

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

FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

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 financial statements of County of Chenango Industrial Development Agency (CCIDA), a component unit of Chenango County, New York, which comprise of the statements of net position as of December 31, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 audits 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCIDA as of December 31, 2017 and 2016, and the changes in financial position 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 and Analysis on Pages 3 – 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the 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 20 – 22 in the other financial information section and the additional report on Page 25 are presented for purposes of additional analysis and are not a required part of the financial statements, but is supplemental information that is required by the Office of the New York State Comptroller. The schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 in accordance 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 21, 2018 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.

Mistert, Manzanero & Scott, LLP

Oneonta, New York
March 21, 2018

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017, as compared to 2016, 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 \$49,210 for the fiscal year 2017, compared to \$81,736 for the fiscal year 2016. This represents a decrease in revenue of \$22,198 and an increase in expenses of \$10,328. The revenue increase was mainly caused by a decrease of \$33,739 in rental income and an increase of \$11,541 in project fees, offset by an increase of professional fees of \$3,194 and other project fees of \$6,329 and administrative and support fees of \$3,837. At the close of fiscal year 2017, CCIDA had a net position of \$1,614,363 an increase of \$48,701 from the prior year. The term "net position" refers to the difference between assets and liabilities.

OVERVIEW OF 2017 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. (Stone) 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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 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. (Frontier) from New Stanton, Pennsylvania. Harvey Stone of Stone Consulting & Design, Inc. 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 CCIDA board accepted this bid on January 20, 2016. The contract documents were executed on January 29, 2016.

Frontier began construction in March 2016 and completed work on December 8, 2016, at which point responsibility for track management was return to NYSW. Frontier's work included 8,378 ties replaced, 425 tie plates replaced, 32 washouts repaired, 3 crossings rebuilt, 36 bridges repair or re-decked, 6,767 loose joints tightened, 4,546 new bolt setts installed, 4,890 feet of ditching completed, 16,905 fee of track surfaced, and 1,675 tons of ballast placed.

In total, \$5,381,298 was spent on the project, with the remaining \$516,211 allocated to crossing work, administration, and miscellaneous expenses. NYSW is responsible for the replacement of electrical components at all crossings, which is currently the only remaining portion of the project. NYSW anticipates a June 2018 completion date.

Chobani, Inc. Projects

Throughout 2016, 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 1,098 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. Chobani requested a sales tax exemption for construction material purchases. CCIDA voted to grant the 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, Chobani 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.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Phase III (over \$100 Million) In early 2012, Chobani 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 foot 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 foot 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.

Chobani indicated that 106 new jobs would be added by this investment. They requested a sales tax exemption on construction materials and a PILOT abatement for this new investment. Estimated benefits to Chobani 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 Chobani in 2013. The 10-year PILOT period began in 2014.

Norwich Pharmaceuticals, Inc. Payment in Lieu of Tax Agreement

A PILOT agreement with North Pharmaceuticals, Inc. starting in 2007 expired on March 1, 2017. In anticipation of this, Norwich Pharmaceuticals, Inc. applied for a renewed PILOT in September 2016. They initially requested a ten year graduated tax exemption beginning at 95% in year one and 5% in year ten. This was later adjusted to 50% annually in a second request sent February 3, 2017.

On February 28, 2017 the ten year PILOT extension was signed. The agreement commences March 1, 2017 and terminates March 1, 2027.

On October 27, 2016, a public hearing was held regarding the assignment of the 2007 PILOT agreement and lease interest to AGNL RX, LLC. A resolution was subsequently reached affirming this assignment. On December 31, 2016, Norwich Pharmaceuticals, Inc. entered into a sale-leaseback with AGNL RX, LLC for its manufacturing facility.

A partial mortgage recording tax abatement was granted by resolution on March 21, 2017. The abatement reduces AGNL RX, LLC's mortgage recording on a \$17,350,000 property from \$130,125 to \$65,075.

L.A. Najarian, Inc. Payment in Lieu of Tax Agreement

A ten year PILOT agreement with Simaar USA Corp. was entered into on April 1, 2016. The PILOT enabled the company to acquire and install equipment at a 10,000 square foot manufacturing facility in Greene, NY. The company manufactures narrow fabrics and specialty ribbons. On October 18, 2017 this PILOT agreement was amended to transfer responsibility for the calculation and billing of PILOT payments to the Chenango County Real Property Tax Department.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cascun Farm

The IDA helped facilitate the expansion and growth of Cascun Farm by purchasing a 7,900 sq. ft. processing facility in Bainbridge, NY for the amount of taxes owed, and subsequently leasing this building to the business. The property was purchased from Chenango County in September 2016 for \$47,294. On February 1, 2017, the IDA entered into a lease agreement with On the Rail Processing.

Use of the facility will enable Cascun Farm to expand in order to meet demand, become USDA-inspected, and ultimately create a slaughtering facility. The purchased of the property by the IDA allows the Cascuns to invest in the renovations and equipment necessary to meet those requirements. The project anticipates the retention of six, and creation of four, full time jobs by project end.

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, 2017 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.

FINANCIAL STATEMENTS

The 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.

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.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$1,614,363 at the close of the fiscal year 2017. This represents an increase of .9% over the previous year. At the close of the fiscal year 2016, assets exceeded liabilities by \$1,565,662. This represents an increase of 4.7% over the 2015 year.

At December 31, 2017, the larger portion of CCIDA's net position reflects cash or cash equivalents and grants receivable. As of December 31, 2017, current assets in the amount of \$908,159 represent a decrease of 26.0% from the previous year. As of December 31, 2016, current assets in the amount of \$1,229,177 represent an increase of 40.0% from the 2015 year.

The following is a 2017 – 2015 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 POSITION	<u>2017</u>	<u>Increase/ (Decrease) Prior Year</u>	<u>2016</u>	<u>Increase/ (Decrease) Prior Year</u>	<u>2015</u>
Current assets	\$ 908,159	\$ (321,018)	\$ 1,229,177	\$ 351,273	\$ 877,904
Non-current assets	<u>746,763</u>	<u>(35,138)</u>	<u>781,901</u>	<u>20,610</u>	<u>761,291</u>
Total assets	<u>1,654,922</u>	<u>(356,156)</u>	<u>2,011,078</u>	<u>371,883</u>	<u>1,639,195</u>
Current liabilities	10,437	(400,821)	411,258	409,220	2,038
Deferred inflows of revenue	<u>30,122</u>	<u>(4,036)</u>	<u>34,158</u>	<u>(108,705)</u>	<u>142,863</u>
Total liabilities	<u>40,559</u>	<u>(404,857)</u>	<u>445,416</u>	<u>300,515</u>	<u>144,901</u>
Investment in capital assets, Net of related debt	707,923	(26,684)	734,607	(26,684)	761,291
Restricted	167,729	(375,925)	543,654	538,654	5,000
Unrestricted	<u>738,711</u>	<u>451,310</u>	<u>287,401</u>	<u>(440,602)</u>	<u>728,003</u>
Total net position	<u>\$ 1,614,363</u>	<u>\$ 48,701</u>	<u>\$ 1,565,662</u>	<u>\$ 71,368</u>	<u>\$ 1,494,294</u>
CHANGES IN NET POSITION					
Operating revenues	\$ 188,804	\$ (22,198)	\$ 211,002	\$ 3,965	\$ 207,037
Operating expenses	<u>139,594</u>	<u>10,328</u>	<u>129,266</u>	<u>(6,588)</u>	<u>135,854</u>
Operating income (loss)	49,210	(32,526)	81,736	10,553	71,183
Non-operating income (expense)	<u>(509)</u>	<u>9,859</u>	<u>(10,368)</u>	<u>(1,945)</u>	<u>(8,423)</u>
Change in net position	48,701	(22,667)	71,368	8,608	62,760
Net position – Beginning of year	<u>1,565,622</u>	<u>71,368</u>	<u>1,494,294</u>	<u>62,760</u>	<u>1,431,534</u>
Net position – End of year	<u>\$ 1,614,363</u>	<u>\$ 48,701</u>	<u>\$ 1,565,662</u>	<u>\$ 71,368</u>	<u>\$ 1,494,294</u>

Economic Factors

CCIDA is not aware of any economic factors or conditions that have changed since December 31, 2017 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, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 731,655	\$ 681,251
Restricted cash	30,122	34,158
Grants/fees receivable	137,607	509,496
Prepaid expenses	4,152	4,272
Capital lease receivable - Current portion	4,623	-
Total current assets	<u>908,159</u>	<u>1,229,177</u>
Noncurrent Assets:		
Capital lease receivable - Noncurrent portion	38,840	-
Property for sale/lease	-	47,294
Capital assets, net	<u>707,923</u>	<u>734,607</u>
Total noncurrent assets	<u>746,763</u>	<u>781,901</u>
Total assets	<u>1,654,922</u>	<u>2,011,078</u>
 <u>LIABILITIES AND NET POSITION</u>		
Liabilities:		
Accounts payable	<u>10,437</u>	<u>411,258</u>
Total liabilities	<u>10,437</u>	<u>411,258</u>
Deferred inflows of resources:		
Unearned revenue	<u>30,122</u>	<u>34,158</u>
Net position:		
Investment in capital assets, net of related debt	707,923	734,607
Restricted	167,729	543,654
Unrestricted	<u>738,711</u>	<u>287,401</u>
Total net position	<u>\$ 1,614,363</u>	<u>\$ 1,565,662</u>

See accompanying notes.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Rental of real property	\$ 142,050	\$ 175,789
Project fees	46,754	35,213
Total operating revenues	<u>188,804</u>	<u>211,002</u>
Operating expenses:		
Administrative and support fees	75,000	71,163
Advertising and marketing expense	124	1,770
Depreciation	26,684	26,684
Repairs and maintenance	8,176	9,254
Other project fees	6,954	625
Legal and professional fees	9,538	6,344
Insurance	7,156	8,267
PILOT	2,305	3,322
Office and miscellaneous expense	1,277	1,067
Travel and training	553	302
Rental expense	1,827	468
Total operating expenses	<u>139,594</u>	<u>129,266</u>
Net operating income	<u>49,210</u>	<u>81,736</u>
Non-operating revenue and expense:		
Investment return	310	66
Grant income	67,462	5,024,835
Grant expense	(68,281)	(5,035,269)
Total non-operating revenue and expense	<u>(509)</u>	<u>(10,368)</u>
Change in net position	48,701	71,368
Net position - Beginning of year	<u>1,565,662</u>	<u>1,494,294</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,614,363</u></u>	<u><u>\$ 1,565,662</u></u>

See accompanying notes.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Receipts from rents and fees	\$ 188,804	\$ 211,002
Receipts from other sources	3,831	-
Payments for suppliers and services	(112,790)	(102,582)
NET CASH PROVIDED BY OPERATING ACTIVITIES	79,845	108,420
Cash flows from non-capital financing activities:		
Purchase of property	-	(47,294)
Net grants received (expended)	(33,787)	222,656
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	(33,787)	175,362
Cash flows from investing activities:		
Interest and earnings	310	66
NET CASH PROVIDED BY INVESTING ACTIVITIES	310	66
NET INCREASE IN CASH	46,368	283,848
Cash - Beginning of year	715,409	431,561
Cash - End of year	\$ 761,777	\$ 715,409
Reconciliation of net operating income to net cash provided by operating activities:		
Net operating income	\$ 49,210	\$ 81,736
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	26,684	26,684
(Increase) decrease in accounts receivable	3,831	-
(Increase) decrease in prepaid expenses	120	925
Increase (decrease) in accounts payable and commitments	-	(925)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 79,845	\$ 108,420

See accompanying notes.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2017

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, encourage plant modernization, create job opportunities for the citizens of the County, and promote commerce and industry. CCIDA is authorized to encourage and assist in acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, research and recreation facilities, education or cultural, railroad, 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 expenses and to fund continuing operations.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2017

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.

Capital 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, 2017 and 2016.

Unearned Revenue

Unearned revenue arises when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by CCIDA before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when CCIDA has legal claim to resources, the liability for unearned revenue is removed and revenues is recognized.

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. Restricted net position consisted of unspent funds for the Railroad Revitalization Project of \$167,729 and \$543,654 as of December 31, 2017 and 2016, respectively. 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, 2017

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.

Income Taxes

CCIDA is a quasi-governmental organization. CCIDA is not subject to federal or state income taxes, nor is it required to file federal or state income tax returns, therefore, no provisions for income taxes is reflected in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (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 21, 2018 which is the date the financial statements were available to be issued.

NOTE 3 CAPITAL LEASE

CCIDA purchased property in Bainbridge, New York in September 2016 for \$47,294, the amount of delinquent taxes due to Chenango County through 2016. Starting in February 2017, this property is being leased to a business for a 10-year period for \$407 a month with an option to purchase the property from CCIDA at the end of the lease term for \$1.

Future minimum lease payments to be received as of December 31, 2017 are as follows:

2018	\$ 4,623
2019	4,652
2020	4,680
2021	4,709
Thereafter	<u>24,799</u>
Total	<u>\$ 43,463</u>

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 4 CAPITAL ASSETS AND LAND HELD FOR DEVELOPMENT AND SALE

Activity related to capital assets as of December 31, consisted of the following:

	<u>2017</u> <u>Balance</u>	<u>2016</u> <u>Balance</u>
Land – Earl B. Clark Park	\$ 238,000	\$ 238,000
Depreciated asset:		
Incubator building	<u>984,748</u>	<u>984,748</u>
Subtotal	1,222,748	1,222,748
Less: Accumulated depreciation	<u>514,825</u>	<u>488,141</u>
Capital assets, net	<u>\$ 707,923</u>	<u>\$ 734,607</u>

NOTE 5 UNEARNED REVENUE

CCIDA had unearned revenue of \$30,122 and \$34,158 as of December 31, 2017 and 2016, respectively, for the local share of the Railroad Revitalization Project that had not yet been used for expenses for this project.

NOTE 6 GRANT REVENUE

Significant grant revenue was recognized and included the following amounts at December 31:

	<u>2017</u>	<u>2016</u>
Railroad Revitalization Project:		
EDA	\$ 54,501	\$ 4,026,642
NYS DOT	8,925	696,162
Other local services	<u>4,036</u>	<u>302,031</u>
Total grant revenue	<u>\$ 67,462</u>	<u>\$ 5,024,835</u>

These amounts were recognized as non-operating revenue.

NOTE 7 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.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 7 COMMITMENTS AND CONTINGENCIES (Cont'd.)

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.

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, 2017 and 2016, rent expense for the industrial incubator building amounted to \$1,351 and \$-0-, respectively. The annual payment was not made in 2016, this payment was made in 2017. 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:

2018	\$ 696
2019	711
2020	726
2021	741
Thereafter	<u>111,947</u>
Total	<u>\$ 114,821</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, 2017 and 2016, rent expense for the subleased property amounted to \$476 and \$468, 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:

2018	\$ 484
2019	492
2020	501
2021	509
Thereafter	<u>72,073</u>
Total	<u>\$ 74,059</u>

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 7 COMMITMENTS AND CONTINGENCIES (Cont'd.)

Lease Agreements

During February 2012, CCIDA signed a five 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 \$135,874 for 2017 and \$169,133 for 2016. This lease was renewed for an additional six month period of March 1, 2017 through August 31, 2017. Rent for this renewal period was \$11,165 per month (\$7.70 per square foot). This lease was extended again from September 2017 through February 2018 with a monthly payment of \$10,150. Future monthly lease payment is \$20,300 for 2018.

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 8 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 to provide sufficient funds 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, 2017

NOTE 9 FINANCIAL INSTRUMENTS WITH CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

State statutes govern CCIDA's investment policies. CCIDA monies must be deposited in Federal Deposit Insurance Corporation (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 FDIC. 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, 2017 and 2016 amounted to \$768,844 and \$715,409, respectively. These balances were fully insured and collateralized at December 31, 2017 and 2016.

Grant/Fee Receivable

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

NOTE 10 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 11 RELATED PARTY AND ADMINISTRATIVE AND SERVICE AGREEMENT

On January 1, 2013, CCIDA entered into an agreement with the Development Chenango Corporation (DCC) and Commerce Chenango (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 \$6,250 per month for the year ended December 31, 2017 and \$5,833 per month for the year ended December 31, 2016. This covers their share of the services provided. Under this agreement CCIDA paid \$75,000 and \$70,000 for the years ended December 31, 2017 and 2016, respectively.

The son of the president of CCIDA is employed by the Chamber as Economic Coordinator.

Two board members of CCIDA are also members of the Chenango County legislature.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 12 RESTRICTED CASH

Restricted cash of \$30,122 and \$34,158 as of December 31, 2017 and 2016, respectively consisted of grant money received from local sources for the Railroad Revitalization Project that had not been paid out for expenses for this project.

NOTE 13 PRIOR PERIOD ADJUSTMENT

An adjustment in the amount of \$34,158 is shown on the statement of revenues, expenses and changes in net position as of December 31, 2016 to increase unearned revenue related to the local share of revenue for the railroad revitalization project.

* * * * *

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

Year ended December 31, 2017

<u>Purchaser</u>	<u>Issuee</u>	<u>Issue Date</u>	<u>Price</u>	<u>Rate</u>	<u>Balance</u>	<u>Due Date</u>
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No activity to report in 2017.

See auditors' report.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF OUTSTANDING SALE AND LEASE AGREEMENTS

Year ended December 31, 2017

Project Owner Project Owner Address	Purpose	Tax Exemptions			
		Sales Tax Exemptions		Real Property Tax	
		State	Local	County	Local
On the Rail Processing, Inc. 62 Genesee Street Greene, NY 13778	* Manufacturing	\$ -	\$ -	\$ -	\$ -
Bytheway Typesetting Services, Inc. 111 County Road 45 Norwich, NY 13815	Manufacturing	-	-	-	-
L.A. Najarian, Inc. 17 Willard Street, Box 614 Greene, NY 13778	Manufacturing	-	-	1,986	1,153
Tecnofil Chenango, SA 40 South Main Street Sherburne, NY 13460	Manufacturing	-	-	-	-
Who's We, LLC 19 Eaton Avenue Norwich, NY 13815	Service	-	-	19,396	25,209
NY Susquehanna & Western One Railroad Avenue Cooperstown, NY 13326	Transportation Service	-	-	14,551	9,684
AGNL RX, LLC. & Norwich Pharmaceuticals, Inc. 6826 State Highway 12 Norwich, NY 13815	** Manufacturing	-	-	183,242	50,893
Chobani, Inc. - Phase II 111 County Rd 45 Norwich, NY 13815	Manufacturing	-	-	238,274	126,872
Chobani, Inc. - Phase III 111 County Rd 45 Norwich, NY 13815	Manufacturing	-	-	-	-
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 457,449</u>	<u>\$ 213,811</u>

*Pilot does not start until 2018

**AGNI , RX LLC is leasing property to Norwich Parmaceuticals

See auditors' report.

School	Mortgage Recording	Total Exemptions	Payment in Lieu of Taxes			
			County	Local	School	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	1,721	478	3,447	5,646
2,595	-	5,734	-	-	260	260
-	-	-	8,805	4,761	14,554	28,120
35,262	-	79,867	18,424	23,949	33,583	75,956
27,357	-	51,592	-	-	-	-
303,731	65,075	602,941	91,626	25,447	151,866	268,939
342,356	-	707,502	96,325	51,290	138,402	286,017
-	-	-	-	-	-	-
<u>\$ 711,301</u>	<u>\$ 65,075</u>	<u>\$ 1,447,636</u>	<u>\$ 216,901</u>	<u>\$ 105,925</u>	<u>\$ 342,112</u>	<u>\$ 664,938</u>

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

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

Year ended December 31, 2017

	<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:			
On the Rail Processing, Inc.	6	4	0
Bytheway Typesetting Services, Inc.	17	2	17
L.A. Najarian, Inc	6	6	6
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>1,383</u>	<u>302</u>	<u>1,377</u>

See auditors' report.

Reported by firm in 2016	# of Current FTE Employees	# of FTE Jobs Created During Fiscal Year	# of FTE Jobs Retained During Fiscal Year
0	5	0	0
0	0	0	0
13	14	1	6
0	0	0	0
6	5	0	5
84	79	0	72
272	308	36	202
251	250	0	250
<u>847</u>	<u>825</u>	<u>0</u>	<u>823</u>
<u><u>1,473</u></u>	<u><u>1,486</u></u>	<u><u>37</u></u>	<u><u>1,358</u></u>

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Deborah L. Mostert, CPA
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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 December 31, 2017 and the related statements of revenues, expenses and changes in net position and cash flows for the year ended and the related notes to the financial statements, which collectively comprise CCIDA's financial statements, and have issued our report thereon dated March 21, 2018.

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 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency: 2017 – 1.

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*.

County of Chenango Industrial Development Agency's Response to Findings

CCIDA's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. CCIDA's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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.

Oneonta, New York
March 21, 2018

Mistert, Manzanero & Scott, LLP

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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's (CCIDA), a component unit of Chenango County, New York compliance with its own investment policies, applicable laws and regulations related to investments, and New York State Office of the State Comptroller Investment Guidelines for Public Authorities for the year ended December 31, 2017. 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, 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, 2017.

This report is intended solely for the information and use of the Board of Directors and management of CCIDA, 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 21, 2018

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2017

SIGNIFICANT DEFICIENCY

2017 – 1 Accounting for Grant Revenue and Receivables

Condition: Adjusting journal entries had to be made for unrecorded accounts receivable for New York State Department of Transportation (NYSDOT) and the U.S. Economic Development Agency (EDA) grant activity related to the railroad project for the current year.

Criteria: To ensure proper reporting of grant revenue, all grant activity needs to be recorded in a timely manner.

Effect: Lack of controls over grant reporting can lead to inaccurate reporting of income and assets in the financial statements.

Recommendation: We recommend that CCIDA review its current procedures for accounting for grants and revise and implement procedures to accurately report grant activity. For reimbursement grants, a receivable should be recorded for grant expense CCIDA has incurred but has not yet received reimbursement.

Management

Response: The CCIDA will prepare a more comprehensive overview of grant accounting for new employees and contractors. Due to an oversight in communication between the CCIDA and new personnel performing finance operations as contracted services, the eventual reimbursement of grant expenses was not accounted for as part of grant activity.

COUNTY OF CHENANGO INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended December 31, 2017

2016 – 1	<u>Accounting for Grant Revenue and Receivables</u>
Condition:	Adjusting journal entries had to be made for unrecorded accounts receivable for New York State Department of Transportation (NYSDOT) and the U.S. Economic Development Agency (EDA) grant activity related to the railroad project for the current year.
Criteria:	To ensure proper reporting of grant revenue, all grant activity needs to be recorded in a timely manner.
Effect:	Lack of controls over grant reporting can lead to inaccurate reporting of income and assets in the financial statements.
Recommendation:	We recommend that CCIDA review its current procedures for accounting for grants and revise and implement procedures to accurately report grant activity. For reimbursement grants, a receivable should be recorded for grant expense CCIDA had incurred but had not yet received reimbursement.
Management Response:	CCIDA's management accepts the auditors' recommendations and will work with the contract firm to correct grant accounting procedures.
2016 – 2	<u>Purchase of Property for Sale/Lease</u>
Condition:	An adjusting journal entry had to be made to reclassify amounts paid for purchase of a piece of property from the County as an asset. The purchase price was posted into an expense account.
Criteria:	To ensure accurate reporting of assets acquired by CCIDA.
Effect:	Lack of controls over recording assets can lead to inaccurate reporting of expenses and assets in the financial statements.
Recommendation:	We recommend that CCIDA review its current procedures for recording the purchase of assets. Procedures should be implemented to ensure the proper recording of assets.
Management Response:	CCIDA's management accepts the auditors' recommendations and will work with the contract firm to correct asset recording procedures.