

COUNTY OF OTSEGO
INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Otsego County, New York)

FINANCIAL STATEMENTS

Years Ended December 31, 2012 and 2011

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County of Otsego Industrial Development Agency
242 Main Street
Oneonta, New York

Report on the Financial Statements

We have audited the accompanying statement of net position of County of Otsego Industrial Development Agency ("COIDA"), a component unit of Otsego County, New York, as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net position, and statements of cash flows and the related notes for the years then ended.

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 an opinion on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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 COIDA'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 COIDA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of COIDA as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on Pages 4 – 7 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, and 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 method 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.

Our audit was conducted for the purpose of forming an opinion on COIDA's financial statements as a whole. The supplemental information on Pages 19, 21 and 22 in the other financial information section is presented for purposes of auditing analysis and is not a required part of the financial statements, but is supplemental information that is required by the Office of New York State Comptroller. The supplementary information in the accompanying schedule on Page 20 in the other financial information section is presented for purposes of additional analysis and is not a required part of the financial statements. The schedules are the responsibility of management and was derived from and related 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 financial statements or to the financial statements themselves, and other additional procedures 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 schedule of full-time equivalent (FTE) jobs created and retained are presented for purposes of additional analysis and are not a required part of the financial statements, but is supplemental information that is required by the Office of the New York State Comptroller. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2013 on our consideration of COIDA'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 COIDA's internal control over financial reporting and compliance.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
July 15, 2013

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT AND DISCUSSION ANALYSIS

As the financial management of the County of Otsego Industrial Development Agency (“COIDA”), we offer readers of these financial statements this narrative overview and analysis of the financial activities for COIDA for the fiscal year ended December 31, 2012. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. COIDA encourages its readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Budget

COIDA budgets its operating income and expenses each year. COIDA’s primary source of income is generated through lease payments on buildings it owns in the Pony Farm Industrial Park, interest income on loan repayments and fee for services including sale/leaseback agreements.

Expenses for COIDA comprise mostly of general agency operations including maintenance for the Pony Farm Industrial Park, professional service fees and annual voluntary PILOT payments. COIDA does not have any direct employees. Administrative and clerical support is provided by the County Economic Development Department for which COIDA contributes a fixed annual payment under a Contract for Services.

COIDA strictly adheres to financial procedures and requirements of New York State General Municipal Law, Article 18A, and its own bylaws, as audited by our accountants Mostert, Manzanero & Scott, LLP.

Overview of the Financial Statements

This discussion and analysis accompanies COIDA’s financial statements, including notes to the financial statements and the reports on compliance and internal control to help the reader better understand the financials.

Financial Statements

COIDA’s financial statements provide readers with a comprehensive reporting of COIDA’s 2012 transactions and balances. The difference between the assets and liabilities are reported as net position. Increases or decreases in net position are an indicator of strengthened or weakened financial position.

Notes to the Financial Statements

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

Financial Analysis

Operating income for COIDA was \$45,660 for fiscal year 2012. This was a increase over the prior year’s loss. Net position produced an increase in net assets of \$32,835. At the close of fiscal year 2012, COIDA had net position of \$4,728,626, an increase of .7% over the prior year, which was attributable to an increase in interest income on loans and pilot fees.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT AND DISCUSSION ANALYSIS

COIDA's prime objective is to provide assistance to existing businesses, expansions and business startups with professional assistance, educational programs and access to capital for the purposes of creating jobs and economic development activity within Otsego County. The loan funds are comprised of grants dedicated to this purpose and matching funds from COIDA's accumulated working capital. The revolving loan fund in COIDA's statement of net position is the major asset. For COIDA's loan funds, the financial statement shows a net decrease of \$179,205 from \$1,437,963 at year-end 2011 to \$1,258,758 at year-end 2012.

COIDA's current major capital assets are the Pony Farm Industrial Park in Oneonta and property in Richfield Springs for a future industrial park. These projects are concurrent with COIDA's objectives of encouraging economic development in the county.

ACCOMPLISHMENTS

Activities:

Organized by Senator James Seward and COIDA, an Otsego County Economic Development Summit was held on March 8, 2012 at the Otesaga Resort Hotel in Cooperstown, New York. More than 200 business owners and community leaders attended the summit which included an overview of the consolidated funding application process and 5 breakout sessions focused on Manufacturing, Education/Workforce, Tourism, Healthcare and infrastructure. Throughout the year, COIDA used the results from this summit to synthesize strategic priorities for economic and community development activities.

In 2012, 69 businesses made inquiries into economic development services. Many of the businesses were directed to the Small Business Development Center for assistance with creating business plans. Staff made "Financing Your Business" presentations at small business workshops. Businesses requested information to source financing to start or expand their businesses or locating appropriate buildings or properties.

COIDA sent a request for proposal to engage services to complete a Master Plan and Market Analysis for the Pony Farm Industrial Park. It is anticipated that this project will help COIDA define realistic markets to solicit and to more comprehensively understand the infrastructure those industries require in order to ready the vacant land for immediate development. Project should be complete 2013.

Throughout 2012, COIDA reviewed, revised and updated its entire policy and procedure manual to ensure compliance with Public Authority Accountability Act and changes to general municipal law.

Projects:

Rail Industrial Side Project

During fourth quarter 2012, a project to explore adding additional rail siding to the D&H rail yard was initiated. Clough Harbor & Associates was engaged to provide engineering services associated with establishing rail access. This project is expected to be completed in 2013/2014.

Broadband Development

Lack of county-wide broadband access has been a long standing barrier to economic development. As a result of the Economic Development Summit, COIDA partnered with a wireless, last mile provider and sought funds through the Connect NY program. Total project is budgeted to be \$800,000. Awards were announced first quarter 2013, to which COIDA was a \$560,000 award recipient. It is anticipated, build-out will begin fourth quarter 2013.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT AND DISCUSSION ANALYSIS

PILOT

Bresee Block Redevelopment

In December 2012, COIDA approved a PILOT for the Bresee Redevelopment Project in the City of Oneonta in anticipation of the building being sold to Klugo Oneonta, LLC who is in the process of redeveloping the Bresee Building and One Dietz Street. The project is in the final phases of rehabilitation, the property transferred ownership to the developer in February 2013. Commercial space is slated to be available Fall 2013 and the residential component in first quarter 2014.

Financial Assistance

Springbrook:

In May 2012, the Otsego County Capital Resource Corporation closed on a \$2.5M Tax-Exempt bond issue to Springbrook for the acquisition of the building and site formally owned by St. Mary's School.

In order to assist with the conversion of the building to year-round use, a new HVAC system had to be purchased and installed. A financial services agreement between COIDA and Springbrook was entered into in order to accelerate the job creation requirement and stimulate the continued development and expansion of Springbrook. The facility will be used to relocate approximately 10 departments, provide for increased efficiencies and room for growth, and create 15 full time new positions.

STEM Initiatives

COIDA contributed \$2,500 towards the Science, Technology, Engineering and Mathematics (STEM) Leadership Camp at SUNY Oneonta in the summer of 2012. This one week summer camp was offered to kids in 6th grade interested in pursuing activities related to science, technology, engineering and math.

COIDA assisted with the implementation of Project-Lead-the-Way into the Milford School District by entering into a contact for services with Creating Opportunity in Rural Education (CORE) to provide teacher training and certification. Milford School District is the first school in Otsego County to be offering this nationwide, STEM centered curriculum.

Richfield Springs Business Park Development

IDA has decided not to pursue the development of the Richfield Business Park for feasibility reasons. Immediate plans for development of this property have been put on hold.

Economic Factors

2012 continued to be a difficult economic environment, on the global, national and local level. Commercial lending continued to lag, hampering the access to capital many businesses need for growth and stability. However, throughout the year, COIDA continued to reach out to existing businesses for growth opportunities and identify business retention cases. Agribusiness and growth in the downtown Oneonta areas continue to be of significant focus for economic activity during the year.

2012 also saw the launch of Governor Cuomo's Regional Economic Development Councils and the commitment to streamline economic development agencies and programs, develop regional strategic plans and build a pipeline for targeted economic development initiatives.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT AND DISCUSSION ANALYSIS

The following is a 2012-2011 comparative summary of COIDA's financial statements, showing the increase in net position:

	<u>2012</u>	<u>2011</u>
Current assets	\$ 1,866,794	\$ 1,873,840
Non-current assets	<u>2,906,580</u>	<u>2,832,561</u>
Total assets	4,773,374	4,706,401
Current liabilities	<u>44,748</u>	<u>10,610</u>
Net position	<u>\$ 4,728,626</u>	<u>\$ 4,695,791</u>

CHANGES IN NET POSITION

Operating revenues	\$ 161,465	\$ 142,892
Operating expenses	<u>(115,805)</u>	<u>(370,661)</u>
Operating income	45,660	(227,769)
Non-operating income (expenses):		
Payment in lieu of taxes	(17,606)	(4,055)
Interest income – Other	<u>4,781</u>	<u>9,757</u>
Change in net assets	32,835	(222,067)
Net assets, beginning of year	<u>4,695,791</u>	<u>4,917,858</u>
Net assets, end of year	<u>\$ 4,728,626</u>	<u>\$ 4,695,791</u>

2012 MARKETING INITIATIVES

- Develop property fact sheets for direct marketing campaigns and website viewing and downloading.
- Develop a comprehensive inventory of available sites and buildings for lease or purchase.
- Local advertising/press releases.
- Participation in a trade show/Target Industry Event.
- Direct mail campaign to site selectors and past leads generated.

2012 GOALS

- Conduct annual business retention and site visits to existing companies in Otsego County.
- Continue to offer a free “How to Start and Operate a Small Business Class” for Otsego County residents to encourage new business start-up ventures.
- Conduct an Economic Development Educational seminar for local officials to understand new business development needs and community readiness.

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Carolyn Lewis, Administrative Director, County of Otsego Industrial Development Agency, 242 Main Street, Oneonta, New York 13820.

COUNTY OF OTSEGO 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	\$ 206,130	\$ 132,077
Certificates of deposit	1,309,255	1,303,953
Accounts receivable	7,500	-
Accrued interest receivable	20,921	14,147
Prepaid expenses	1,723	2,637
Notes receivable - Current portion	321,265	421,026
Total current assets	<u>1,866,794</u>	<u>1,873,840</u>
Fixed assets, net	<u>1,670,853</u>	<u>1,695,010</u>
Other assets:		
Other receivables	124,997	-
Due from OCDC	173,237	120,614
Notes receivable - Long term - Net of allowance for bad debts of \$43,810 for 2012 and \$256,097 for 2011.	937,493	1,016,937
Total other assets	<u>1,235,727</u>	<u>1,137,551</u>
 Total assets	 <u>\$ 4,773,374</u>	 <u>\$ 4,706,401</u>
 <u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Accounts payable	\$ 36,768	\$ 2,630
Deferred revenue	7,980	7,980
Total liabilities	<u>44,748</u>	<u>10,610</u>
Net position:		
Investment in unrestricted capital assets, net of debt	1,670,853	1,695,010
Unrestricted net assets	<u>3,057,773</u>	<u>3,222,848</u>
 Total net position	 <u>\$ 4,728,626</u>	 <u>\$ 4,695,791</u>

See accompanying notes.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Interest income on loans	\$ 52,113	\$ 46,932
Rental of real property	95,760	95,760
Bond and loan application fees	300	200
Pilot fees	7,500	-
Bad debt recoveries	5,654	-
Other	138	-
	<u>161,465</u>	<u>142,892</u>
Operating expenses:		
Contractual expenses:		
General	73,010	73,408
Industrial park	8,060	11,957
Rental real estate	10,578	3,918
Bad debt expense	-	256,097
Depreciation	24,157	25,281
	<u>115,805</u>	<u>370,661</u>
Operating income (loss)	<u>45,660</u>	<u>(227,769)</u>
Non-operating revenues and expenses:		
Interest income other	4,781	9,757
Payment in lieu of taxes	(17,606)	(4,055)
	<u>(12,825)</u>	<u>5,702</u>
Net income (loss)	32,835	(222,067)
Net position, beginning of year	<u>4,695,791</u>	<u>4,917,858</u>
NET POSITION, END OF YEAR	<u>\$ 4,728,626</u>	<u>\$ 4,695,791</u>

See accompanying notes.

COUNTY OF OTSEGO 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)	\$ 32,835	\$ (222,067)
Adjustments to reconcile net income to net cash provided by operating and non-operating activities:		
Depreciation	24,157	25,281
Increase (decrease) in allowance for bad debts	(5,654)	256,097
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	(6,774)	5,408
(Increase) decrease in prepaid expenses	914	8,334
(Increase) decrease in accounts receivable	(7,500)	-
Increase (decrease) in accounts payable	34,138	(6,908)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>72,116</u>	<u>66,145</u>
Cash flows provided by (used in) investing activities:		
Net certificates of deposit (purchased) redeemed	(5,302)	(9,711)
Issuance of notes receivable and other receivables	(124,997)	(250,000)
(Increase) decrease in due to/from	(52,623)	(63,900)
Principal payments on notes receivable	184,859	193,244
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>1,937</u>	<u>(130,367)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	74,053	(64,222)
Cash and cash equivalents, beginning of year	<u>132,077</u>	<u>196,299</u>
Cash and cash equivalents, end of year	<u>\$ 206,130</u>	<u>\$ 132,077</u>

See accompanying notes.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 1 ORGANIZATION

The County of Otsego Industrial Development Agency (COIDA) was organized May 1, 1973 by the Otsego County Legislature under the authority of General Municipal Law, Section 856.1A of the State of New York. COIDA is a component unit of Otsego County, New York, based on the criteria set forth in Governmental Accounting Standards Board (GASB) Statement 14 and as amended by GASB Statement 39.

COIDA was established to provide professional assistance, educational programs and loans for existing business expansions, business startups in Otsego County to encourage plant modernization, to create job opportunities and promote commerce and industry.

Related Entity

In 2009, the County of Otsego formed the Otsego County Capital Resource Corporation (OCCRC) to facilitate the issuance of civic facility revenue bonds. COIDA and OCCRC are considered related entities because they have similar board members and staff. However, OCCRC does not meet requirements of GASB to be considered a component unit of the COIDA.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of COIDA have been prepared in conformity with generally accepted accounting principles (GAAP). Significant accounting policies are:

Method of Accounting

As a result of its organization under municipal law, COIDA 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 COIDA'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.

Depreciation of exhaustible fixed assets used by enterprise funds is charged as an expense against operations, and accumulated depreciation is reported on the enterprise funds' balance sheets.

Notes Receivable

Notes receivable are shown net of the allowance for uncollectible accounts in accordance with GAAP. Receivables for loans and mortgages are reviewed periodically by management to update the allowance for uncollectible amounts. These provisions are estimated based on an analysis of the aging of the receivable and any other factors known by management.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

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

Grant Accounting

Pass-through grants 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 COIDA meets performance requirements of the contracts.

Depreciation

COIDA uses the accounting policy of capitalizing all fixed assets at cost in excess of \$100 with an estimated useful life in excess of one year. Depreciation of buildings and improvements are provided for over the estimated useful life, ranging from ten to forty years, of the respective assets, on a straight-line basis. Depreciation expense charged against rental revenue amounted to \$24,157 and \$25,281 for the years ended December 31, 2012 and 2011, respectively.

Cash and Cash Equivalents

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

Contributed Facilities and Services

COIDA, with the consent of the Board of Representatives from Otsego County, is authorized to use and has shared county employees, facilities, and equipment and may reimburse the county an agreed upon proportion of the compensation or costs of the services provided. COIDA incurred \$27,500 and \$21,500 in expenses in 2012 and 2011, respectively.

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.

Revenue and Expense Classification

COIDA 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 COIDA's principal on-going operations. COIDA'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.

Deferred Revenue

COIDA 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.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

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

Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Federal Income Taxes

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

Net Position

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted – Consists of net assets with constraints on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net assets that do not meet the definition of “invested in capital assets” or “restricted.”

Events Occurring After Reporting Date

COIDA has evaluated subsequent events through July 15, 2013, which is the date the financial statements were available to be issued.

NOTE 3 CERTIFICATES OF DEPOSIT

At December 31, 2012, there were five certificates of deposit totaling \$1,309,255 with interest rates varying from .10% to 1.1%. The certificates mature at various dates in 2013.

At December 31, 2011, there were five certificates of deposit totaling \$1,303,953 with interest rates varying from .20% to 1.1%. The certificates matured at various dates in 2012.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 4 FIXED ASSETS

Fixed assets are comprised of the following:

<u>2012</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Buildings	\$ 572,707	\$ 367,769	\$ 204,938
Improvements	55,297	38,516	16,781
Office equipment	<u>3,095</u>	<u>3,095</u>	<u>-</u>
Total depreciable assets	631,099	409,380	221,719
Land	472,399	-	472,399
Improvements other than buildings	<u>1,029,375</u>	<u>52,640</u>	<u>976,735</u>
Net fixed assets	<u>\$ 2,132,873</u>	<u>\$ 462,020</u>	<u>\$ 1,670,853</u>
<u>2011</u>			
Buildings	\$ 572,707	\$ 354,994	\$ 217,713
Improvements	55,297	36,511	18,786
Office equipment	<u>3,095</u>	<u>3,095</u>	<u>-</u>
Total depreciable assets	631,099	394,600	236,499
Land	472,399	-	472,399
Improvements other than buildings	<u>1,029,375</u>	<u>43,263</u>	<u>986,112</u>
Net fixed assets	<u>\$ 2,132,873</u>	<u>\$ 437,863</u>	<u>\$ 1,695,010</u>

NOTE 5 INDUSTRIAL PARK

COIDA is the owner of Pony Farm Industrial Park (approximately 70 acres) located in the Town and City of Oneonta. COIDA owns one 19,000 square foot building that is currently under lease. All the other buildings located in the park are privately owned. As of December 31, 2012, there were no vacant buildings in the Pony Farm Industrial Park. Improvements in the amount of \$870,314 have been made to the property.

COIDA owns approximately 59 acres of land in Richfield Springs, New York. This land was purchased as a site for an industrial park. Improvements in the amount of \$159,061 have been made to the Richfield Springs property.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 6 LINE OF CREDIT

COIDA has available a line of credit with Community Bank in the amount of \$556,634, which is renewed annually. Bank advances on the line of credit are payable on demand and carry an interest rate of 6.3% as of December 31, 2012. The line of credit is secured by the borrowers' certificates of deposit with Community Bank. There was no outstanding balances at December 31, 2012 or 2011.

NOTE 7 NOTES RECEIVABLE

The following table summarizes COIDA's notes receivable.

<u>Borrower</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Maturity</u>	<u>12/31/12 Principal</u>	<u>12/31/11 Principal</u>
Equisentials, LLC	4.0%	\$ 1,367	02-2016	\$ -	\$ 83,995
R.J. Millworks, Inc. II	4.0%	875	10-2012	-	890
Optogeneric Devices 2007	4.0%	3,276	03-2012	-	122,637
David Rees	4.0%	1,638	07-2018	110,765	121,994
TRC Enterprises #1	4.0%	520	12-2014	21,195	23,796
Centefonte Land, LLC	4.0%	1,519	12-2014	34,972	51,439
Butternuts Beer & Ale #2	4.0%	994	11-2016	58,890	60,477
TRC Enterprises #2	4.0%	296	08-2014	22,615	25,669
H.W. Naylor	4.0%	1,519	09-2017	78,719	93,473
Enviro Energy	4.0%	740	08-2023	80,307	85,850
Ioxus, Inc.	4.0%	2,734	09-2015	85,295	114,061
Cleinman, LLC	4.0%	1,025	12-2018	63,917	73,305
JSJJ Enterprises, LLC	4.0%	1,519	02-2019	108,654	117,769
Mold-A-Matic	4.0%	1,369	10-2016	65,190	76,477
Brewery Ommegang	4.0%	2,734	01-2017	123,330	150,607
Ioxus, Inc.	2.5%	1,299	12-2016	63,950	76,614
Oneonta Theater	4.0%	1,012	08-2020	86,777	88,142
Larry's Custom Meats	4.0%	1,012	08-2020	97,956	97,958
The Plains	3.0%	2,695	03-2016	100,036	128,907
Foothills PAC	0.0%	1,667	06-2019	<u>100,000</u>	<u>100,000</u>
Subtotal				1,302,568	1,694,060
Less: Allowance for bad loans				<u>(43,810)</u>	<u>(256,097)</u>
Total				1,258,758	1,437,963
Less: Current portion				<u>(321,265)</u>	<u>(421,026)</u>
Total long-term portion, net				<u>\$ 937,493</u>	<u>\$ 1,016,937</u>

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 8 OTHER RECEIVABLE

During the current year COIDA entered into a financial assistance agreement with a local nonprofit organization for \$200,000. This agreement requires repayment of the funds disbursed, unless job creation requirements are met during the period beginning January 1, 2013 and ending December 31, 2017. At any time during this period the organization fails to satisfy the job creation requirements, the financial assistance shall be repaid as follows:

<u>Year</u>	<u>Amount of Repayment</u>
1	100% of the financial assistance
2	80% of the financial assistance
3	60% of the financial assistance
4	40% of the financial assistance
5	20% of the financial assistance

If financial assistance is required to be repaid, the repayment amount shall be amortized over 5 years with equal monthly payments of principal and interest at a fixed interest rate of 4%. During the year ended December 31, 2012, COIDA advanced \$124,997 under this agreement.

NOTE 9 LEASES

COIDA is a lessor in an operating lease agreement for the industrial incubator building through October 31, 2013. This lease has a tenant option to extend an additional two periods of three years each (subject to rent increases of \$5,040 and \$9,840 per year). COIDA received rental income under this lease in the amount of \$95,760 for the years ending December 31, 2012 and 2011.

NOTE 10 OUTSTANDING INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes issued by COIDA are secured by property that is leased to companies and is retired by lease payments. The bonds and notes are not obligations of COIDA or the State of New York. COIDA does not record the assets or liabilities resulting from completed bond and note issued in its accounts, since its primary function is to arrange the 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, COIDA receives bond administration fees from the borrowing companies. This administrative fee income is recognized immediately upon issuance of bonds and notes. Since its inception, COIDA has issued various bonds and notes under these and similar arrangements.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 11 OUTSTANDING CIVIC FACILITY REVENUE BONDS

Structured similar to industrial revenue bonds, civic facility bonds are tax-exempt bonds issued for projects undertaken by not-for-profit “civic facilities” owned or occupied by not-for-profit corporations organized and existing under the laws of or authorized to conduct activities in New York State. COIDA is no longer able to provide civic facility bond financing since Section 854 of the NYS General Municipal Law expired. Otsego County Capital Resource Corporation (OCCRC) will now facilitate for issuance of civic facility revenue bonds for eligible organizations through out the county.

NOTE 12 FINANCIAL INSTRUMENTS WITH CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

State statues govern COIDA’s investment policies. In addition, COIDA has its own written investment policy. COIDA monies must be deposited in FDIC insured commercial banks or trust companies located within New York 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 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 New York State and its municipalities and school districts.

Total financial institution balances at December 31, 2012 and 2011 were either covered by FDIC insurance or collateralized by securities.

Notes Receivable

Notes receivable consists of numerous notes with businesses in Otsego County. COIDA has collateralized its interest in these notes by retaining the reversionary rights to the property or by acquiring additional liens and mortgages on the property.

NOTE 13 RELATED PARTY TRANSACTIONS

COIDA has related party relationships with OCCRC and Otsego County Development Corp. (OCDC). The same personnel manager is at all three entities.

At December 31, 2012 and 2011, loans receivable from OCDC were \$173,237 and \$120,614, respectively. These loans were made to help assist OCDC with the maintenance requirements of the Wright National Soccer Campus. When OCDC begins to generate rental income from the building on the property where the campus is located, repayment of these notes will begin. There is no interest being charged on these loans.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2012

NOTE 14 RECLASSIFICATIONS

The 2011 presentation of net other interest income has been reclassified as non-operating revenue on the statement of revenues, expenditures and changes in net position.

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COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF BUDGETARY COMPARISON

Year ended December 31, 2012

	Budget	Actual	Over (Under)
Revenue:			
Interest income - Certificates of deposits and banks	\$ 8,000	\$ 4,781	\$ (3,219)
Interest income - Loans	60,000	52,113	(7,887)
Bond and loan application fees	-	300	300
Pilot fees	13,000	7,500	(5,500)
Other income	-	138	138
Bad debt recovery	-	5,654	5,654
Rent - Incubator/Siemens	95,760	95,760	-
Total revenue	176,760	166,246	(10,514)
Expenses:			
Promotional advertisements	9,949	4,366	(5,583)
Legal advertisements	300	179	(121)
General maintenance	4,100	3,660	(440)
Supplies	2,550	2,216	(334)
Travel and lodging	1,200	687	(513)
Meals and entertainment	-	400	400
Conferences/NDC courses	3,500	4,984	1,484
Insurance	11,707	9,160	(2,547)
Audit	4,800	5,500	700
Professional fees	13,500	12,615	(885)
Contract for services	45,000	32,500	(12,500)
Other expenses	13,100	12,613	(487)
Other/special assessments	4,420	2,651	(1,769)
Depreciation - general	-	24,157	24,157
Incubator repairs and maintenance	-	117	117
Web development	25,000	-	(25,000)
Voluntary PILOTS	8,748	17,606	8,858
Total expenses	147,874	133,411	(14,463)
Net income	\$ 28,886	\$ 32,835	\$ 3,949

See auditors' report.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF CONTRACTUAL EXPENSES

Year ended December 31, 2012

	<u>General</u>	<u>Industrial Park</u>	<u>Rental Real Estate</u>	<u>Total</u>
Insurance	\$ 2,287	\$ -	\$ 6,873	\$ 9,160
Advertising and promotion	4,545	-	-	4,545
Travel and seminars	6,071	-	-	6,071
Professional fees	13,715	4,400	-	18,115
Special assessments	-	-	2,651	2,651
Maintenance	-	3,660	117	3,777
County contract	27,500	-	-	27,500
Other administrative costs	5,000	-	-	5,000
Membership dues	11,198	-	-	11,198
Office supplies	2,216	-	-	2,216
Utilities	-	-	937	937
Other	478	-	-	478
	<u>478</u>	<u>-</u>	<u>-</u>	<u>478</u>
Total contractual expenses	<u>\$ 73,010</u>	<u>\$ 8,060</u>	<u>\$ 10,578</u>	<u>\$ 91,648</u>

See auditors' report.

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY
 SCHEDULE OF SUPPLEMENTAL BOND AND NOTE INFORMATION

For the year ended December 31, 2012

Purchaser	Issuee	Issue Date	Price
Wells Fargo Bond Purpose:	Mary Imogene Bassett Hospital Cooperstown, New York 13326 Refinance	4/1/1998	\$ 15,000,000
Wells Fargo Bond Purpose:	Mary Imogene Bassett Hospital Cooperstown, New York 13326 Refinance	5/1/1998	14,900,000
Cain Brothers Bond Purpose:	A.O. Fox Memorial Hospital Society Oneonta, New York 13820 Refinance	10/15/1998	15,000,000
Wells Fargo Bond Purpose:	St. James Retirement Community Oneonta, New York 13820 Construction	9/3/1998	4,080,000
Wells Fargo Bond Purpose:	Noonan Community Service Corp Oneonta, New York 13820 Construction of Facility Paid w/sale building Springbrook 2012	3/6/2000	4,135,000
Key Bank Bond Purpose:	Templeton Foundation Oneonta, New York 13820 Construction	6/1/2000	9,300,000
George K. Baum & Company Bond Purpose:	Hartwick College Oneonta, New York 13820 Consolidation of bonds Reissue w/OCCRC in 2012	6/19/2002	24,590,000
NBT Bank Bond Purpose:	A.O. Fox Memorial Hospital Society Oneonta, New York 13820 Building renovation and equipment	11/18/2004	3,000,000
Community Bank NA Bond Purpose:	A.O. Fox Memorial Hospital Society Oneonta, New York 13820 Building renovation and equipment	12/29/2004	6,900,000

See auditors' report.

<u>Rate</u>	<u>Balance</u>	<u>Due Date</u>
5.125%	\$ 7,305,000	11/1/2020
5.125%	3,955,000	11/1/2020
4.25%	9,590,000	10/1/2019
2.80%	2,700,000	8/1/2027
3.60%	-	3/6/2025
Adjustable	2,400,000	6/1/2015
3.75-6%	-	7/1/2022
4.25%	-	10/31/2012
5.21%	5,773,990	11/30/2030

COUNTY OF OTSEGO 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
GC Castings, Ltd./Charley Lay Roundhouse Road Oneonta, NY 13820	Acquisition and construction of building	3/27/1997	3/11/2013	-	-
Elizabeth Hotels, Inc. Market Street Oneonta, NY 13820	Acquisition and construction of building	3/1/2000	2/5/2021	-	-
Treffeison Properties I, LLC Roundhouse Road Oneonta, NY 13820	Acquisition and construction of building	12/21/2000	1/31/2016	-	-
R.J. Millworkers, Inc. Lewis Street Oneonta, NY 13820	Acquisition and renovation of building	10/23/2001	10/23/2016	-	-
Lutz Feed Company, Inc Lower River Street Oneonta, NY 13820	Acquisition and construction of building	5/17/2004	5/17/2019	-	-
Brewery Ommegang County Hwy 33 Cooperstown, NY 13326	Acquisition and construction of warehouse building(only)	2/25/2011	1/25/2026	-	-
The Plains at Parish St Hwy 7 Oneonta, NY 13820	Acquisition and Construction of Building	2/25/2011	1/25/2021	-	-
				<u>\$ -</u>	<u>\$ -</u>

See auditors' report.

Tax Exemptions				Payment in Lieu of Taxes			
Real Property Tax			Total Exemptions	Payment in Lieu of Taxes			
County	Local	School		County	Local	School	Total
694	2,231	3,757	6,682	520	1,673	2,818	5,011
16,311	53,668	85,534	155,513	7,032	23,138	36,876	67,046
932	3,067	4,888	8,887	699	2,300	3,666	6,665
2,638	8,679	13,832	25,149	2,258	7,429	11,840	21,527
1,114	860	7,196	9,170	557	430	3,598	4,585
8,284	1,468	47,714	57,466	7,160	1,269	41,242	49,671
42,143	32,516	272,258	346,917	23,946	18,476	154,699	197,121
<u>\$ 72,116</u>	<u>\$ 102,489</u>	<u>\$ 435,179</u>	<u>\$ 609,784</u>	<u>\$ 42,172</u>	<u>\$ 54,715</u>	<u>\$ 254,739</u>	<u>\$ 351,626</u>

COUNTY OF OTSEGO INDUSTRIAL DEVELOPMENT AGENCY

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

Year ended December 31, 2012

Issue:	<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>
Mary Imogene Bassett Hospital 1998	1,721	-	1,721
Mary Imogene Bassett Hospital 1998	Incl. with MIBH above	-	Incl. with MIBH
A.O. Fox Memorial Hospital Society 1998	600	-	600
St. James Retirement Community 1998	-	10	-
Noonan Community Service Corp. 2000	-	17	17
Templeton Foundation 2000	-	-	-
Springbrook 2000	90	5	90
Hartwick College 2002	415	-	415
A.O. Fox Memorial Hospital Society 2004	Incl. with AO Fox above	-	Incl. with AO Fox above
A.O. Fox Memorial Hospital Society 2004	Incl. with AO Fox above	2	Incl. with AO Fox above
Templeton Foundation 2007	Incl. with TF above	34	Incl. with TF above
Mary Imogene Bassett Hospital 2007	Incl. with MIBH above	-	Incl. with MIBH above
 Project Owner:			
Silver Dollar Optical/Ron Russ	22	10	22
GC Castings, Ltd./Charley Lay	16	3	16
Elizabeth Hotels, Inc.	-	25	-
Trefffeison Properties I, LLC	19	10	19
R.J. Millworkers, Inc.	9	8	9
Lutz Feed Co., Inc./Stephen Lutz	25	4	25
Brewery Ommegang	28	10	28
The Parish Plains	-	25	-
Bresees	-	2	-
	<u>2,945</u>	<u>165</u>	<u>2,962</u>

See auditors' report.

<u># of Current FTE Employees</u>	<u># of FTE Jobs Created During Fiscal Year</u>	<u># of FTE Jobs Retained During Fiscal Year</u>
appx. 3500 Netwkr wide/2500 Coops	-	1,721
Incl. with MIBH above	Incl. with MIBH above	Incl. with MIBH above
950	-	600
16	-	-
-	-	-
-	-	-
1012 organizaton wide/470 Milford Campus	13	90
420	5	415
Incl. with A.O. Fox above	Incl. with AO Fox above	Incl. with AO Fox above
Incl. with A.O. Fox above	Incl. with AO Fox above	Incl. with AO Fox above
Incl. with TF above	Incl. with TF above	Incl. with TF above
Incl. with MIBH above	Incl. with MIBH above	Incl. with MIBH above
42	2	22
6	-	6
20	3	-
14	-	14
22	-	9
30	-	25
50 FTE(67 incPT) onsite/27 nationwide sales	2FTE onsite/3 Sales	28
41	-	-
-	-	-
<u>6150/4581</u>	<u>25</u>	<u>2,930</u>

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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
County of Otsego Industrial Development Agency
242 Main Street
Oneonta, 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 County of Otsego Industrial Development Agency (“COIDA”) which comprise the statements of net position as of and for the year ended December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net position and statements cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 15, 2013.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered COIDA’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 COIDA’s internal control. Accordingly, we do not express an opinion on the effectiveness of COIDA’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of COIDA’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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 COIDA'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 COIDA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering COIDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of County of Otsego Industrial Development Agency's audit committee, management, State of New York, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mastert, Manzanero & Scott, LLP

Oneonta, New York
July 15, 2013