

**CORTLAND COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY**

**Cortland, New York**

**FINANCIAL REPORT**

**December 31, 2014**

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
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DECEMBER 31, 2014

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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, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business-type activities and aggregate discretely presented component units of Cortland County Industrial Development Agency as of December 31, 2014, and the respective changes in financial positions and cash flows, where applicable, 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 considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

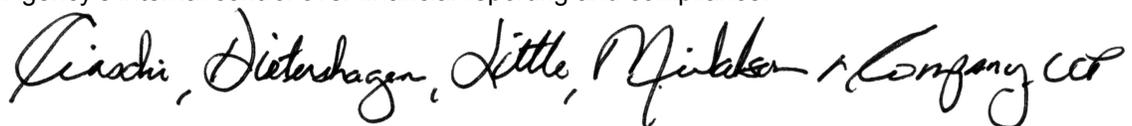
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining component unit financial statements, schedules of indebtedness and projects are presented for purposes of additional analysis and are 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 March 5, 2015, 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.



March 5, 2015  
Ithaca, New York

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014, and the result of its operations for the year then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the Agency, which directly follow the MD&A.

#### **FINANCIAL HIGHLIGHTS**

- Total expenses exceeded total revenue by \$19,978 in 2014 compared to revenue exceeding expenses by \$113,373 in 2013.
- Total revenue of \$22,148 in 2014 decreased from revenue of \$282,368 in 2013, due predominantly to project fees on large projects closed during 2013.
- Total expenses of \$42,126 in 2014 decreased from expenses of \$168,995 in 2013, due primarily to expenses related to the sale of property in 2013.
- Net position for the year ended December 31, 2014 amounted to \$582,934, reflecting a decrease of \$19,978 from net position of \$602,912 at December 31, 2013.

#### **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 Redevelopment 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 Redevelopment 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, 2014

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, 2014, decreased \$19,978. 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>2013</b>	<b>2014</b>	<b>2013 - 2014</b>
<i>Current Assets:</i>			
<i>Cash - Unrestricted</i>	\$ 393,257	\$ 372,929	\$ (20,328)
<i>Prepaid expenses</i>	1,047	1,047	-0-
<i>Noncurrent Assets:</i>			
<i>Investment in railroad land</i>	209,818	209,818	-0-
<b>Total Assets</b>	<b>604,122</b>	<b>583,794</b>	<b>(20,328)</b>
<i>Current liabilities:</i>			
<i>Accounts payable</i>	1,210	860	(350)
<b>Total Liabilities</b>	<b>1,210</b>	<b>860</b>	<b>(350)</b>
<i>Net investment in capital assets</i>	209,818	209,818	-0-
<i>Unrestricted</i>	393,094	373,116	(19,978)
<b>Total Net Position</b>	<b>\$ 602,912</b>	<b>\$ 582,934</b>	<b>\$ (19,978)</b>

The decrease in cash reflects an excess of expenditures over revenue in 2014.

The net effect was a decrease in unrestricted net position of \$(19,978).

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

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>2013</b>	<b>2014</b>	<b>2013 - 2014</b>
<i>Operating Revenues:</i>			
<i>Fee income</i>	\$ 276,713	\$ 16,606	\$ (260,107)
<i>Lease income</i>	5,500	5,500	-0-
<i>Non-operating Revenues:</i>			
<i>Interest and earnings</i>	155	42	(113)
<b>Total Revenues</b>	<b>282,368</b>	<b>22,148</b>	<b>(260,220)</b>
<i>Operating Expenses:</i>			
<i>Contractual expenses</i>	36,088	42,126	6,038
<i>Business park expenses</i>	4,131	-0-	(4,131)
<i>Non-operating Expenses:</i>			
<i>Loss on sale of property</i>	128,776	-0-	(128,776)
<b>Total Expenses</b>	<b>168,995</b>	<b>42,126</b>	<b>(126,869)</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ 113,373</b>	<b>\$ (19,978)</b>	<b>\$ (133,351)</b>

Total revenues of the Agency decreased \$260,220. Total expenses of the Agency decreased \$(126,869). The decrease in fee income is due to the processing of larger projects in 2013 than in 2014. Total expenses decreased primarily due to expenses related to the sale of property in 2013. In 2014, the Cortland County Business Development Corporation began charging the Agency for administrative services, resulting in an increase in contractual expenses compared to 2013. The net result was an decrease in net position.

**FACTORS BEARING ON THE AGENCY'S FUTURE**

**Payment in Lieu of Taxes**

Lease/Leaseback Transaction, Forkey Construction

The Cortland County Industrial Development Agency and Forkey Construction & Fabricating closed on a Payment in Lieu of Tax (PILOT) agreement on October 2, 2014. The company's \$2.175 million project comprises the acquisition of a vacant 131,000 square-foot facility in the Town of Cortlandville and relocation of its growing business there. More than 80 current jobs will be retained and another 50 added over the next two years as part of the deal.

Lease/Leaseback Transaction Essex Structural Steel Co., Inc.

A Payment in Lieu of Tax (PILOT) agreement between the company and the Cortland County Industrial Development Agency closed on September 27, 2004 and terminated in September 2014. The property tax, sales tax, and mortgage tax exemptions allowed the company's acquisition of land and construction of a 31,000 square-foot manufacturing facility on Route 13 in the Town of Cortlandville. The company remains operational and employs 26 people at the plant.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

Lease/Leaseback Transaction Termination, Cayuga Press of Ithaca, Inc.

The Cortland County Industrial Development Agency terminated a Lease/Leaseback transaction (PILOT) with Cayuga Press in June, 2014. The transaction, which closed on July 10, 2006, was terminated by the agency commensurate with a failure to meet employment requirements and a change in ownership.

Multimodal Project Agreement: Suit-Kote Corporation

Facilitated by \$466,000 in NYSDOT multi-modal funding secured by the Cortland County Industrial Development Agency, the company initiated work in 2014 to extend its existing rail line approximately 2,800 feet to access its Town of Cortlandville crushed stone facility. The project will aid in the delivery of coarse crushed aggregate to the nearby sand and gravel plant. The project will greatly assist efficiencies for the company, one of the county's top employers.

**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, 2014

	<b>Primary Government</b>	<b>Total Component Units</b>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash - Unrestricted	\$ 372,929	\$ -0-
Cash - Restricted	-0-	177,953
Accounts receivable	-0-	30
Prepaid expenses	1,047	-0-
Total Current Assets	373,976	177,983
Capital assets, net of accumulated depreciation	-0-	96,885
Investment in Railroad Land	209,818	-0-
Total Noncurrent Assets	209,818	96,885
Total Assets	583,794	274,868
Accounts payable	860	100,634
Total Liabilities	860	100,634
<b><u>NET POSITION</u></b>		
Net investment in capital assets	209,818	96,885
Restricted		18,576
Unrestricted	373,116	58,773
Total Net Position	\$ 582,934	\$ 174,234

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, 2014

	<b>Primary Government</b>	<b>Total Component Units</b>
Operating Revenues:		
Fee income	\$ 16,606	\$ -0-
Lease income	5,500	-0-
Total Operating Revenues	22,106	-0-
Operating Expenses:		
Professional and administrative expenses	42,126	8,578
Depreciation expense	-0-	33,418
Total Operating Expenses	42,126	41,996
Operating (Loss)	(20,020)	(41,996)
Nonoperating Revenues:		
Interest and earnings	42	120
Net Cash Provided by Nonoperating Activities	42	120
Net (Loss)	(19,978)	(41,876)
Net Position, January 1, 2013	602,912	216,110
Net Position, December 31, 2014	\$ 582,934	\$ 174,234

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, 2014

	<b>Primary Government</b>	<b>Total Component Units</b>
Cash Flows from Operating Activities:		
Cash received from providing services	\$ 22,106	\$ 210
Cash payments - Contractual expenses	(42,476)	(389)
Net Cash (Used) by Operating Activities	(20,370)	(179)
Cash Flows from Noncapital Financing Activities	-0-	-0-
Cash Flows from Capital and Related Financing Activities	-0-	-0-
Cash Flows from Investing Activities:		
Interest income received	42	120
Net Cash Provided by Investing Activities	42	120
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,328)	(59)
Cash and Cash Equivalents, January 1, 2014	393,257	178,012
Cash and Cash Equivalents, December 31, 2014	\$ 372,929	\$ 177,953
Reconciliation of net operating income to net cash (used) by operating activities:		
Operating Expense	\$ (20,020)	\$ (41,996)
Depreciation expense	-0-	33,418
Adjustments to reconcile net operating income to net cash (used) by operating activities:		
Decrease in accounts receivable	-0-	210
(Decrease) increase in accounts payable	(350)	8,189
Net Cash (Used) by Operating Activities	\$ (20,370)	\$ (179)

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, 2014

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 Governmental Accounting Standards Board (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, 2014

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 Chief Finance Officer and Project Development Director 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.

J. Operating Revenues

Operating revenues of the Agency and its component unit consist of administrative fees. Investment earnings are reported as non-operating revenues.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

Note 2 - Industrial Revenue Bond and Note Transactions

Certain industrial development revenue bonds and notes issued by the Agency, and its component units, 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, 2014, the outstanding value of bonds and notes issued through Cortland County Development Corporation, a component of the Agency, aggregated \$20,400,000.

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 \$373,039 at December 31, 2014, of which \$250,000 was FDIC insured and \$173,039 was collateralized with securities held by the Agency's agent in the Agency's name. The carrying value of deposits at December 31, 2014 totaled \$372,929.

Component unit bank balances totaled \$179,400 at December 31, 2014 and were entirely insured.

Note 4 - Capital Assets and Investment in Properties

At December 31, 2014, the Agency's capital assets consisted of the following:

Office Equipment	\$	5,909
Less: Accumulated Depreciation		<u>(5,909)</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, 2014 was \$209,818.

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 2014, \$395,439 was received in PILOTS compared to the \$772,506 which would have been received if businesses paid the full amount of taxes; for a total tax abatement of \$377,067.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2014

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 - 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, 2014, Ag Corp and Contento Redevelopment owed BDC \$8,799 and \$91,835, respectively, which are reported as accounts payable in the Combining Statement of Net Position. There were no amounts due to BDC from Cortland County Local Development Corporation or Cortland County Development Corporation.

During 2014 the Agency entered into an administrative service agreement with the Cortland County Business Development Corporation (the Corporation). Under the is agreement, the Agency agreed to pay the Corporation \$25,000 annually for administrative services commencing January 1, 2014.

Note 8 - Subsequent Events

The Agency has evaluated subsequent events through March 5, 2015, the date which the financial statements were available to be issued. Subsequent to year end, property owned by Contento Development LDC was transferred to the Agency. As part of the transaction, the Agency agreed to accept the associated liabilities shown in Note 7 above.



<b>Contento Redevelopment Local Development Corporation, Ltd.</b>	<b>Cortland County Development Corporation</b>	<b>Total Component Units</b>
\$ 252	\$ 157,423	\$ 177,953
	30	30
<u>252</u>	<u>157,453</u>	<u>177,983</u>
<u>96,885</u>		<u>96,885</u>
<u>96,885</u>	-0-	<u>96,885</u>
<u>97,137</u>	<u>157,453</u>	<u>274,868</u>
<u>91,835</u>		<u>100,634</u>
<u>91,835</u>	-0-	<u>100,634</u>
96,885		96,885
<u>(91,583)</u>	<u>157,453</u>	<u>58,773</u>
<u>\$ 5,302</u>	<u>\$ 157,453</u>	<u>\$ 174,234</u>

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>Cortland County Agricultural Local Development Corporation</b>	<b>Cortland County Local Development Corporation</b>
	<u>                    </u>	<u>                    </u>
Operating Revenues	\$ -0-	\$ -0-
Professional and administrative expenses	175	214
Depreciation expense	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>175</u>	<u>214</u>
Operating Loss	<u>(175)</u>	<u>(214)</u>
Nonoperating Revenues (Expenses):		
Interest and earnings	<u>1</u>	<u>                    </u>
Total Nonoperating Revenues	<u>1</u>	<u>-0-</u>
Net (Loss) Income	(174)	(214)
Net Position, January 1, 2013	<u>(6,923)</u>	<u>18,790</u>
Net Position, December 31, 2014	<u>\$ (7,097)</u>	<u>\$ 18,576</u>

See Independent Auditor's Report and Notes to Financial Statements

<b>Contento Redevelopment Local Development Corporation, Ltd.</b>	<b>Cortland County Development Corporation</b>	<b>Total Component Units</b>
\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
8,189		8,578
<u>33,418</u>		<u>33,418</u>
<u>41,607</u>	<u>-0-</u>	<u>41,996</u>
<u>(41,607)</u>	<u>-0-</u>	<u>(41,996)</u>
	<u>119</u>	<u>120</u>
<u>-0-</u>	<u>119</u>	<u>120</u>
<u>(41,607)</u>	<u>119</u>	<u>(41,876)</u>
<u>46,909</u>	<u>157,334</u>	<u>216,110</u>
\$ <u><u>5,302</u></u>	\$ <u><u>157,453</u></u>	\$ <u><u>174,234</u></u>

CORTLAND COUNTY DEVELOPMENT CORPORATION  
 SCHEDULE OF INDEBTEDNESS  
DECEMBER 31, 2014

<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 Regional Medical Center</u>	<u>2/2013</u>	<u>\$ 21,300,000</u>	<u>\$ -0-</u>	<u>\$ 900,000</u>	<u>\$ 20,400,000</u>	<u>7/2032</u>
TOTAL OTHER DEBT		<u>\$ 21,300,000</u>	<u>\$ -0-</u>	<u>\$ 900,000</u>	<u>\$ 20,400,000</u>	

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY  
SCHEDULE OF PROJECTS  
DECEMBER 31, 2014

<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 Before @ 12/31</u>
Essex Steel	1101-04-02	Construction	\$ N/A	\$ N/A	\$ 23,804	\$ 29,417	\$ 5,613	26/26
Cayuga Press	1101-06-01	Commercial Printing	N/A	N/A	25,042	41,456	16,414	65/39
Clocktower Project	1101-10-04	Property Development	N/A	N/A	9,315	41,243	31,928	0/20
Cortland Crown Homes	1101-07-01	Construction	N/A	N/A	13,743	52,107	38,364	N/A
Cortland Commerce Center, LLC	1101-10-01	Property Development	N/A	N/A	93,000	148,167	55,167	196/227
Cortland Plastics	1101-10-02	Manufacturing	N/A	N/A	22,511	52,320	29,809	39/45
C'ville, LLC	1101-13-02	Manufacturing	4,895	N/A	34,287	105,119	70,832	0/33
Greek Peak Holdings	1101-13-03	Tourism	30,296	N/A	N/A	N/A	N/A	75/89
Northeast Transformer	1101-13-01	Manufacturing	N/A	N/A	16,895	48,276	31,381	37/53
Forkey Construction & Fabrication	1101-14-01	Manufacturing	N/A	11,000	80,439	80,439	-0-	83/83
Pyrotek, Inc.	1101-11-02	Manufacturing	N/A	N/A	61,436	61,436	-0-	42/124
Sky Hospitality	1101-12-02	Tourism	12,900	N/A	14,967	30,516	15,549	0/9
Suit-kote Corp.	1101-12-01	Construction	N/A	N/A	0	82,010	82,010	210/265
			<u>\$ 48,091</u>	<u>\$ 11,000</u>	<u>\$ 395,439</u>	<u>\$ 772,506</u>	<u>\$ 377,067</u>	773/1013

\*Jobs Before Column = The number of employees before the project to the left; total current employees retained to the right.

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John H. Dietershagen, C.P.A.  
Jerry E. Mickelson, C.P.A.  
Thomas K. Van Derzee, C.P.A.  
Debbie Conley Jordan, C.P.A.  
Patrick S. Jordan, C.P.A.  
Duane R. Shoen, C.P.A.  
Lesley L. Horner, C.P.A.  
D. Leslie Spurgin, C.P.A.

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**Ciaschi • Dietershagen • Little • Mickelson  
& Company, LLP**

*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, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 5, 2015.

**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 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.

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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.

March 5, 2015  
Ithaca, New York