

OTSEGO COUNTY CAPITAL RESOURCE  
CORPORATION

FINANCIAL STATEMENTS

Years Ended December 31, 2013 and 2012

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

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*Certified Public Accountants*

Deborah L. Mostert, CPA  
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Dennis J. Scott, CPA

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Otsego County Capital Resource Corporation  
Oneonta, New York

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

We have audited the accompanying statements of net position of the Otsego County Capital Resource Corporation ("OCCRC") as of December 31, 2013 and 2012, 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to OCCRC'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 OCCRC'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 OCCRC as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

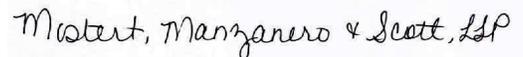
## **Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 – 5 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 OCCRC's financial statements as a whole. The schedule of supplemental bond and note information and the schedule of full-time equivalent (FTE) jobs created and retained in the other financial information section are presented for purposes of additional analysis and are not a required part of the financial statements, but are supplemental information that are required by the Office of New York State Comptroller. The schedules are the responsibility of management and were 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2014 on our consideration of the OCCRC'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 OCCRC's internal control over financial reporting and compliance.



Oneonta, New York  
May 5, 2014

# OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2013

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Otsego County Capital Resource Corporation ("OCCRC") was created pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York, as amended (the "Enabling Act"). Pursuant to the provisions of the Enabling Act, Revenue Ruling 57-187 and Private Letter Ruling 200936012, the Board of Representatives of Otsego County, New York (the "County") adopted a resolution on October 1, 2008 (the "Sponsor Resolution") (A) authorizing the incorporation of the Issuer under the Enabling Act, and (B) appointing the initial members of the board of directors of the Issuer. On October 15, 2008, a certificate of incorporation was filed with the New York Secretary of State's Office (the "Certificate of Incorporation") creating the Issuer as a public instrumentality of the County.

Otsego County Capital Resource Corporation is authorized and empowered by the provisions of the Enabling Act to relieve and reduce unemployment, promote and provide for additional and maximum employment, better maintain job opportunities, lessen the burdens of government and act in the public interest, and in carrying out the aforesaid purposes and in exercising the powers conferred in the Enabling Act, the Enabling Act declares that the Issuer will be performing essential governmental functions.

To accomplish its stated purposes, the Otsego County Capital Resource Corporation is authorized and empowered under the Enabling Act to acquire real and personal property; to borrow money and issue negotiable bonds, notes and other obligations therefore; to lease, sell, mortgage or otherwise dispose of or encumber any of its real or personal property upon such terms as it may determine; and otherwise to carry out its corporate purposes in the territory in which the operations of the Issuer are principally to be conducted.

As the financial management of the OCCRC we offer readers of these financial statements this narrative overview and analysis of the financial activities for OCCRC for the fiscal year ended December 31, 2013. 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. OCCRC encourages its readers to consider the information presented here in conjunction with the financial statements taken as a whole.

### Budget

OCCRC budgets its operating income and expenses each year. OCCRC's primary source of income is generated through fees for services related to Tax Exempt Bond Financing.

Expenses for OCCRC comprise mostly of general corporation operations including corporate insurance policies and notifications related to various bond issuances. OCCRC does not have direct employees. Administrative and clerical support is provided by the County Economic Development Department.

OCCRC 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 OCCRC'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.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2013

Financial Statements

OCCRC's financial statements provide readers with a comprehensive reporting of OCCRC's 2013 and 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

There were no operating revenues for OCCRC for fiscal year 2013. This was a decrease of approximately 100% over the prior year. Net income produced a decrease in net position of \$3,215. At the close of fiscal year 2013, OCCRC had net position of \$510,223, a decrease of .63% over the prior year, which was attributable to operating expenses.

Accomplishments

2013 was a quiet year for OCCRC; the corporation engaged in no tax-exempt bond financing in 2013.

Economic Factors

2013 continued to be a difficult economic environment, on the global, national and local levels. Commercial lending continued to lag, hampering the access to capital many businesses need for growth and stability. However, historic low interest rates created a market for local Not-for-Profits to continue to finance and refinance debt associated with expansion projects. The following is a 2013-2012 comparative summary of OCCRC financial statements, showing the decrease in net position:

<u>NET POSITION</u>	<u>2013</u>	<u>2012</u>
Current assets	<u>\$ 512,223</u>	<u>\$ 513,438</u>
Total assets	<u>512,223</u>	<u>513,438</u>
Current liabilities	<u>2,000</u>	<u>-</u>
Net position	<u>\$ 510,223</u>	<u>\$ 513,438</u>

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2013

<u>CHANGES IN NET POSITION</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ -	\$ 103,630
Operating expenses	<u>3,317</u>	<u>6,085</u>
Operating income	-	97,545
Non-Operating revenue	<u>102</u>	<u>572</u>
Net income from operations	(3,215)	98,117
Net position, beginning of year	<u>513,438</u>	<u>415,321</u>
Net position, end of year	<u>\$ 510,223</u>	<u>\$ 513,438</u>

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Elizabeth Horvath, Otsego County Capital Resource Corporation, 242 Main Street, Oneonta, New York 13820.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

STATEMENTS OF NET POSITION

December 31, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 511,018	\$ 512,362
Prepaid expenses	1,205	1,076
Total current assets	<u>512,223</u>	<u>513,438</u>
Total assets	<u>\$ 512,223</u>	<u>\$ 513,438</u>
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Due to IDA	2,000	-
Total current liabilities	<u>2,000</u>	<u>-</u>
Net position:		
Unrestricted	<u>510,223</u>	<u>513,438</u>
Total net position	<u>\$ 510,223</u>	<u>\$ 513,438</u>

See accompanying notes.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Bond and application fees	\$ -	\$ 103,630
Total operating revenues	<u>-</u>	<u>103,630</u>
Operating expenses:		
Bond issuance costs	-	857
Bank fees	-	30
Audit fees	2,000	4,000
Insurance	<u>1,317</u>	<u>1,198</u>
Total operating expenses	<u>3,317</u>	<u>6,085</u>
Net income from operations	(3,317)	97,545
Non-operating revenues:		
Interest income	<u>102</u>	<u>572</u>
Net income	(3,215)	98,117
Net position, beginning of year	<u>513,438</u>	<u>415,321</u>
NET POSITION, END OF YEAR	<u><u>\$ 510,223</u></u>	<u><u>\$ 513,438</u></u>

See accompanying notes.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

STATEMENTS OF CASH FLOWS

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating and non-operating activities:		
Net income	\$ (3,215)	\$ 98,117
Adjustments to reconcile net income to net cash provided by operating and non-operating activities:		
Changes in operating assets and liabilities:		
(Increase) in prepaid expenses	(129)	(93)
Increase in other payables	2,000	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(1,344)</u>	<u>98,024</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (1,344)	 98,024
 Cash and cash equivalents, beginning of year	 <u>512,362</u>	 <u>414,338</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 511,018</u></u>	 <u><u>\$ 512,362</u></u>

See accompanying notes.

# OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

## NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2013

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### NOTE 1 ORGANIZATION

Otsego County Capital Resource Corporation (“OCCRC”) is a New York State Corporation organized under New York State Not-for-Profit Corporation Law and is located in Oneonta, New York. OCCRC’s mission is to assist local economic development efforts by promoting community and economic development and the creation of jobs in non-profit and the for profit institutions. OCCRC provides access to low interest tax-exempt and non tax-exempt financing for eligible projects in Otsego County. Currently OCCRC does not administer any direct business assistance. Otsego County is the sole member of the corporation.

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting – OCCRC follows enterprise fund reporting. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of OCCRC’s enterprise fund is bond fees. Operating expenses for the enterprise fund includes bond issuance costs and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The basic financial statements of OCCRC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of OCCRC’s accounting policies are described below.

Income Tax - OCCRC is a governmental instrumentality of Otsego County under IRS revenue ruling 57-128 and therefore pursuant to Section 115 of the Internal Revenue Code is exempt from filing income tax returns. No provision for income taxes has been provided for in the financial statements.

Statements of Cash Flows - For the purpose of the statements of cash flows OCCRC considers cash to be all unrestricted and restricted cash accounts including demand accounts.

Use of Estimates in Preparation of Financial Statements - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. This affects the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2013

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

Contributed Facilities and Services – OCCRC with the consent of the Board of Representatives from Otsego County is authorized to use and share county employees, facilities, and equipment and may reimburse the County an agreed upon proportion of the compensation or costs of the services provided.

Component Unit - Management has evaluated the provisions of Government Accounting Standards Board Statement No. 61 - *The Financial Reporting Entity* and has determined they are not a component unit of the County of Otsego Industrial Development Agency (COIDA).

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

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

Subsequent Events – OCCRC has evaluated subsequent events through May 5, 2014 which is the date these financial statements were available to be issued.

NOTE 3 REVENUE BONDS

OCCRC facilitates the issuance of tax-exempt and non-tax-exempt revenue bonds and notes. The bonds and notes are not the obligations of OCCRC or the State of New York. OCCRC does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and the funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, OCCRC receives bond administration fees from the borrowing organizations. This administrative fee income is recognized immediately upon issuance of bonds and notes. During the year ended December 31, 2013, OCCRC did not engage in any bond or note financing. During the year ended December 31, 2012, OCCRC received bond issuance fees of \$103,130.

NOTE 4 RELATED PARTIES

OCCRC and County of Otsego Industrial Development Agency (COIDA) are related through common board members and management.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2013

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NOTE 5 CASH AND CASH EQUIVALENTS

States statutes require that collateral be pledged for demand deposits, time deposits, and certificates of deposit at 100% of deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Obligations that may be pledged as collateral are obligations of the U.S. Treasury and its agencies, obligations of the state and its municipalities, school district debt, irrevocable letters of credit and surety bonds issued by state authorized insurance companies. All OCCRC funds were fully insured with the FDIC as of December 31, 2013 and 2012.

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OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

SCHEDULE OF SUPPLEMENTAL BOND AND NOTE INFORMATION

Year ended December 31, 2013

<u>Purchaser</u>	<u>Issuee</u>	<u>Issue Date</u>	<u>Price</u>	<u>Rate</u>	<u>Balance</u>	<u>Due Date</u>
RBS Citizens Corp.	Springbrook Inc. Portlandville, NY 13834 Series 2010A	09/24/2010	\$ 25,195,000	Variable	\$ 24,175,692	08/01/2035
Bond Purpose:	Construction					
Key Bank	Templeton Foundation Oneonta, NY 13820 Series 2007A	12/01/2011	11,980,000	1.49%	10,790,000	09/01/2027
Bond Purpose:	Refunding					
Key Bank	Mary Imogene Bassett Hospital Cooperstown, NY 13326 Series 2011B	11/03/2011	19,200,000	1.49%	17,430,000	09/01/2027
Bond Purpose:	Refunding					
Key Bank	Mary Imogene Bassett Hospital Cooperstown, NY 13326 Series 2011A	11/03/2011	25,000,000	1.49%	25,000,000	09/01/2028
Bond Purpose:	Expansion/Facility upgrade					
First Niagara Bank	Hartwick College Oneonta, NY 13820 Series 2012A	05/31/2012	17,870,000	2.30%	17,146,000	07/01/2022
Bond Purpose:	2002/2007 Refunding/New money					
RBS Citizens Corp.	Springbrook, Inc. Portlandville, NY 13824 Series 2012A	07/25/2012	2,500,000	1.79%	2,399,148	07/01/2032
Bond Purpose:	Real Estate Acquisition					

See auditors' report.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

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

Year ended December 31, 2013

Issue:	# of FTE Employees at Project Location before IDA Status		Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	# of Current FTE Employees		# of FTE Jobs Created During Fiscal Year	# of FTE Jobs Retained During Fiscal Year
Springbrook, Inc. 2010 \$25M	365	Portlandville	70	365	521	Portlandville	51	470
Templeton Foundation - 2011 refinance	-	*	-	-	116	*	116	116
Mary Imogene Bassett Hospital - 2011 refinance	2,311		-	2,311	2,591		91	2,500
Mary Imogene Bassett Hospital - 2011 \$25M	-	**	10	-	-	**	-	-
Hartwick College-2012 refinance	415		-	415	420		-	420
Springbrook, Inc. 2012A RE purchase	-	***	50	-	101	***	-	-
	<u>3,091</u>		<u>130</u>	<u>3,091</u>	<u>3,749</u>		<u>258</u>	<u>3,506</u>

\* RE holding for Bassett

\*\* Included in Bassett Hospital - 2011 refinance number

\*\*\* Included in Springbrook, Inc - 2010 number

See auditors' report.

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

To the Board of Directors  
Otsego County Capital Resource Corporation

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 Otsego County Capital Resource Corporation ("OCCRC") which comprise the statements of net position as of and for the years ended December 31, 2013 and 2012, 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 May 5, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered OCCRC'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 OCCRC's internal control. Accordingly, we do not express an opinion on the effectiveness of OCCRC'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 OCCRC'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.

MEMBERS: American Institute of Certified Public Accountants,  
New York State Society of Certified Public Accountants, National Conference of CPA Practitioners

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether OCCRC'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 OCCRC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCCRC'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 Otsego County Capital Resource Corporation'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.



Oneonta, New York  
May 5, 2014