

**CORTLAND COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY**

**Cortland, New York**

**FINANCIAL REPORT**

**December 31, 2013**

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
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DECEMBER 31, 2013

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### INDEPENDENT AUDITOR'S REPORT

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

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Cortland County Industrial Development Agency (the Agency), a component unit of the County of Cortland, New York, as of and for the year ended December 31, 2013, which collectively comprise the Agency's basic financial statements as listing in the table of contents, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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 business-type activities and aggregate discretely presented component units of Cortland County Industrial Development Agency as of December 31, 2013, and the changes in financial position and cash flows 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 through 3c 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 consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

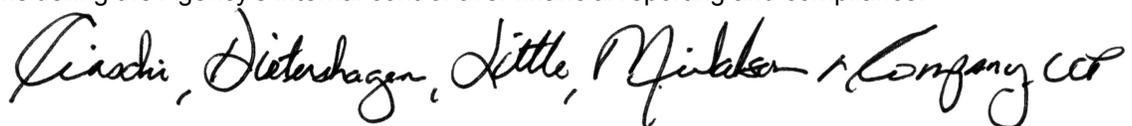
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining component unit financial statements, schedule of indebtedness and schedule of projects are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining component unit financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedules of indebtedness and projects have 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 February 19, 2014, 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  
February 19, 2014

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013, 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 revenues, primarily fee income, exceeded total expenses by \$113,373 in 2013 compared to expenses exceeding revenues by \$3,267,153 in 2012, primarily due to the conveyance of business park land and improvements to the Town of Cortlandville during 2012.
- Total revenue of \$282,368 in 2013 increased from revenue of \$54,968 in 2012, due predominantly to project fees on large projects closed during 2013.
- Total expenses of \$168,995 in 2013 decreased from expenses of \$3,322,121 in 2012, 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, 2013 amounted to \$602,912, reflecting an increase of \$113,373 from net position of \$489,539 at December 31, 2012.

#### 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. A description of these statements follows:

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2013

The Statement of Net Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Agency is improving or deteriorating.

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

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

**FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE**

The Agency's total net position for fiscal year ended December 31, 2013, increased \$113,373. 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*

<b>Condensed Statement of Net Position</b>	<b>Business-type Activities</b>		<b>Total Dollar Change</b>
	<b>2012</b>	<b>2013</b>	<b>2012 - 2013</b>
<i>Current assets:</i>			
<i>Cash - Unrestricted</i>	\$ 224,716	\$ 393,257	\$ 168,541
<i>Grants receivable</i>	23,427	0-	(23,427)
<i>Accounts receivable</i>	1,879	0-	(1,879)
<i>Prepaid expenses</i>	1,115	1,047	(68)
<i>Noncurrent assets:</i>			
<i>Investment in railroad land</i>	209,818	209,818	0-
<i>Investment in business park land and improvements</i>	1,278,776	0-	(1,278,776)
<b>Total Assets</b>	<b>1,739,731</b>	<b>604,122</b>	<b>(1,135,609)</b>
<i>Current liabilities:</i>			
<i>Accounts payable</i>	192	1,210	1,018
<i>Deferred revenue</i>	100,000	0-	(100,000)
<i>Noncurrent liabilities:</i>			
<i>Mortgages payable</i>	1,150,000	0-	(1,150,000)
<b>Total Liabilities</b>	<b>1,250,192</b>	<b>1,210</b>	<b>(1,248,982)</b>
<i>Net investment in capital assets</i>	338,594	209,818	(128,776)
<i>Unrestricted</i>	150,945	393,094	242,149
<b>Total Net Position</b>	<b>\$ 489,539</b>	<b>\$ 602,912</b>	<b>\$ 113,373</b>

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2013

The decrease in grants receivable is due to the receipt of grant funds spent in 2012. The decrease in investment in business park land and improvements, deferred revenue, mortgages payable and invested in capital assets, is due to the sale of the property during 2013, resulting in the use of the down payment reported as deferred revenue in 2012, and the payoff of mortgages payable on the property.

The net effect was an increase in unrestricted net position of \$242,149.

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

*Figure 2*

<b>Changes in Net Position</b>	<b>Business-type Activities</b>		<b>Total Dollar Change</b>
	<b>2012</b>	<b>2013</b>	<b>2012 - 2013</b>
<i>Operating Revenues:</i>			
<i>Fee income</i>	\$ 50,390	\$ 276,713	\$ 226,323
<i>Lease income</i>	4,500	5,500	1,000
<i>Non-operating Revenues:</i>			
<i>Interest and earnings</i>	78	155	77
<b>Total Revenues</b>	<b>54,968</b>	<b>282,368</b>	<b>227,400</b>
<i>Operating Expenses:</i>			
<i>Contractual expenses</i>	23,632	36,088	12,456
<i>Business park expenses</i>	397	4,131	3,734
<i>Non-operating Expenses:</i>			
<i>Interest expense</i>	597	-0-	(597)
<i>Loss on sale of property</i>	-0-	128,776	128,776
<i>Conveyance of property to Town</i>	3,297,495	-0-	(3,297,495)
<b>Total Expenses</b>	<b>3,322,121</b>	<b>168,995</b>	<b>(3,153,126)</b>
<b>(DECREASE) INCREASE IN NET POSITION</b>	<b>\$ (3,267,153)</b>	<b>\$ 113,373</b>	<b>\$ 3,380,526</b>

Total revenues of the Agency increased \$227,400. Total expenses of the Agency decreased \$(3,153,126). The increase in fee income is due to the processing of larger projects in 2013 than in 2012. Expenses in 2013 decreased primarily due to the conveyance of the business park road to the Town of Cortlandville in 2012. The net result was an increase in net position.

## FACTORS BEARING ON THE AGENCY'S FUTURE

### Payment in Lieu of Taxes

#### Lease/Leaseback Transaction, Northeast Transformer Services

The Cortland County Industrial Development Agency and Northeast Transformer Services closed on a Payment in Lieu of Tax (PILOT) agreement with Northeast Transformer Services on January 1, 2013. The company's \$2.5 million project allowed its relocation from the City of Cortland to larger facilities it acquired and improved in the Town of Preble, retaining nearly 40 jobs for the community and paving the way for the creation of even more as business increases.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2013

Sales/Mortgage Tax Exemptions, Greek Peak Holdings

The Cortland County Industrial Development Agency and Greek Peak Holdings closed on a deal for sales and mortgage tax exemptions on August 31, 2013. The incentives were provided in support of news of the owners' immediate plans to invest nearly \$4 million to replace a ski lift, remodel a restaurant and make other important improvements at the resort. The incentives allowed the company to maintain 75 FTEs at the resort while committing significant capital to the improvement projects. The new lift alone is projected to create an estimated 30,000 new skier visits to the resort in 2014.

Lease/Leaseback Transaction, Byrne Dairy, Inc.

The Cortland County Industrial Development Agency and C'ville LLC/Byrne Dairy, Inc. closed on a Payment in Lieu of Tax (PILOT) agreement on September 23, 2013. The \$30 million project to construct yogurt and cheese manufacturing operations as well as a visitors' center is to be complete in early 2014, with about 30 jobs created initially and more than 75 created within the plant's fifth year of operation.

Byrne Dairy's decision to locate at the former Finger Lakes East Business Park has had and will continue to have other positive impacts on our local economy. Hundreds of construction workers have been busy at the site over the past six months, local dairy producers stand to benefit from new contracts with the company, and other local service providers will see new opportunity as well. The Town of Cortlandville will gain new revenue through the company's water use, and via new taxes on undeveloped parcels and special assessments on fire, water, and sewer infrastructure. Both the Town and the City will realize new revenue from the transport and treatment of the company's wastewater.

In addition to the benefits tied to manufacturing, Byrne Dairy is projecting tens of thousands of visitors to its site once complete, driving more tourism dollars to the community. Its decision to purchase the entire park means not only that more growth and job creation is expected – its current investment is considered just the first phase of a long-term build-out plan – it also allowed the IDA to immediately repay \$1.15 million in County and Town loans to help build the park, allowing both municipalities to consider other potential economic development investments.

Lease/Leaseback Transaction Termination, Peak Resorts, Inc.

The Cortland County Industrial Development Agency terminated a Lease/Leaseback transaction (PILOT) with Peak Resorts on May 1, 2013 after new owners acquired the resort and elected to pursue other options in financing their planned improvements and operations there. The PILOT allowed previous owners to undertake an \$11 million project to construct entertainment amenities complementing skiing at the resort. That project was completed before new owners took control of the property.

**Loan Agreement, Business Development Corporation**

Delta

The Cortland County BDC and Delta, a privately held entity that owns a multitenant commercial structure in the City of Cortland, closed on a \$50,000 loan on September 19. The loan, from the Agency's revolving loan fund, was provided to help underwrite improvements to the building's HVAC systems.

**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, 2013

	<u>Primary Government</u>	<u>Total Component Units</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash - Unrestricted	\$ 393,257	\$
Cash - Restricted		178,012
Accounts receivable		240
Prepaid expenses	<u>1,047</u>	
Total Current Assets	<u>394,304</u>	<u>178,252</u>
Noncurrent Assets:		
Capital assets, net of accumulated depreciation		130,303
Investment in Railroad Land	<u>209,818</u>	
Total Noncurrent Assets	<u>209,818</u>	<u>130,303</u>
Total Assets	<u>604,122</u>	<u>308,555</u>
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts payable	<u>1,210</u>	<u>92,445</u>
Total Liabilities	<u>1,210</u>	<u>92,445</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	209,818	130,303
Restricted		18,790
Unrestricted	<u>393,094</u>	<u>67,017</u>
Total Net Position	<u>\$ 602,912</u>	<u>\$ 216,110</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, 2013

	<u>Primary Government</u>	<u>Total Component Units</u>
Operating Revenues:		
Fee income	\$ 276,713	\$ 160,000
Lease income	<u>5,500</u>	<u>                    </u>
Total Operating Revenues	<u>282,213</u>	<u>160,000</u>
Operating Expenses:		
Professional and administrative expenses	36,088	14,210
Depreciation expense		33,418
Business Park expenses	<u>4,131</u>	<u>                    </u>
Total Operating Expenses	<u>40,219</u>	<u>47,628</u>
Operating Income	<u>241,994</u>	<u>112,372</u>
Nonoperating Revenues (Expenses):		
Interest and earnings	155	107
Loss on sale of property	<u>(128,776)</u>	<u>                    </u>
Nonoperating (Loss) Income	<u>(128,621)</u>	<u>107</u>
Net Income	113,373	112,479
Net Position, January 1, 2013	<u>489,539</u>	<u>103,631</u>
Net Position, December 31, 2013	<u>\$ 602,912</u>	<u>\$ 216,110</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, 2013

	<b>Primary Government</b>	<b>Total Component Units</b>
Cash Flows from Operating Activities:		
Cash received from providing services	\$ 284,092	\$ 160,000
Cash received from grants	23,427	
Cash payments - Contractual expenses	(35,002)	(3,272)
Cash payments - Business park expenses	(4,131)	
	268,386	156,728
 Cash Flows from Noncapital Financing Activities	 -0-	 -0-
 Cash Flows from Capital and Related Financing Activities	 -0-	 -0-
 Cash Flows from Investing Activities:		
Principal paid on mortgages payable	(1,150,000)	
Proceeds on sale of Business Park	1,150,000	
Purchase option deposit decrease	(100,000)	
Interest income received	155	107
	(99,845)	107
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 168,541	 156,835
 Cash and Cash Equivalents, January 1, 2013	 224,716	 21,177
 Cash and Cash Equivalents, December 31, 2013	 \$ 393,257	 \$ 178,012
 Reconciliation of net operating income to net cash provided by operating activities:		
Operating Income	\$ 241,994	\$ 112,372
Depreciation expense		33,418
 Adjustments to reconcile net operating income to net cash provided by operating activities:		
Decrease (Increase) in accounts receivable	25,306	(240)
Decrease in prepaid expenses	68	
Increase in accounts payable	1,018	11,178
	268,386	156,728
 Net Cash Provided by Operating Activities	 \$ 268,386	 \$ 156,728

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, 2013

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 39," 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.

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.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2013

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

- Net Investment in Capital Assets  
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.
- Restricted  
Consists of resources with constraints placed on its use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted  
Consists of all other resources that 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.

I. Revenues

The Agency first utilizes restricted resources to finance qualifying activities.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2013

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, 2013, the outstanding value of bonds and notes issued aggregated \$21,300,000.

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 \$396,460 at December 31, 2013, of which \$250,000 was FDIC insured and \$146,460 was collateralized with securities held by the Agency's agent in the Agency's name. The carrying value of deposits at December 31, 2013 totaled \$393,257.

Component unit bank balances totaled \$178,012 at December 31, 2012 and were entirely insured.

Note 4 - Capital Assets and Investment in Properties

At December 31, 2013, 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, 2013 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. During 2013, the Agency sold the Finger Lakes East Business Park and paid off all mortgages on the property (see Note 7).

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2013

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 2013, \$349,152 was received in PILOTS compared to the \$633,737 which would have been received if businesses paid the full amount of taxes; for a total tax abatement of \$284,585.

Note 6 - Leases

On April 15, 1982, a 30 year land lease was signed with New York, Susquehanna and Western Railway Corporation for the lease of rail owned by the Agency. The lease amount was \$500 per year. Per resolution dated December 10, 2012, the Agency extended the agreement an additional 10 years to December 31, 2023 stipulating annual lease payments of \$1,500.

In addition, the Agency leases three billboards to an advertising firm for \$4,000 a year, per an agreement dated October 18, 2011 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, 2013, \$-0- was outstanding, as the land was sold during 2013 and the mortgage was paid off.

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, 2013, \$-0- was outstanding, as the land was sold during 2013 and the mortgage was paid off.

Note 8 - Related Party Transactions

BDC pays the expenses of Ag Corp, LDC, and Contento Redevelopment. The expenses of Contento Redevelopment are expected to be repaid to BDC when the property is sold. The expenses of Ag Corp are expected to be repaid when the Ag Corp is dissolved. At December 31, 2013, Ag Corp and Contento Redevelopment owed BDC \$8,799 and \$83,646, respectively, which are reported as accounts payable in the Combining Statement of Net Position. There were no amounts due to BDC from LDC.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
 COMBINING STATEMENT OF NET POSITION  
 COMPONENT UNITS  
DECEMBER 31, 2013

	<u>Cortland County Agricultural LDC</u>	<u>Cortland County Local Development Corporation</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash - Restricted	\$ 1,876	\$ 18,790
Accounts receivable		
Total Current Assets	1,876	18,790
Noncurrent Assets:		
Capital assets, net of depreciation		
Total Noncurrent Assets	-0-	-0-
Total Assets	1,876	18,790
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts Payable	\$ 8,799	\$
Total Current Liabilities	8,799	-0-
<b><u>NET POSITION</u></b>		
Net investment in capital assets		
Restricted		18,790
Unrestricted	(6,923)	
Total Net Position	\$ (6,923)	\$ 18,790

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>
\$ 12	\$ 157,334	\$ 178,012
240		240
252	157,334	178,252
130,303		130,303
130,303	-0-	130,303
130,555	157,334	308,555
\$ 83,646	\$	\$ 92,445
83,646	-0-	92,445
130,303		130,303
		18,790
(83,394)	157,334	67,017
\$ 46,909	\$ 157,334	\$ 216,110

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<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	1,560	165
Depreciation expense	<u>          </u>	<u>          </u>
Total Operating Expenses	<u>1,560</u>	<u>165</u>
Operating Loss	<u>(1,560)</u>	<u>(165)</u>
Nonoperating Revenues (Expenses):		
Interest and earnings	<u>1</u>	<u>          </u>
Total Nonoperating Revenues	<u>1</u>	<u>-0-</u>
Net (Loss) Income	(1,559)	(165)
Net Position, January 1, 2013	<u>(5,364)</u>	<u>18,955</u>
Net Position, December 31, 2013	\$ <u><u>(6,923)</u></u>	\$ <u><u>18,790</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>160,000</u>	\$ <u>160,000</u>
11,592	893	14,210
<u>33,418</u>	<u>          </u>	<u>33,418</u>
<u>45,010</u>	<u>893</u>	<u>47,628</u>
<u>(45,010)</u>	<u>159,107</u>	<u>112,372</u>
<u>          </u>	<u>106</u>	<u>107</u>
<u>-0-</u>	<u>106</u>	<u>107</u>
<u>(45,010)</u>	<u>159,213</u>	<u>112,479</u>
<u>91,919</u>	<u>(1,879)</u>	<u>103,631</u>
\$ <u><u>46,909</u></u>	\$ <u><u>157,334</u></u>	\$ <u><u>216,110</u></u>

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
SCHEDULE OF INDEBTEDNESS  
DECEMBER 31, 2013

	<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>\$ 16,355,000</u>	<u>\$ _____</u>	<u>\$ 16,355,000</u>	<u>\$ -0-</u>	<u>6/2032</u>
TOTAL OTHER DEBT			<u>\$ 16,355,000</u>	<u>\$ -0-</u>	<u>\$ 16,355,000</u>	<u>\$ -0-</u>	

CORTLAND COUNTY DEVELOPMENT CORPORATION  
SCHEDULE OF INDEBTEDNESS  
DECEMBER 31, 2013

	<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>2/2013</u>	<u>2.78%-4.12%</u>	<u>\$ _____</u>	<u>\$ 21,300,000</u>	<u>\$ _____</u>	<u>\$ 21,300,000</u>	<u>7/2032</u>
TOTAL OTHER DEBT			<u>\$ -0-</u>	<u>\$ 21,300,000</u>	<u>\$ -0-</u>	<u>\$ 21,300,000</u>	

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
SCHEDULE OF PROJECTS  
DECEMBER 31, 2013

<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>
Essex Steel	1101-04-02	Construction	\$ -0-	\$ -0-	\$ 18,229	\$ 29,100	\$ 10,871	23.92
Cayuga Press	1101-06-01	Commercial Printing	-0-	-0-	30,653	40,871	10,218	39
Clocktower Project	1101-10-04	Construction	-0-	-0-	17,789	40,661	22,872	24
Cortland Crown Homes	1101-07-01	Construction	-0-	-0-	13,167	51,375	38,208	N/A
Cortland Commerce Center LLC	1101-10-01	Real Estate	-0-	-0-	93,000	146,573	53,573	245
Cortland Plastics	1101-10-02	Manufacturing	-0-	-0-	13,832	51,582	37,750	45
C'ville, LLC	1101-13-02	Manufacturing	-0-	174,420	-0-	-0-	174,420	N/A
Greek Peak Holdings	1101-13-03	Tourism	232,672	42,500	N/A	N/A	42,500	N/A
Northeast Transformer	1101-13-01	Manufacturing	-0-	13,200	30,482	47,733	30,451	46
Peak Resorts	1101-11-01	Tourism	-0-	-0-	29,650	56,890	27,240	N/A
Pyrotek, Inc.	1101-11-02	Manufacturing	-0-	-0-	60,774	60,774	-0-	92
Sky Hospitality	1101-12-02	Tourism	136,657	-0-	576	15,835	15,259	1
Suit-kote Corp.	1101-12-01	Construction	20,657	-0-	41,000	92,343	51,343	239
			<u>\$ 389,986</u>	<u>\$ 230,120</u>	<u>\$ 349,152</u>	<u>\$ 633,737</u>	<u>\$ 514,705</u>	

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*Certified Public Accountants and Consultants*

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Frederick J. Ciaschi, C.P.A.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Cortland County Industrial Development Agency (the Agency), a component unit of the County of Cortland, New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 19, 2014.

**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, Mickelson & Company, LLP". The signature is written in a cursive style.

Ithaca, New York  
February 19, 2014