

COUNTY OF CHENANGO  
INDUSTRIAL DEVELOPMENT AGENCY  
(A COMPONENT UNIT OF CHENANGO  
COUNTY, NEW YORK)

FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
County of Chenango Industrial Development Agency  
Norwich, New York

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

We have audited the accompanying statements of net position of County of Chenango Industrial Development Agency ("CCIDA"), a component unit of Chenango County, New York, as of December 31, 2015 and 2014, 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 CCIDA'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 CCIDA'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 CCIDA as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis on Pages 3 – 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 audits were conducted for the purpose of forming an opinion on CCIDA's financial statements as a whole. The supplemental information on Pages 17 – 19 in the other financial information section and the additional report on Page 22 is presented for purposes of auditing analysis and is not a required part of the financial statements, but is supplemental information that is required by the Office of New York State Comptroller. The schedules are the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016 on our consideration of CCIDA'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 CCIDA's internal control over financial reporting and compliance.

*Mostert, Manzanero & Scott, LLP*

Oneonta, New York  
March 24, 2016

## COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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This document, prepared by management of the County of Chenango Industrial Development Agency ("CCIDA"), contains a narrative overview and analysis of the financial activities of CCIDA during the fiscal year ended December 31, 2015, as compared to 2014, where applicable. This discussion and analysis focuses on the significant financial and management issues and activities and identifies any significant changes in the financial statements.

#### ***FINANCIAL HIGHLIGHTS***

Operating income for CCIDA was \$71,183 for the fiscal year 2015, compared to \$57,683 for the fiscal year 2014. This represents an increase in revenue of \$7,440 and a decrease in expenses of \$6,060. The revenue increase was mainly caused by an increase of \$5,453 in rental income and an increase of \$1,996 in grant revenue fees, offset by a decrease of professional fees of \$4,613 and repairs and maintenance of \$2,796. At the close of fiscal year 2015, CCIDA had a net position of \$1,494,294 an increase of \$62,760 from the prior year. The term "net position" refers to the difference between assets and liabilities.

#### ***OVERVIEW OF 2015 ACTIVITIES***

##### Railroad Revitalization Project

CCIDA holds legal title to the right-of-way and rail improvements of the New York, Susquehanna, and Western Railroad (NYSW) in Chenango County. The property was deeded to CCIDA in 1982. CCIDA has held the title since then for the purposes of advancing economic development, rendering the infrastructure tax exempt. In 2006, flood damage closed the railroad between North Norwich and south of Greene. Hurricane Irene and Tropical Storm Lee worsened the damage in 2011. In 2011, CCIDA was awarded \$772,422 in New York State Department of Transportation Multi-modal funds, which comprised 16% of the requested funding. These funds were initially earmarked for repairs between Sherburne and Norwich. However, during 2013, the state funding was leveraged as a portion of the 20% local funding match required to attract \$4.7 million (or 80% of the project budget) in disaster relief assistance from the U.S. Economic Development Administration (EDA). In May of 2013, CCIDA was informed that this funding award would be granted to CCIDA. After numerous discussions and additional negotiations regarding a renewed lease agreement with NYSW, as well as the requirements of the EDA grant, the CCIDA Board of Directors voted to move forward on the project and accept the grant funding in August of 2013. A new 10-year lease and operating agreement was signed with NYSW in August of 2013, which put additional requirements for operations and maintenance on the railroad, and also made material changes to the Payment in Lieu of Taxes (PILOT) portion of the agreement. Local funding partners, supplying approximately \$407,000 to the project, include County of Chenango, Development Chenango Corporation, CCIDA, and the railroad itself. CCIDA committed up to \$75,000 to this project, but its anticipated prorated share of this local funding amount is \$56,250. Railroad engineering quotes were submitted to the board of directors in December of 2013. A contract was approved and awarded to Stone Consulting & Design, P.C. in January 2014. Stone provided a preliminary engineering report in August of 2014 recommending the scope of the project proceed with Enhanced Class 1 restoration of the rail line.

## COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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In November 2014 the Department of Environmental Conservation and Army Corps of Engineers requested a complete delineation of the wetlands which overlapped in several areas along the Rail's 45.54 mile right-of-way. Stone Consulting performed the additional and extensive work on short notice, but the review process delayed the project through the summer construction season. In July 2015 the Department of Environmental Conservation issued their permit authorizing construction, deeming that it would not have an adverse impact on surrounding wetlands. This was followed in September by the Army Corps of Engineers nationwide permit, which came to the same conclusion and granted the same status at the federal level. By mid-October the Engineers' plans and specifications had been approved by the EDA, and ads for the bid opening were being placed.

The bid opening took place in January 2016. Out of the four bids placed, the lowest bidder was Frontier Railroad Services, Inc. from New Stanton, Pennsylvania. Harvey Stone of Stone Consulting reviewed the details of their bid proposal and found it to be reasonable. He subsequently provided a letter of recommendation in favor of accepting the low bid, and the CCDA board accepted on January 20, 2016. The contract documents were executed on January 29, 2016 and anticipated start of construction is May 2016.

#### Chobani, Inc. Projects

Throughout 2015, Chobani continued to produce its 6 oz. cups of Greek-style yogurt for the US market in the Town of Columbus, Chenango County, and at year end reported employing approximately 1,134 people at the Columbus production plant.

Since the company's founding, CCIDA has assisted Chobani in each of several expansion phases as follows:

Phase I (\$22 Million) began in 2010 with the purchase of a lot across the county highway from their facility that was under lease for parking. The lot is the site of a 150,000 square foot refrigerated warehouse, an elevated product conveyance system, new material handling equipment, and additional product space modifications. The Company requested a sales tax exemption for construction material purchases. CCIDA voted to grant the Company's request. As of 2011, a PILOT was not requested. Phase I was complete in January 2011.

Phase II (\$64 Million) involved the purchase of additional manufacturing equipment, renovations to 70,000 square feet of production area, a new milk receiving bay, and new control structures for waste water treatment. In 2011, Company management requested a PILOT abatement for the new Phase I warehouse, as well as the above Phase II items. After public hearing, CCIDA granted the request. Phase II was completed as of December 31, 2013.

Phase III (over \$100 Million) In early 2012, Chobani, Inc. requested assistance from CCIDA for a project which included the addition of 85,000 square feet to house operations including packaging, palletizing, chilling, and conveying of increased volumes of product. The project also included land improvements; construction of a 7,000 square feet machine room to house chilling equipment and ammonia systems; construction of two new receiving bays comprising 7,400 square feet; construction of an approximately 450-vehicle paved parking lot and a 120-trailer space paved area; construction of a three story, 13,000 square feet addition to house increased raw milk and yogurt processing capacity; renovation and reconstruction of seven filling rooms; construction of a one-story, 2,400 square foot boiler building; acquisition and installation of power generator units; and the acquisition of furniture, fixtures, equipment, machinery, and other tangible personal property.

## COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Company indicated that 106 new jobs would be added by this investment. The Company requested a sales tax exemption on construction materials and a PILOT abatement for this new investment. Estimated benefits to the Company were approximately \$3.8 million in tax savings. A public meeting was held and at a special meeting of the board, this incentive was approved.

Construction on this project began in 2012, but was not completed until 2013. Some delays with tax exemption filings and property assessments caused the PILOT to begin a year later than anticipated, and therefore, PILOT savings were not realized by the Company in 2013. The 10-year PILOT period began in 2013.

#### Norwich Pharmaceuticals, Inc. Mortgage Recording Tax Abatement

In June of 2015, CCIDA received an application from Norwich Pharmaceuticals, Inc. for a partial Mortgage Recording Tax Abatement related to a \$40 million mortgage refinance for their North Norwich facility. A 65% exemption will create a \$195,000 net benefit to the company. Norwich Pharmaceuticals, Inc. provided projections regarding upcoming investments and projected job creation. An estimated 15 jobs will be created through the project in 2-5 years, and 295 will be retained. Since the 2012 Project \$22,000,000 has been invested and a further \$26,000,000 investment is planned to be invested in the facility over an 18-month period. This additional investment, made possible in part by refinancing, will assist in job retention and creation.

#### Administration

An updated support services agreement was created with Commerce Chenango, Inc. (the "Chamber") and the Development Chenango Corporation (DCC) to provide all management and service needs for CCIDA. That agreement was effective January 1, 2015 and can be renewed at the Board's discretion. CCIDA agreed to maintain its monthly economic development contribution to DCC, as well as to provide a share of administration revenue from grants and project fees for projects which are managed by DCC contract staff. The economic development contribution was adjusted to reflect CCIDA's fair share of salaries, benefits, property rents, utilities, and other shared office expenses on an annual basis. CCIDA will reimburse the Chamber on a monthly basis for direct administrative expenses billed, such as photocopies, postage, and shipping costs.

### **BASIC FINANCIAL STATEMENTS**

The basic financial statements are designed to provide readers with a broad overview of CCIDA's finances, in a manner similar to private-sector business. Statements are provided on an accrual basis of accounting.

The statements of net position present information on all of CCIDA's assets and liabilities, with a difference between the two, reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of CCIDA is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, results in an increased net position, which indicates an improved financial position.

## COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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The statements of revenues, expenses and changes in net position present information showing how CCIDA's net position changes during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing and related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

#### Notes to the Financial Statements

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

#### Other Financial Information

In addition to the basic financial statements and accompany notes, this report also presents certain additional information on schedules, concerning CCIDA's cash in bank accounts, investments, lease receivables, bonds outstanding and straight leases of CCIDA's properties.

#### Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of CCIDA's financial position, assets exceeded liabilities by \$1,494,294 at the close of the fiscal year 2015. This represents an increase of 4.3% over the previous year. At the close of the fiscal year 2014, assets exceeded liabilities by \$1,431,534. This represents an increase of 11% over the 2013 year.

At December 31, 2015, the larger portion of CCIDA's net position reflects its investments in the lands and buildings of the industrial parks. The balance of net position (the smaller portion) of CCIDA reflects cash or cash equivalents and accounts receivable. As of December 31, 2015, current assets in the amount of \$877,904 represent an increase of 36.3% from the previous year. As of December 31, 2014, current assets in the amount of \$643,768 represent an increase of 7.3% from the 2013 year.

The following is a 2015 – 2013 comparative summary of CCIDA's financial statements displaying the change in net position:



COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

NET POSITIONS	2015	Increase/ Decrease Prior Year	2014	Increase/ Decrease Prior Year	2013
Current assets	\$ 877,904	\$ 234,136	\$ 643,768	\$ 44,255	\$ 599,513
Non-current assets	<u>761,291</u>	<u>(26,683)</u>	<u>787,974</u>	<u>(240,932)</u>	<u>1,028,906</u>
Total assets	<u>1,639,195</u>	<u>207,453</u>	<u>1,431,742</u>	<u>(196,677)</u>	<u>1,628,419</u>
Current liabilities	2,038	1,830	208	(50)	258
Deferred inflows of revenue	<u>142,863</u>	<u>142,863</u>	<u>-</u>	<u>(8,250)</u>	<u>8,250</u>
Total liabilities	<u>144,901</u>	<u>144,693</u>	<u>208</u>	<u>(8,300)</u>	<u>8,508</u>
Invested in capital assets, Net of related debt	761,291	(26,683)	787,974	(240,932)	1,028,906
Unrestricted	<u>733,003</u>	<u>89,443</u>	<u>643,560</u>	<u>52,555</u>	<u>591,005</u>
Total net position	<u>\$ 1,494,294</u>	<u>\$ 62,760</u>	<u>\$ 1,431,534</u>	<u>\$ (188,377)</u>	<u>\$ 1,619,911</u>

CHANGES IN NET POSITION

Operating revenues	\$ 207,037	\$ 7,440	\$ 199,597	\$ (84,187)	\$ 283,784
Operating expenses	<u>135,854</u>	<u>(6,060)</u>	<u>141,914</u>	<u>951</u>	<u>140,963</u>
Operating income (loss)	71,183	13,500	57,683	(85,138)	142,821
Non-operating income (expense)	<u>(8,423)</u>	<u>237,637</u>	<u>(246,060)</u>	<u>(246,332)</u>	<u>272</u>
Change in net assets	62,760	251,137	(188,377)	(331,470)	143,093
Net assets – Beginning of year	<u>1,431,534</u>	<u>(188,377)</u>	<u>1,619,911</u>	<u>143,093</u>	<u>1,476,818</u>
Net assets – End of year	<u>\$ 1,494,294</u>	<u>\$ 62,760</u>	<u>\$ 1,431,534</u>	<u>\$ (188,377)</u>	<u>\$ 1,619,911</u>

Economic Factors

CCIDA is not aware of any economic factors or conditions that have changed since December 31, 2015 that will have any significant effect on CCIDA in the future.

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Board of Directors, County of Chenango Industrial Development Agency, 15 South Broad Street, Norwich, New York, 13815.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF NET POSITION

December 31, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 431,561	\$ 491,219
Grants/fees receivable	441,146	148,089
Prepaid expenses	5,197	4,460
Total current assets	<u>877,904</u>	<u>643,768</u>
Fixed assets:		
Land - Earl B. Clark Park	238,000	238,000
Incubator building	984,748	984,748
	<u>1,222,748</u>	<u>1,222,748</u>
Less: Accumulated depreciation	<u>(461,457)</u>	<u>(434,774)</u>
Net fixed assets	<u>761,291</u>	<u>787,974</u>
Total assets	<u>1,639,195</u>	<u>1,431,742</u>
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Accounts payable	2,038	208
Total liabilities	<u>2,038</u>	<u>208</u>
Deferred inflows of resources:		
Unearned revenue	<u>142,863</u>	<u>-</u>
Net Position:		
Investment in capital assets, net of debt	761,291	787,974
Unrestricted	733,003	643,560
Total net position	<u>\$ 1,494,294</u>	<u>\$ 1,431,534</u>

See accompanying notes.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Rental of real property	\$ 172,373	\$ 166,920
Project fees	34,663	32,667
Other	1	10
Total operating revenues	<u>207,037</u>	<u>199,597</u>
Operating expenses:		
Administrative & support fees	70,000	70,000
Advertising and marketing expense	99	1,267
Depreciation	26,684	26,684
Repairs and maintenance	14,225	17,021
Other project fees	1,000	250
Legal and auditing	8,353	11,831
Insurance	8,589	8,799
PILOT	2,280	2,280
Office and miscellaneous expense	1,165	1,015
Travel and training	2,349	549
Other professional fees	-	1,135
Rental expense	1,110	1,083
Total operating expenses	<u>135,854</u>	<u>141,914</u>
Net operating income	<u>71,183</u>	<u>57,683</u>
Non-operating revenue and expense:		
Investment return	82	210
Grant income	187,345	161,339
Grant expense	(195,850)	(193,361)
Impairment loss	-	(214,248)
Total non-operating revenue and expense	<u>(8,423)</u>	<u>(246,060)</u>
Change in net position	62,760	(188,377)
Net position - Beginning of year	<u>1,431,534</u>	<u>1,619,911</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,494,294</u></u>	<u><u>\$ 1,431,534</u></u>

See accompanying notes.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Receipts from clients	204,086	202,237
Receipts from other sources	1	10
Payments for suppliers and services	(108,078)	(115,131)
NET CASH PROVIDED BY OPERATING ACTIVITIES	96,009	87,116
Cash flows from noncapital financing activities:		
Net grants received (expended)	(155,749)	(188,361)
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(155,749)	(188,361)
Cash flows from investing activities:		
Interest and earnings	82	210
NET CASH PROVIDED BY INVESTING ACTIVITIES	82	210
NET DECREASE IN CASH	(59,658)	(101,035)
Cash - Beginning of year	491,219	592,254
Cash - End of year	\$ 431,561	\$ 491,219
Reconciliation of net operating income to net cash provided by operation activities:		
Net income	\$ 71,183	\$ 57,683
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	26,684	26,684
(Increase) decrease in accounts receivable	(2,950)	2,650
(Increase) decrease in prepaid expenses	(737)	149
Increase (decrease) in accounts payable and commitments	1,829	(50)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 96,009	\$ 87,116

See accompanying notes.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

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NOTE 1 ORGANIZATION

The County of Chenango Industrial Development Agency (CCIDA) was organized by the Chenango County Legislature under the authority of General Municipal Law, Section 856.1A of the State of New York. CCIDA is a component unit of Chenango County, New York, based on the criteria set forth in Governmental Accounting Standards Board (GASB) Statement 39.

CCIDA was established to attract new industry to the County, to encourage plant modernization, to create job opportunities for the citizens of the County, and to promote commerce and industry. CCIDA is authorized to encourage, and assist in acquiring, constructing, reconstruction, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, research and recreation facilities, education or cultural facilities, railroad facilities, civic facilities owned or occupied by not-for-profit corporations, and horse racing facilities and thereby advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York and improve their recreation opportunities, prosperity and standard of living.

CCIDA authorizes the issuance of industrial bonds for industrial development projects and reviews and determines whether to recommend approval of those applicants wishing to obtain financing. CCIDA received application fees from applicants and closing fees from those accepted for industrial revenue financing.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

CCIDA's financial statements are reported using the economic resources measurement focus and the accrual method of accounting. Under this method, revenue is recognized when earned and expenses are recognized when incurred regardless of when the related cash transaction takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Cash and Cash Equivalents

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

Fee Income and Grant Accounting

Fee income and grant accounting are recorded as receivables, revenues, liabilities and expenses when awarded. All other grants are recorded as receivables and deferred revenues upon award of the contracts; revenues are recognized as CCIDA meets performance requirements of the contracts. CCIDA charges a service fee for each project, the proceeds of which are intended to be used for CCIDA expenses and to fund continuing operations.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

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

Prepaid Expenses

Prepaid expenses represent payments made by CCIDA for which benefits extend beyond year-end. These items reflect costs applicable to future accounting periods and are recorded as pre-paid at the time of purchase and as an expense in the year the goods or services are consumed.

Fixed Assets

All acquisitions of property and equipment are capitalized and recorded at cost. All property and equipment acquired with grant funds are owned by CCIDA and are used in the programs for which they are purchased. There are no reversionary interests by grantor agencies in the assets. Capital assets as defined by CCIDA are assets with an initial unit cost of \$1,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects and depreciated when placed in service.

Depreciation of property and equipment is provided on the straight line method over the following useful lives:

	<u>Years</u>
Buildings	40
Building improvements	20 – 40
Equipment	3 – 7

Depreciation expense amounted to \$26,684 for the years ended December 31, 2015 and 2014.

Deferred Revenue

CCIDA receives advanced receipt of rental income from its rental properties. Prepaid rents are deferred until earned and recorded as collections in advance and recorded as earned income in the appropriate month.

Net Position

CCIDA reports its net position in three components. Net investment in capital assets are equal to amounts reported for capital assets, net of related debt and accumulated depreciation, plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position is reported when assets (net of related debt) can only be used for a specific purpose that is established by grantors, contributors, laws or regulations governing CCIDA. There are no restricted net position assets as of December 31, 2015 and 2014. For this reason, all restricted net position is considered expendable. Unrestricted net position is all other net position that does not meet the definition of invested capital assets or restricted net position.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

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

Revenue and Expense Classification

CCIDA distinguishes operating revenues and expenses from non-operating items in its financial statements. Operating revenues and expenses generally result from providing services in connection with CCIDA's principal on-going operations. CCIDA's operating expenses include project program costs and related administration expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Federal Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

Events Occurring After Reporting Date

CCIDA has evaluated subsequent events through March 24, 2016, which is the date the financial statements were available to be issued.

NOTE 3 COMMITMENTS AND CONTINGENCIES

Grants

CCIDA receives grants from other governments that are subject to audit by the agencies of the Federal and New York State jurisdictions. Such audits may result in disallowances and a request for return of funds. CCIDA believes that disallowances, if any, would be immaterial.

Risks

CCIDA is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to related parties and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 3 COMMITMENTS AND CONTINGENCIES (Cont'd.)

Lease Obligations

In May 1990, CCIDA entered into a 99 year lease agreement with Chenango County, for the rental of 1.59 acres at the Lt. Warren Eaton Airport. CCIDA may terminate this lease upon 12 months written notice to the County. As of the date of the issuance of the audit report, no such notice has been given to the County.

An industrial incubator building was constructed on this property, by CCIDA, which has been subleased by a manufacturing company. As of December 31, 2015 and 2014, rent expense for the industrial incubator building amounted to \$653 and \$638, respectively. Each year, the annual rent is calculated by multiplying the prior year rent expense by the Consumer Price Index (CPI) for the Binghamton, New York region. Future minimum lease payments based on the currently available CPI are estimated as follows:

2016	\$ 668
2017	684
2018	700
2019	717
2020	734
Thereafter	<u>128,533</u>
Total	<u>\$ 132,036</u>

In September 1994, CCIDA entered into a 99 year lease agreement with Chenango County, for an additional 1.27 acres of land at the Lt. Warren Eaton Airport. This land is subleased to a local manufacturing company. CCIDA may terminate this lease upon 12 months written notice to the County. As of the date of the issuance of the audit report, no such notice has been given to the County.

Each year, the annual rent expense is calculated by multiplying the prior year rent by the CPI for the Binghamton, New York region. As of December 31, 2015 and 2014, rent expense for the subleased property amounted to \$456 and \$446, respectively. CCIDA pays the annual rent expense to Chenango County and bills the subleased tenant for reimbursement. The subleased tenant has a lease that runs concurrently with CCIDA's lease. Future minimum lease payments based on the currently available CPI are estimated as follows:

2016	\$ 468
2017	484
2018	494
2019	507
2020	521
Thereafter	<u>118,753</u>
Total	<u>\$ 121,227</u>



COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

NOTE 3 COMMITMENTS AND CONTINGENCIES (Cont'd.)

Lease Agreements

During February 2012, CCIDA signed a 5 year lease with Chentronics Corporation starting March 1, 2012. The lease has (5) one year renewal options in which rent increases to \$7 per square foot for the first renewal options and 103% increase each year thereafter. Rental income amounted to \$165,727 for 2015 and \$162,420 for 2014. CCIDA made improvements in the amount of \$369,188 during the year ended December 31, 2013. Future minimum lease payments are as follows:

2016	\$ 169,134
2017	<u>28,283</u>
Total	<u>\$ 197,417</u>

Payment in Lieu of Taxes

In January 1999, CCIDA entered into an agreement with the Town of North Norwich for Payment in Lieu of Taxes (PILOT) for the rental of the Earl B. Clark Park.

CCIDA is required to make an annual PILOT to the Town of North Norwich in the amount of \$2,000. The agreement remains in effect while CCIDA is the holder of title to all or a portion of the property, and all annual tax payments and/or PILOT made by all third party owners, lessees, licenses, or occupants of the premises total less than \$2,000 per year. Any payments made by the aforementioned parties, if any, would reduce the annual amount due from CCIDA.

NOTE 4 OUTSTANDING INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

CCIDA exercises its mandated power and lawful authority to cause bonds to be issued, to have the proceeds used to construct and equip facilities, to mortgage such facilities as security, and to lease such facilities for rentals sufficient to repay the bond proceeds and related interest. The bonds are special obligations of CCIDA payable solely from the revenues and receipts derived from the leasing or sale of the underlying facility, or from enforcement of any security provided by the mortgage or assignment. In effect, while CCIDA serves as a vital conduit in arranging for the financing or construction, and is the apparent owner of record, as a practical matter, bondholders look to the facility and to the owner of the beneficial interests therein for ultimate satisfaction of their debt. The agreements cite that neither the members of CCIDA nor any person executing the bonds is liable personally thereon by reason of the issuance thereof. It is contemplated that the beneficial owners of the facility will acquire such facility for a nominal consideration upon the termination of the lease term and the repayment of the bond issued. On a *de facto*, substantive basis, the lessees of the facilities may be viewed as the owners, in an economic, if not a formal, sense. Because of this economic interest, the bond liabilities and the related assets consisting of underlying properties are not reflected in the financial statements of CCIDA.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

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NOTE 5 FINANCIAL INSTRUMENTS WITH CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

State statutes govern CCIDA's investment policies. CCIDA monies must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include obligations of the U.S. Treasury, obligations of New York State or its localities, demand accounts and certificates of deposit. Custodial risk is the risk that in the event of a failure of a depository financial institution, CCIDA may not recover its deposits. Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations to the United States and its agencies and obligations of the State and its municipalities and school districts. Total financial institution balances at December 31, 2015 and 2014 amounted to \$432,119 and \$491,219, respectively. Insured and collateralized balances at December 31, 2015 and 2014 amounted to \$432,119 and \$491,219, respectively.

Grant/Fee Receivable

Grant/fee receivable consist of fees for service revenue and grant revenue. Management believes all is collectible.

NOTE 6 LITIGATION

Per legal counsel, the CCIDA has been notified by the NYS Department of Environmental Conservation that certain land of the New York Western and Susquehanna Railway Corporation (the "Corporation") located in the City of Norwich may be the source of environmental contamination that is possibly posing a health risk to surrounding properties. Under the written lease agreement between CCIDA and the Corporation, the Corporation is required to defend, indemnify, save and hold harmless CCIDA from and against any and all suits, claims, judgments, damages arising out of the same. The Corporation is aware of the situation and has acknowledged its obligation to defend and indemnify CCIDA.

NOTE 7 ADMINISTRATIVE AND SERVICE AGREEMENT

On January 1, 2013, CCIDA entered into an agreement with the Development Chenango Corporation (DCC) and the Chenango County Chamber of Commerce (the "Chamber") to pay for administrative and support services. The Chamber is providing services to both CCIDA and DCC. CCIDA is required to pay DCC \$5,833 a month to cover their share of the services provided. Under this agreement CCIDA paid \$70,000 for the years ended December 31, 2015 and 2014.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2015

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NOTE 8 IMPAIRMENT LOSS

CCIDA recorded an impairment loss of \$214,248 during the year ended December 31, 2014 relating to the industrial incubator building. An appraisal of this property was performed on September 16, 2014 which indicated that the estimated market value of this property was \$550,000. CCIDA recorded the impairment loss to bring the book value in line with the estimated market value.

NOTE 9 UNEARNED REVENUE

CCIDA had unearned revenue of \$142,863 as of December 31, 2015 for the County of Chenango's share of the railroad revitalization project that had not yet been used for expenses for this project.

\* \* \* \* \*

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

Year ended December 31, 2015

<u>Purchaser</u>	<u>Issue</u>	<u>Issue Date</u>	<u>Price</u>	<u>Rate</u>	<u>Balance</u>	<u>Due Date</u>
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Nothing to report in 2015

See auditors' report.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF OUTSTANDING SALE AND LEASE AGREEMENTS

Year ended December 31, 2015

Project Owner Project Owner Address	Purpose	Sales Tax Exemptions		Tax Exemptions Real Property Tax	
		State	Local	County	Local
Bytheway Typesetting Services, Inc. 111 County Road 45 Norwich, NY 13815	Manufacturing	\$ -	\$ -	\$ 4,239	\$ 1,068
Tecnofil Chenango, SA 40 South Main Street Sherburne, NY 13460	Manufacturing	-	-	17,563	9,348
Who's We, LLC 19 Eaton Avenue Norwich, NY 13815	Service	-	-	18,292	23,941
NY Susquehanna & Western One Railroad Avenue Cooperstown, NY 13326	Transportation Service	-	-	13,952	9,360
Norwich Pharmaceuticals, Inc. 6826 State Highway 12 Norwich, NY 13815	Manufacturing	-	-	173,543	43,713
Chobani, Inc. - Phase II 111 County Rd 45 Norwich, NY 13815	Manufacturing	-	-	229,514	130,054
Chobani, Inc. - Phase III 111 County Rd 45 Norwich, NY 13815	Manufacturing	-	-	-	-
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 457,103</u>	<u>\$ 217,484</u>

See auditors' report.

School	Mortgage Recording	Total Exemptions	Payment in Lieu of Taxes			
			County	Local	School	Total
\$ 8,689	\$ -	\$ 13,996	\$ 1,696	\$ 427	\$ 3,476	\$ 5,599
29,125	-	56,037	8,782	4,687	14,563	28,032
34,394	-	76,628	13,719	17,956	29,519	61,194
26,992	-	50,304	-	-	-	-
287,094	195,000	699,350	86,792	21,856	143,527	252,175
332,519	-	692,086	46,881	26,565	67,921	141,367
-	-	-	-	-	-	-
<u>\$ 718,813</u>	<u>\$ 195,000</u>	<u>\$ 1,588,400</u>	<u>\$ 157,870</u>	<u>\$ 71,491</u>	<u>\$ 259,006</u>	<u>\$ 488,367</u>

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

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

Year ended December 31, 2015

	<u># of FTE Employees at Project Location before IDA Status</u>	<u>Original Estimate of Jobs to be Created</u>	<u>Original Estimate of Jobs to be Retained</u>
Project Owner:			
Bytheway Typesetting Services, Inc.	17	2	17
Tecnofil Chenango, SA	0	24	0
Who's We, LLC	7	60	7
NY Susquehanna & Western	72	0	72
Norwich Pharmaceuticals, Inc.	202	0	202
Chobani, Inc. Phase II	250	100	250
Chobani, Inc. Phase III	<u>823</u>	<u>106</u>	<u>823</u>
	<u><u>1,371</u></u>	<u><u>292</u></u>	<u><u>1,371</u></u>

See auditors' report.

<u>Reported by firm in 2014</u>	<u># of Current FTE Employees</u>	<u># of FTE Jobs Created During Fiscal Year</u>	<u># of FTE Jobs Retained During Fiscal Year</u>
0	2	2	0
24	28	4	0
6	5	0	5
72	120	0	72
364	298	0	202
253	280	27	250
<u>835</u>	<u>854</u>	<u>19</u>	<u>823</u>
<u><u>1,554</u></u>	<u><u>1,587</u></u>	<u><u>52</u></u>	<u><u>1,352</u></u>



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Deborah L. Mostert, CPA  
Anthony T. Manzanero, CPA  
Dennis J. Scott, CPA

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*

Board of Directors  
County of Chenango Industrial Development Agency  
Norwich, 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 County of Chenango Industrial Development Agency ("CCIDA") which comprise of the statements of net position as of and for the year ended December 31, 2015, and the related statements of revenues, expenses and changes in net position, and statements of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CCIDA'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 CCIDA's internal control. Accordingly, we do not express an opinion on the effectiveness of CCIDA'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 CCIDA'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 CCIDA'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 CCIDA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCIDA'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 the County of Chenango Industrial Development Agency audit committee, management, the 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  
March 24, 2016

A handwritten signature in black ink that reads "Mistert, Manzanero & Scott, LLP". The signature is written in a cursive, flowing style.

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**MOSTERT, MANZANERO & SCOTT, LLP**

*Certified Public Accountants*

Deborah L. Mostert, CPA  
Anthony T. Manzanero, CPA  
Dennis J. Scott, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH INVESTMENT GUIDELINES FOR PUBLIC AUTHORITIES**

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

We have examined the County of Chenango Industrial Development Agency ("CCIDA"), a component unit of Chenango County, New York compliance with Section 2925(3) of the New York State Public Authorities Law and Part 201 of Title Two of the New York Code of Rules and Regulations during the year ended December 31, 2015. Management is responsible for CCIDA's compliance with those requirements. Our responsibility is to express an opinion on CCIDA's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagement contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting CCIDA's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on CCIDA's compliance with specific requirements.

In our opinion, CCIDA complied in all material respects, with the aforementioned requirements during the year ended December 31, 2015.

This report is intended solely for the information and use of the Board of Directors, management, and certain New York State Departments and Agencies. It is not intended to be and should not be used by anyone other than those specified parties.

*Mostert, Manzanero & Scott, LLP*

Oneonta, New York  
March 24, 2016

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