\$ 3,756,692	\$ 489,539	\$ (3,267,153)

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

The decrease in grants receivable is due to the receipt of grant funds spent in 2011. The increase in accounts receivable is due to amount due from the Cortland County Business Development Corporation for business park marketing. The decrease in investment in business park land and improvements and invested in capital assets, net of related debt, is the result of the conveyance of the Finger Lakes East Business Park road and related improvements to the Town of Cortlandville during 2012.

The decrease in the line-of-credit is due to the loan being paid off and closed during 2012. Accounts payable decreased due to the payment of construction invoices during 2012 for work completed in 2011. The net effect was a decrease in unrestricted net position of \$(210,496).

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

Figure 2

Changes in Net Position	Business-type Activities and Total Agency		Total Dollar Change
	2011	2012	2011 - 2012
<i>Operating Revenues:</i>			
<i>Fee income</i>	\$ 107,770	\$ 50,390	\$ (57,380)
<i>Lease income</i>	3,000	4,500	1,500
<i>Non-operating Revenues:</i>			
<i>Grant revenue</i>	1,120,691	-0-	(1,120,691)
<i>Interest and earnings</i>	160	78	(82)
Total revenues	1,231,621	54,968	(1,176,653)
<i>Operating Expenses:</i>			
<i>Contractual expenses</i>	32,213	23,632	(8,581)
<i>Business park expenses</i>	-0-	397	397
<i>Non-operating Expenses:</i>			
<i>Interest expense</i>	10,905	597	(10,308)
<i>Grant expense</i>	156,557	-0-	(156,557)
<i>Conveyance of property to Town</i>	-0-	3,297,495	3,297,495
Total expenses	199,675	3,322,121	3,122,446
INCREASE (DECREASE) IN NET POSITION	\$ 1,031,946	\$ (3,267,153)	\$ (4,299,099)

Total revenues of the Agency decreased \$1,176,653. Total expenses of the Agency increased \$3,122,446. The decrease in fee income is due to the processing of more projects in 2011 than in 2012. Grant revenue and grant expense decreased in 2012 as grant projects were substantially completed during 2011. Expenses in 2012 increased primarily as the result of the conveyance of the business park road to the Town of Cortlandville. The net result was a decrease in net position.

FACTORS BEARING ON THE AGENCY'S FUTURE

Finger Lakes East Business Park/Byrne Dairy

The Cortland County Industrial Development Agency and Byrne Dairy, Inc. signed a \$100,000 purchase agreement in October for the company's acquisition of Finger Lakes East Business Park in south Cortland. The company proposes to develop the 127-acre site initially for yogurt production, artisan cheese production, and agri-tourism. Capital investment for phase one development has been set at approximately \$22 million. Subsequent development would mean expansion of the yogurt facility, warehousing, and contract manufacturing. The company's acquisition of the park land for \$1.15 million is contingent upon site plan approval as well as local and state financial incentives which were still being negotiated through the end of the year. Plans are for the company to begin construction early in the second quarter of 2013. Construction is expected to be complete in early 2014, with up to 75 new jobs created initially.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

The IDA's \$4.3 million Finger Lakes East business park was completed in 2011. The park, which includes 13 shovel-ready parcels serviced by a mile-long paved park road, underground utilities including electric, gas, telecom, and fiber, and a signaled main entrance complete with turn-out lanes, took 16 months to complete after bids were awarded to two local contractors in the spring of 2010.

The IDA secured 100% of its funding commitments (\$2 million, U.S. Economic Development Administration; \$433,700, U.S. Environmental Protection Agency; and \$500,000, New York State Dormitory Authority) and leveraged loans from the Town of Cortlandville (\$400,000, water/sewer construction) and Cortland County (\$750,000, land acquisition) to complete the work.

The negotiated purchase price will allow complete repayment of the loans from the county and town.

Payment in Lieu of Taxes

Termination of Lease Agreement, Hope Lake Investors

The Cortland County Industrial Development Agency terminated a lease agreement with HLI, LLC on June 21, 2012. Originally signed August 15, 2008, the agreement was terminated upon the agency's determination that HLI was in default of its terms.

Lease/Leaseback Transaction, Suit-Kote Corp.

The Cortland County Industrial Development Agency closed on a Payment in Lieu of Tax (PILOT) agreement with Suit-Kote on May 1, 2012. The \$2 million project enabled the retention of more than 200 road maintenance and work crew personnel as well as 10 full-time professional and service staff which might otherwise have been relocated out of state.

In addition to real property tax exemptions, the PILOT also assured assistance in the form of a mortgage tax exemption and a sales tax exemption for related improvements at the facility.

Lease/Leaseback Transaction, Sky Hospitality, LLC

The Cortland County Industrial Development Agency closed on a Payment in Lieu of Tax (PILOT) agreement with Sky Hospitality on December 1, 2012. The project comprises a \$4.81 million effort to construct a new 64-room, three-story hotel at Finger Lakes East Business Park in the Town of Cortlandville. The hotel, which will carry a Best Western flag, will be located on 5.5 acres of land fronting Route 13 between the entrance to the Park and Shipwreck Golf and Cones.

Set for construction to begin during December 2012, the 42,000 square-foot facility will:

- Provide construction related jobs preferring local vendors;
- Use local support services whenever possible (landscaping, maintenance, etc.);
- Create at least 10 new FTE staffing positions;
- Add more inventory to an underserved local hotel market;
- Provide new, upscale options for growing business-class visitors to the community;
- Provide new, Cortland-based options for event-related visitors (New York Jets training camp, local and regional college and university commencements and other activities, sports-related events coordinated by Tompkins Cortland Community College, SUNY Cortland, and the Cortland Regional Sports Council); and
- Contribute to the community's sales, occupancy, and property tax revenues.

In addition to real property tax exemptions, the PILOT also assured assistance in the form of a mortgage tax exemption and a sales tax exemption for machinery, equipment and construction materials to be used in connection with the construction of the hotel.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

Lease Agreements

New York Susquehanna & Western Railroad

The Cortland County Industrial Development Agency Board approved an amendment to a lease agreement for approximately 32 miles of track that run through the County. The amendment continues abatement of property taxes but stipulates an annual rent payment of \$1,500 from the railroad to the IDA through 2023, with no rent payments due after 2023 through the termination of the agreement in 2048. Payments over that course of time will not be required in consideration of the railroad's ongoing maintenance and upkeep on the rail line.

The Agency reserves the right to sublease portions of the agency line for advertising purposes, and stipulates that the railroad shall not charge any rents or fees to county municipalities installing or owning utilities nearby. The IDA had received \$500 annually from the railroad under the old agreement.

Park Outdoor Advertising

The Cortland County Industrial Development Agency negotiated a new lease agreement with Park Outdoor Advertising commencing January 1, 2012, for three sign "faces" in the city and in the Town of Cortlandville. The agreement for \$1,333 per face modified terms of a previous lease agreement dating to 2003.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	<u>Primary Government</u>	<u>Total Component Units</u>
<u>ASSETS</u>		
Current Assets:		
Cash - Unrestricted	\$ 224,716	\$
Cash - Restricted		21,177
Accounts receivable	25,306	
Prepaid expenses	<u>1,115</u>	
Total Current Assets	<u>251,137</u>	<u>21,177</u>
Noncurrent Assets:		
Capital assets, net of accumulated depreciation		163,721
Investment in Railroad Land	209,818	
Investment in Business Park Land	<u>1,278,776</u>	
Total Noncurrent Assets	<u>1,488,594</u>	<u>163,721</u>
Total Assets	<u>1,739,731</u>	<u>184,898</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	192	81,267
Deferred revenue - Purchase Option	<u>100,000</u>	
Total Current Liabilities	<u>100,192</u>	<u>81,267</u>
Noncurrent Liabilities:		
Mortgages payable	<u>1,150,000</u>	
Total Noncurrent Liabilities	<u>1,150,000</u>	<u>-0-</u>
Total Liabilities	<u>1,250,192</u>	<u>81,267</u>
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	338,594	163,721
Restricted		18,955
Unrestricted	<u>150,945</u>	<u>(79,045)</u>
Total Net Position	<u>\$ 489,539</u>	<u>\$ 103,631</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, 2012

	<u>Primary Government</u>	<u>Total Component Units</u>
Operating Revenues:		
Fee income	\$ 50,390	\$
Lease income	<u>4,500</u>	<u> </u>
Total Operating Revenues	<u>54,890</u>	<u>-0-</u>
Operating Expenses:		
Professional and administrative expenses	23,632	13,395
Depreciation expense		33,418
Business Park expenses	<u>397</u>	<u> </u>
Total Operating Expenses	<u>24,029</u>	<u>46,813</u>
Operating Income (Loss)	<u>30,861</u>	<u>(46,813)</u>
Nonoperating Revenues (Expenses):		
Interest and earnings	78	4
Interest expense	(597)	
Conveyance of property - Town of Cortlandville	<u>(3,297,495)</u>	<u> </u>
Nonoperating (Loss) Income	<u>(3,298,014)</u>	<u>4</u>
Net (Loss)	(3,267,153)	(46,809)
Net Position, January 1, 2012	<u>3,756,692</u>	<u>150,440</u>
Net Position, December 31, 2012	<u>\$ 489,539</u>	<u>\$ 103,631</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, 2012

	<u>Primary Government</u>	<u>Total Component Units</u>
Cash Flows from Operating Activities:		
Cash received from providing services	\$ 30,975	\$
Cash received from grants	227,961	
Cash payments - Contractual expenses	(40,731)	(889)
Cash payments - Business park expenses	(397)	
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	217,808	(889)
	<hr/>	<hr/>
Cash Flows from Noncapital Financing Activities	-0-	-0-
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities	-0-	-0-
	<hr/>	<hr/>
Cash Flows from Investing Activities:		
Principal paid on line of credit	(237,000)	
Interest expense	(597)	
Business Park Land improvements	(27,083)	
Refund of business park improvements	27,067	
Purchase option deposit	100,000	
Interest income received	78	4
	<hr/>	<hr/>
Net Cash (Used) Provided by Investing Activities	(137,535)	4
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	80,273	(885)
	<hr/>	<hr/>
Cash and Cash Equivalents, January 1, 2012	144,443	22,062
	<hr/>	<hr/>
Cash and Cash Equivalents, December 31, 2012	\$ <u>224,716</u>	\$ <u>21,177</u>
Reconciliation of net operating income (loss) to net cash provided by operating activities:		
Operating Income (Loss)	\$ 30,861	\$ (46,813)
Depreciation expense		33,418
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Decrease in accounts receivable	204,046	
(Increase) in prepaid expenses	(71)	
(Decrease) Increase in accounts payable	(17,028)	12,506
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	\$ <u>217,808</u>	\$ <u>(889)</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, 2012

Note 1 - Summary of Significant Accounting Policies

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

A. Organization and Purpose

The Agency was created in 1974 by the New York Legislature under the mandate of Article 18-A, "New York State Industrial Development Agency Act" of the 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 their recreation opportunities, posterity and standard of living. The Agency is exempt from federal, state, and local income taxes. Although established by the Cortland County Board of Representatives, the Agency is a separate entity and operates independently of the County. The Agency is considered a component unit of Cortland County.

B. Reporting Entity

The financial reporting entity consists of (a) the primary government which is the Cortland County Industrial Development Agency, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement Number 14, "The Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units" and Statement Number 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statement Numbers 14 and 34."

The decision to include a potential component unit in the County's reporting entity is based on several criteria set forth in GASB Statement Number 14, "The Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units," and Statement Number 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statement Numbers 14 and 34," 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 Development Corporation (CCDC) - Similar to the Agency, the CCDC was formed for the purpose of encouraging economic growth in Cortland County during 2011 under Article 14 of the New York not-for-profit corporation law. Because New York State has legislated that industrial development agencies can no longer serve not for profit entities, the CCDC will serve that segment of the economy in Cortland County. The CCDC's Board of Directors is the same as the Agency's Board of Directors.

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

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

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

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

C. Basis of Accounting

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

D. Cash and Cash Equivalents

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

E. Equity Classifications

Statement of Net Position

- Invested in capital assets, net of related debt
Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings attributable to the acquisition, construction, or improvement of those assets.
- Net Position - Restricted
Consists of net position 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.
- Net Position - Unrestricted
Consists of all other net position that does not meet the definition of "restricted."

F. Use of Estimates

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

G. Related Parties

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

H. Capital Assets

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

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

Note 2 - Industrial Revenue Bond and Note Transactions

Certain industrial development revenue bonds and notes issued by the Agency are secured by property leased to companies and retired by lease payments. The bonds and notes are not obligations of the Agency or the State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts, as its primary function is to arrange financing between the borrowing companies and the bond and note holders; and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. At December 31, 2012, the outstanding value of bonds and notes issued aggregated \$16,355,000.

Note 3 - Deposits and Investments

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

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

Total bank balances of \$234,025 at December 31, 2012 were entirely insured or collateralized with securities held by the Agency's agent in the Agency's name. The carrying value of deposits at December 31, 2012 totaled \$224,716.

Component unit bank balances totaled \$21,177 at December 31, 2012 and were entirely insured.

Note 4 - Capital Assets and Investment in Properties

At December 31, 2012, the Agency's capital assets consisted of the following:

Office Equipment	\$	14,967
Less: Accumulated Depreciation		<u>(14,967)</u>
Net Capital Assets	\$	<u><u>-0-</u></u>

In addition, the Agency maintains railroad property which it leases to New York, Susquehanna and Western Railway Corporation (see Note 6). The value of the land at December 31, 2012 was \$209,818.

At December 31, 2012, the Agency owned the Finger Lakes East Business Park; approximately 119.66 acres in the Town of Cortlandville subdivided into commercial building lots. During 2012, the Agency conveyed approximately 7.94 acres of developed road and related infrastructure to the Town of Cortlandville with a development cost basis of \$3,297,495.

The remaining value of the Business Park land and land improvements at December 31, 2012 was \$1,278,776. In addition, a corporation has entered into an option to purchase agreement with the Agency for the purchase of the entire Park. During 2012, \$100,000 was paid to the Agency in consideration of this option, which is good for one year with a one year extension option for an additional \$50,000. The \$100,000 consideration is recorded as deferred revenue until the purchase transaction is completed.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2012

Note 5 - Payments in Lieu of Tax

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

In 2012, \$312,120 was received in PILOTS compared to the \$676,180 which would have been received if businesses paid the full amount of taxes; for a total tax abatement of \$364,060.

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, 2032 stipulating annual lease payments of \$1,500.

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

Note 7 - Mortgages Payable

During 2008, the Agency entered into a mortgage with the County of Cortland in the amount of \$750,000 and backed by a portion of the Finger Lakes East Business Park. Under the agreement, payments are due within 10 business days following the closing of the sale of each and every building lot in an amount equal to 65% of the net sales proceeds until the principal balance has been paid in full. The mortgage matures October 2018, at which time, if the land has not been sold, the land will convert to the County of Cortland. At December 31, 2012, \$750,000 was outstanding.

During 2009, the Agency entered into a mortgage with the Town of Cortlandville in the amount of \$400,000 and backed by a portion of the Finger Lakes East Business Park. Under the agreement, payments are due within 10 business days following the closing of the sale of each and every building lot in an amount equal to 35% of the net sales proceeds until the principal balance has been paid in full. The mortgage matures February 2019, at which time, if the land has not been sold, the land will convert to the Town of Cortlandville. At December 31, 2012, \$400,000 was outstanding.

Note 8 - Line of Credit

At December 31, 2011, the Agency had an outstanding line of credit in the amount of \$237,000 with an interest rate of 3.25%. During 2012, the Agency paid off the line of credit and paid interest in the amount \$597.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
DECEMBER 31, 2012

	<u>Cortland County Agricultural LDC</u>	<u>Cortland County Local Development Corporation</u>
<u>ASSETS</u>		
Current Assets:		
Cash - Restricted	\$ 1,875	\$ 18,990
Total Current Assets	<u>1,875</u>	<u>18,990</u>
Noncurrent Assets:		
Capital assets, net of depreciation	<u> </u>	<u> </u>
Total Noncurrent Assets	<u>-0-</u>	<u>-0-</u>
Total Assets	<u>1,875</u>	<u>18,990</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 7,239	\$ 35
Total Current Liabilities	<u>7,239</u>	<u>35</u>
<u>NET POSITION</u>		
Invested in capital assets, net of related debt		
Restricted		18,955
Unrestricted	<u>(5,364)</u>	<u> </u>
Total Net Position	<u>\$ (5,364)</u>	<u>\$ 18,955</u>

<u>Contento Development LDC</u>	<u>Cortland County Development Corporation</u>	<u>Total Component Units</u>
\$ <u>312</u>	\$ <u> </u>	\$ <u>21,177</u>
<u>312</u>	<u>-0-</u>	<u>21,177</u>
<u>163,721</u>	<u> </u>	<u>163,721</u>
<u>163,721</u>	<u>-0-</u>	<u>163,721</u>
<u>164,033</u>	<u>-0-</u>	<u>184,898</u>
\$ <u>72,114</u>	\$ <u>1,879</u>	\$ <u>81,267</u>
<u>72,114</u>	<u>1,879</u>	<u>81,267</u>
163,721		163,721
		18,955
<u>(71,802)</u>	<u>(1,879)</u>	<u>(79,045)</u>
\$ <u><u>91,919</u></u>	\$ <u><u>(1,879)</u></u>	\$ <u><u>103,631</u></u>

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Cortland County Agricultural LDC</u>	<u>Cortland County Local Development Corporation</u>
Operating Revenues	\$ <u>-0-</u>	\$ <u>-0-</u>
Operating Expenses:		
Professional and administrative expenses	550	444
Depreciation expense	<u> </u>	<u> </u>
Total Operating Expenses	<u>550</u>	<u>444</u>
Operating Loss	<u>(550)</u>	<u>(444)</u>
Nonoperating Revenues (Expenses):		
Interest and earnings	<u>4</u>	<u> </u>
Total Nonoperating Revenues	<u>4</u>	<u>-0-</u>
Net Loss	(546)	(444)
Net Position, January 1, 2012	<u>(4,818)</u>	<u>19,399</u>
Net Position, December 31, 2012	<u><u>\$ (5,364)</u></u>	<u><u>\$ 18,955</u></u>

See Independent Auditor's Report and Notes to Financial Statements

<u>Contento Development LDC</u>	<u>Cortland County Development Corporation</u>	<u>Total Component Units</u>
\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
11,551	850	13,395
<u>33,418</u>	<u> </u>	<u>33,418</u>
<u>44,969</u>	<u>850</u>	<u>46,813</u>
<u>(44,969)</u>	<u>(850)</u>	<u>(46,813)</u>
<u> </u>	<u> </u>	<u>4</u>
<u>-0-</u>	<u>-0-</u>	<u>4</u>
(44,969)	(850)	(46,809)
<u>136,888</u>	<u>(1,029)</u>	<u>150,440</u>
\$ <u><u>91,919</u></u>	\$ <u><u>(1,879)</u></u>	\$ <u><u>103,631</u></u>

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY
 SCHEDULE OF INDEBTEDNESS
DECEMBER 31, 2012

	<u>Month and Year</u>	<u>Current Interest Rate</u>	<u>Outstanding Beginning of Fiscal Year</u>	<u>Issued During Fiscal Year</u>	<u>Paid During Fiscal Year</u>	<u>Outstanding End of Fiscal Year</u>	<u>Final Maturity</u>
<u>Cortland Memorial Hospital</u>	<u>6/2002</u>	<u>2.5%-5.25%</u>	<u>\$ 16,800,000</u>	<u>\$ _____</u>	<u>\$ 445,000</u>	<u>\$ 16,355,000</u>	<u>6/2032</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>TOTAL OTHER DEBT</u>			<u>\$ 16,800,000</u>	<u>\$ -0-</u>	<u>\$ 445,000</u>	<u>\$ 16,355,000</u>	

See Independent Auditor's Report

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF PROJECTS
DECEMBER 31, 2012

<u>Project Name</u>	<u>Project #</u>	<u>Purpose</u>	<u>Sales Tax Exemptions</u>	<u>Mortgage Tax Exemptions</u>	<u>Payments in Lieu of Taxes</u>	<u>Property Taxes if not Exempt</u>	<u>Total Exemptions</u>	<u>Jobs Created or Retained</u>
NCWP, LLC	1101-02-01	Manufacturing	\$ -0-	\$ -0-	\$ 10,351	\$ 11,858	\$ 1,507	N/A
Essex Steel	1101-04-02	Construction	-0-	-0-	14,071	28,141	14,070	24
Cayuga Press	1101-06-01	Commercial	-0-	-0-	20,059	40,115	20,056	31
Cortland Crown Homes	1101-07-01	Construction	-0-	-0-	12,626	55,595	42,969	N/A
Cortland Commerce Center LLC	1101-10-01	Real Estate	276,350	-0-	93,000	141,753	325,103	262
Cortland Plastics	1101-10-02	Manufacturing	-0-	-0-	13,577	27,152	13,575	45
Hope Lake Investors	1101-10-03	Tourism	-0-	-0-		137,834	137,834	165
Clocktower Project	1101-10-04	Construction	-0-	-0-	9,979	39,908	29,929	26.8
Peak Resorts	1101-11-01	Tourism	1,645	-0-		55,373	57,018	37
Pyrotek, Inc.	1101-11-02	Manufacturing	13,887	-0-	58,775	58,769	13,881	87
Suit-kote Corp.	1101-12-01	Construction	42,987	-0-	78,555	78,555	42,987	210
Sky Hospitality	1101-12-02	Tourism	<u>21,782</u>	<u>36,000</u>	<u>1,127</u>	<u>1,127</u>	<u>57,782</u>	N/A
			<u>\$ 356,651</u>	<u>\$ 36,000</u>	<u>\$ 312,120</u>	<u>\$ 676,180</u>	<u>\$ 756,711</u>	

See Independent Auditor's Report

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Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
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 Cortland County Industrial Development Agency (the Agency), a component unit of the County of Cortland, State of New York, as of and for the year ended December 31, 2012, 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 11, 2013.

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.

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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.

A handwritten signature in black ink that reads "Lisa Dietershagen, Little, Minkler & Company, LLP". The signature is written in a cursive, flowing style.

March 11, 2013
Ithaca, New York