

**CORTLAND COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

Cortland, New York

FINANCIAL REPORT

**For the Year Ended
December 31, 2020**



CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the Cortland County Industrial Development Agency (the Agency), a component unit of the County of Cortland, New York, and its discretely presented component unit as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cortland County Industrial Development Agency and its discretely presented component unit as of December 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-4c be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Schedule of Projects is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Projects is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Projects is fairly stated in all material respects in relation to the basic 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 8, 2021, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Inero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 8, 2021

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020

The Cortland County Industrial Development Agency (the Agency), a component unit of Cortland County, New York, was created in 1974 to encourage economic growth in Cortland County.

Mission: The Cortland County Industrial Development Agency was created to promote the prosperity of its residents through the creation of jobs (new or retained), recreational, and economic opportunities in Cortland County. The Agency will achieve these goals through the use of various tax incentives provided by the Agency, which shall be proportional to jobs, economic activity projected, or opportunities provided to the citizens (stakeholders) of Cortland County.

The following Management's Discussion and Analysis (MD&A) provides a comprehensive overview of the Agency's financial position as of December 31, 2020, and the result of its operations for the year then ended. Management has prepared the financial statements and related footnote disclosures along with this MD&A. The MD&A should be read in conjunction with the audited financial statements and related footnotes of the Agency, which directly follow the MD&A.

FINANCIAL HIGHLIGHTS

- Total revenue exceeded total expenses by \$38,452 in 2020, as compared to an excess of revenue over expenses of \$220,429 in 2019.
- Total revenue of \$97,342 in 2020 decreased from revenue of \$313,310 in 2019, primarily due to one-time large project fees that were received in 2019.
- Total expenses of \$58,890 in 2020 decreased from \$92,881 in 2019, primarily as a result of a one-time project related expense in 2019.
- Net position for the year ended December 31, 2020 amounted to \$927,214, reflecting an increase of \$38,452 from net position of \$888,762 at December 31, 2019.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The financial statements of the Cortland County Industrial Development Agency have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, a Statement of Cash Flows, and accompanying notes. These statements provide information on the financial position of the Agency and the financial activity and results of its operations during the year. Also included in these statements is the component unit of the Agency. The Agency includes one separate legal entity in its report: the Cortland County Agricultural Local Development Corporation. This component unit is reported discretely. Although legally separate, this component unit is important because the Agency is financially accountable for it and shares the same Board of Directors. The component unit does not prepare financial statements. However, financial information for the Cortland County Agricultural Local Development Corporation can be obtained from the Agency's administrative office at 40 Main St., Cortland, New York 13045. A description of the Agency's financial statements follows:

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020

- **The Statement of Net Position** presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the Agency is improving or deteriorating.
- **The Statement of Revenues, Expenses, and Changes in Net Position** presents information showing the change in the Agency's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses reported in this statement include all items that will result in cash received or disbursed in future fiscal periods.
- **The Statement of Cash Flows** provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used from operating, non-capital financing, capital financing, and investing activities.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the Agency's activities.

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Agency</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019 - 2020</i>
<i>Current Assets:</i>			
<i>Cash - Unrestricted</i>	\$ 126,418	\$ 103,924	\$ (22,494)
<i>Investments - Unrestricted</i>	603,042	610,690	7,648
<i>Prepaid Expenses</i>	1,078	1,077	(1)
<i>Noncurrent Assets:</i>			
<i>Capital Assets</i>	-	3,644	3,644
<i>Investments in Property</i>	372,653	301,653	(71,000)
<i>Total Assets</i>	1,103,191	1,020,988	(82,203)
<i>Current Liabilities:</i>			
<i>Accounts Payable</i>	357	1,939	1,582
<i>Due to BDC</i>	214,072	91,835	(122,237)
<i>Total Liabilities</i>	214,429	93,774	(120,655)
<i>Unrestricted</i>	888,762	927,214	38,452
<i>Total Net Position</i>	\$ 888,762	\$ 927,214	\$ 38,452

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020

Unrestricted cash decreased \$22,494 from the prior year as a result of operations. Unrestricted investments increased \$7,648 as a result of interest on the Certificates of Deposit the Agency owns. The decrease in investments in property and amounts due to BDC are primarily the result of the current year sale of the Route 11 Property. See Note 7 for additional information regarding the sale of property and forgiveness of the liability.

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

Figure 2

<i>Changes in Net Position</i>	<i>Agency</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019 - 2020</i>
<i>Operating Revenues:</i>			
<i>Fee Income</i>	\$ 296,405	\$ 19,409	\$ (276,996)
<i>Lease Income</i>	13,841	16,333	2,492
<i>Other Income</i>		2,700	2,700
<i>Non-Operating Revenues:</i>			
<i>Interest and Earnings and Other Income</i>	3,064	58,900	55,836
<i>Total Revenues</i>	313,310	97,342	(215,968)
<i>Operating Expenses:</i>			
<i>Professional and Administrative Expenses</i>	41,644	58,890	(17,246)
<i>Non-Operating Expenses:</i>			
<i>Project Expense - Community Share</i>	51,237		51,237
<i>Total Expenses</i>	92,881	58,890	33,991
<i>INCREASE IN NET POSITION</i>	\$ 220,429	\$ 38,452	\$ (181,977)

Total revenues of the Agency decreased \$215,968, primarily due to a large project development fee received in 2019 for solar projects. Non-operating revenues is represented by interest and the discharge of the remainder of the \$122,237 owed the BDC. Total expenses of the Agency decreased \$33,991. The decrease in expenses stems from less Project Expense, offset by higher professional expenses and other expenses related to COVID-19 operational changes.

The Cortland County Agriculture Local Development Corporation had \$3,186 in restricted cash and net position at December 31, 2020, compared to \$3,632 in the prior year. The decrease was primarily the result of professional and administrative expenses of \$682, offset by interest and earnings of \$2 and the timing of accounts payable.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020

FACTORS BEARING ON THE AGENCY'S FUTURE

Downtown Investment

Planning and design activities continue for the reconstruction of Main Street and related projects in downtown Cortland as proposed under the city's \$10 million Downtown Revitalization Initiative (DRI) grant. Actual construction for Main Street will begin in 2022 (set back due to the pandemic), but the agency and partners will be participating in the development of public information and branding campaigns in advance of that work throughout 2021. The agency and its partners continue to play an important role in refining the scope of the project as it moves forward.

Other significant investments outside of the DRI continues in and near the downtown district. These projects play an important role in the ongoing work to revitalize the district.

APEX

The former APEX manufacturing site on the city's east end was mothballed in 2017 after operations ceased there. The CCIDA has been notified that the facility has been sold to an out-of-town interest, which is now performing remediation. The site has been identified as a priority brownfield site and may be a candidate for outside funding in support of redevelopment efforts. A major hurdle at the site is ongoing concern about the cost of razing the entire existing structures there as well as the cost of any potential environmental remediation.

Buckbee Mears Development Site

The IDA continues to work with the property owner to market the site for productive re-use. At 200,000 square-feet sitting directly on rail and properly zoned, the facility is unlike any other in the region. Interest was strong in 2020 and we expect that to continue throughout the year as the pandemic eases and companies may look more favorably on expansion/capital investment.

Solar Development

The agency has incentivized seven solar projects of varying sizes over the past year, with a sole remaining project in the pipeline to date a proposed 90MW facility across various locations in the towns of Homer, Cortlandville, and Solon. Developers have already secured a power contract with the state of New York and are currently seeking siting permits from the state, as well. The IDA expects to have involvement with the project upon the granting of state permits and a request from the company for tax abatements and other incentives. This may, or may not, occur before the end of the year.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Agency's clients, investors, and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cortland County Industrial Development Agency, 40 Main St., Cortland, New York 13045.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET POSITION DECEMBER 31, 2020

	<u>Primary Government</u>	<u>Cortland County Agricultural Local Development Corporation</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents - Unrestricted	\$ 103,924	\$
Cash and Cash Equivalents - Restricted		3,186
Investments - Unrestricted	610,690	
Prepaid Expenses	1,077	
Total Current Assets	<u>715,691</u>	<u>3,186</u>
Noncurrent Assets		
Capital Assets, Net	3,644	-
Investments in Property	301,653	-
Total Noncurrent Assets	<u>305,297</u>	<u>-</u>
Total Assets	<u>1,020,988</u>	<u>3,186</u>
LIABILITIES		
Accounts Payable	1,939	234
Due to BDC	91,835	
Total Liabilities	<u>93,774</u>	<u>234</u>
NET POSITION		
Restricted		2,952
Unrestricted	927,214	
Total Net Position	<u>\$ 927,214</u>	<u>\$ 2,952</u>

See Notes to Financial Statements

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2020

	Primary Government	Cortland County Agricultural Local Development Corporation
Operating Revenues		
Fee Income	\$ 19,409	\$
Lease Income	16,333	
Other Income	2,700	
Total Operating Revenues	38,442	-
Operating Expenses		
Administrative Support - BDC	25,000	
Professional Services	17,633	
Purchased Services	2,820	
Insurance	1,770	
Special Projects	5,900	
Other Expenses	5,767	682
Total Operating Expenses	58,890	682
Operating (Loss)	(20,448)	(682)
Nonoperating Revenues (Expenses)		
Interest and Earnings	7,663	2
Forgiveness of Amounts Owed to the BDC	51,237	
Total Nonoperating Revenues	58,900	2
Change in Net Position	38,452	(680)
Net Position, January 1, 2020	888,762	3,632
Net Position, December 31, 2020	\$ 927,214	\$ 2,952

See Notes to Financial Statements

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Primary Government</u>	<u>Cortland County Agricultural Local Development Corporation</u>
Cash Flows From Operating Activities		
Cash Received from Providing Services	\$ 38,442	\$
Cash Payments - Contractual Expenses	<u>(56,546)</u>	<u>(448)</u>
Net Cash Provided (Used) by Operating Activities	<u>(18,104)</u>	<u>(448)</u>
Cash Flows Provided (Used) Financing Activities		
Cash Payments to BDC - Route 11 Property	<u>(71,000)</u>	<u></u>
Net Cash Provided (Used) by Financing Activities	<u>(71,000)</u>	<u>-</u>
Cash Flows From Investing Activities		
Capital Asset Additions	(4,405)	
Sale of Route 11 Property	71,000	
Purchase of Investments	(7,648)	
Interest Income Received	<u>7,663</u>	<u>2</u>
Net Cash Provided (Used) by Investing Activities	<u>66,610</u>	<u>2</u>
Net Change in Cash and Cash Equivalents	(22,494)	(446)
Cash and Cash Equivalents, January 1, 2020	<u>126,418</u>	<u>3,632</u>
Cash and Cash Equivalents, December 31, 2020	<u>\$ 103,924</u>	<u>\$ 3,186</u>
Reconciliation of Net Revenue (Expense) to Net Cash Provided (Used) by Operating Activities		
Operating Revenue (Expense)	\$ (20,448)	\$ (682)
Adjustments to Reconcile Net Operating Revenue (Expense) to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense	761	-
Decrease in Prepaid Expenses	1	
Increase in Accounts Payable	<u>1,582</u>	<u>234</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (18,104)</u>	<u>\$ (448)</u>
Non-Monetary Investing and Financing Activities		
Forgiveness of Amounts Owed to the BDC	<u>\$ 51,237</u>	<u>\$ -</u>

See Notes to Financial Statements

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

Note 1 Summary of Significant Accounting Policies

The financial statements of the Cortland County Industrial Development Agency (the Agency) have been prepared in conformity with generally accepted accounting principles (U.S. GAAP). The more significant of the Agency's accounting policies are described below.

Organization and Purpose

The Agency was created in 1974 by the New York Legislature under the mandate of Article 18-A, "New York State Industrial Development Agency Act" of New York State municipal law for the purpose of advancing job opportunities, health, general prosperity, and economic welfare of the people of Cortland County. The Agency also works to improve current recreation opportunities, posterity, and standard of living. The Agency is exempt from federal, state, and local income taxes. Although established by the Cortland County Board of Representatives, the Agency is a separate entity and operates independently of the County. The Agency is considered a component unit of Cortland County.

Reporting Entity

The financial reporting entity consists of (a) the primary government which is the Cortland County Industrial Development Agency, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended.

The decision to include a potential component unit in the Agency's reporting entity is based on several criteria set forth in GASB Statement No. 14, "The Financial Reporting Entity," as amended. Based on the application of this criteria, the following are included as discretely presented component units:

- Cortland County Agricultural Local Development Corporation (Ag Corp) - The Ag Corp was created under Article 14 of New York not-for-profit corporation law to provide and administer agricultural easements in Cortland County. The Ag Corp's Board of Directors is the same as the Agency's Board of Directors.

Basis of Accounting

The accounts of the Agency are maintained on the accrual basis of accounting.

Cash and Cash Equivalents

The Agency considers all highly liquid investments having an original maturity of three months or less to be cash equivalents.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Equity Classifications - Statement of Net Position

- Net Investment in Property - Consists of property and capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on its use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of “restricted.”

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Related Parties

Cortland County Business Development Corporation (the BDC) is a private, nonprofit organization founded in 1992 to attract new business, develop existing business and promote and develop job opportunities in Cortland County. The Executive Director of the BDC acts as the Chief Executive Officer of the Agency; the Chief Finance Officer and Project Development Director of the BDC acts as the Chief Finance Officer and Project Development Director of the Agency; and the Board of Directors of the Agency are all members of the BDC’s Board of Directors.

Cortland County Development Corporation (the CCDC) is a private, nonprofit organization founded in 2011 to attract new business, develop existing business, and promote and develop job opportunities in Cortland County. The Executive Director of the CCDC acts as the Chief Executive Officer of the Agency; the Chief Finance Officer and Project Development Director of the CCDC acts as the Chief Finance Officer and Project Development Director of the Agency; and members of the Board of Directors of the Agency are also members of the CCDC’s Board of Directors.

Capital Assets

Capital assets are recorded at cost. Depreciation is recorded using the straight-line method over the estimated economic useful life of the respective assets.

Investments in Property

Investments in property are recorded at the lower of cost or fair market value and consist of land and land improvements held for investment purposes. The land and related improvements are not depreciated.

Revenues

The Agency first utilizes restricted resources to finance qualifying activities.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

Note 1 **Summary of Significant Accounting Policies - Continued**

Operating Revenues

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

Note 2 **Deposits and Investments**

State statutes govern the Agency's investment policies. In addition, the Agency has its own written investment policy. Agency monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

Total cash balances were \$103,924 at December 31, 2020, all of which was FDIC insured. Carrying value of deposits at December 31, 2020 totaled \$714,614.

Component unit bank balances, which included certificates of deposit, totaled \$3,186 at December 31, 2020 and were entirely insured.

The Agency also had the following twelve-month certificates of deposit stated at fair value, at December 31, 2020:

<u>Type of Investment</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Carrying Amount Fair Value</u>	<u>Level</u>
Certificate of Deposit	April 28, 2021	\$ 303,042	\$ 306,115	(2)
Certificate of Deposit	May 21, 2021	300,000	304,575	(2)

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurements and Disclosures," establishes a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

Note 2 **Deposits and Investments - Continued**

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs derived principally from or corroborated observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Agency does not typically purchase investments for a duration long enough to cause it to believe that it is exposed to any material interest rate risk.

Note 3 **Capital Assets**

At December 31, 2020, the Agency's capital assets consisted of the following:

Office Equipment	\$ 6,937
Leasehold Improvements	3,377
Less: Accumulated Depreciation	<u>(6,670)</u>
Net Capital Assets	<u><u>\$ 3,644</u></u>

The Agency incurred depreciation expense of \$761 for the year ended December 31, 2020.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

Note 4 Investments in Properties

At December 31, 2020, the Agency held investments in two properties with a combined value of \$301,653.

- The Agency maintains railroad property which it leases to New York, Susquehanna, and Western Railway Corporation (see Note 6). Value of the land at December 31, 2020 was \$209,818.
- During 2015, Contento Redevelopment Local Development Corporation, Ltd., a former component unit of the Agency, was dissolved and a related parcel of land transferred to the Agency at a cost of \$91,835 at December 31, 2020.

Note 5 Payments in Lieu of Taxes

During the time in which property is leased to a company, the property is exempt from taxes other than special and valorem levies and special assessments. However, the Agency enters into Payment in Lieu of Taxes (PILOT) agreements wherein said company is required to make annual payments to the county, local municipalities, and school districts.

In 2020, PILOT payments of \$466,665 were received for real property tax payments compared to the \$1,394,106 which would have been received if businesses paid taxes in full. Abatements in aggregate totaled \$927,441. Exemptions for sales tax were \$107,101.

Note 6 Leases

On April 15, 1982, a 30-year land lease was signed with New York, Susquehanna, and Western Railway Corporation for the lease of rail owned by the Agency. The lease amount was \$500 per year. Per resolution dated December 10, 2012, the Agency extended the agreement an additional 10 years to December 31, 2023; stipulating annual lease payments of \$1,500. In addition, the Agency leases three billboards to an advertising firm, per an agreement dated October 18, 2011; effective January 1, 2012 through December 31, 2022. The rate per billboard varies by the type with a combined annual rate of \$16,333.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

Note 7 Related Party Transactions

During 2019 the BDC, a related party, passed a resolution to convey a parcel of land to the Agency. In exchange for the parcel, the Agency promised to pay an amount up to the cost of the of the parcel, \$122,237, to the BDC from the proceeds of the eventual sale of the parcel. During 2020, the parcel was sold for \$71,000 and the funds were remitted to the BDC. The remaining amount due to the BDC of \$51,237 was forgiven by the BDC.

During 2015, Contento Redevelopment LDC, Ltd (Contento), a component unit of the Agency, was dissolved and all related property asset and liabilities were transferred to the Agency. Prior to its dissolution, the BDC had paid and Contento had owed \$91,835 in expenses related to the property asset. At December 31, 2020, the Agency owed BDC \$91,835. This amount is expected to be paid to BDC upon sale of the property.

During 2014, the Agency entered into an administrative service agreement with the BDC. Under this agreement, the Agency agreed to pay BDC \$25,000 annually for administrative services commencing January 1, 2014. The agreement renews automatically unless terminated. Under the agreement, the Agency paid the BDC \$25,000 for the year ended December 31, 2020.

Note 8 Economic Uncertainty - COVID 19

In March 2020, the COVID-19 coronavirus outbreak was declared a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Agency operates. Although there is still uncertainty regarding what, if any, this will have on funding, the Agency feels that it will be able to maintain operations in a fiscally sound manner.

CORTLAND COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF PROJECTS DECEMBER 31, 2020

Project Name	Project #	Purpose	Sales Tax Exemptions	Mortgage Tax Exemptions	Payments in Lieu of Taxes	Property Taxes if not Exempt	Total Property Tax Exemptions	Jobs Before/ Jobs at 12/31/20
Clocktower Project	1101-10-04	Property Development	\$ N/A	\$ N/A	\$ 46,085	\$ 44,427	\$ (1,658)	0/15
Cortland Crown Homes	1101-07-01	Construction	N/A	N/A	18,440	62,266	43,826	N/A
Cortland Commerce Center, LLC	1101-10-01	Property Development	N/A	N/A	93,000	154,597	61,597	196/128
Cortland Commerce Development, LLC	1101-18-01	Property Development	N/A	N/A	-	-	-	0/55
Cortland Plastics	1101-10-02	Manufacturing	N/A	N/A	44,449	51,064	6,615	39/56
C'ville, LLC	1101-13-02	Manufacturing	N/A	N/A	74,938	221,931	146,993	0/106
Crescent Commons	1101-17-01	Housing/Commercial	N/A	N/A	-	291,045	291,045	0/2
Creamery Hills (SEPP Inc.)	1101-20-01	Housing	N/A	N/A	10,936	21,695	10,759	2/2
Greek Peak Holdings	1101-18-03	Tourism	N/A	N/A	-	-	-	80/96
Lapeer Solar	1101-19-1	Solar Construction	69,743	N/A	-	152,793	152,793	N/A
83-85 Main St.	1101-19-2	Commercial	37,358	11,200	8,574	13,758	5,184	N/A
Northeast Transformer	1101-13-01	Manufacturing	N/A	N/A	19,110	54,600	35,490	37/41
Forkey Construction & Fabrication	1101-14-01	Manufacturing	N/A	N/A	35,391	70,782	35,391	83/95
Pyrotek, Inc.	1101-11-02	Manufacturing	N/A	N/A	21,037	65,738	44,701	42/73
Sky Hospitality	1101-12-02	Tourism	N/A	N/A	48,334	96,669	48,335	0/9
Suit-kote Corp.	1101-12-01	Construction	N/A	N/A	46,371	92,741	46,370	210/195
			<u>\$107,101</u>	<u>\$ 11,200</u>	<u>\$ 466,665</u>	<u>\$ 1,394,106</u>	<u>\$ 927,441</u>	<u>689/873</u>

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Cortland County Industrial Development Agency (the Agency), a component unit of the County of Cortland, New York, and its discretely presented component unit, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
March 8, 2021