

**ONONDAGA COUNTY INDUSTRIAL
DEVELOPMENT AGENCY
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE COUNTY OF
ONONDAGA, NEW YORK)**

**Financial Statements as of
December 31, 2015 and 2014
Together with
Independent Auditor's Report**

ONONDAGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the County of Onondaga, New York)
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INDEPENDENT AUDITOR'S REPORT

March 24, 2016

To the Members of the Board of the
Onondaga County Industrial Development Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the Onondaga County Industrial Development Agency (the Agency), a discretely presented component unit of the County of Onondaga, New York (the County), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency, as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Emphasis of Matter - Correction of an Error

As described in Note 3 to the financial statements, the Agency identified an overstatement of capital assets which resulted in a net adjustment to decrease net position at January 1, 2014 by \$73,375. Our opinion is not modified with respect to this matter.

Report On Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2016, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, 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.

Other Reporting Required by New York State Public Authorities Law

In accordance with New York State Public Authorities Law, we have also issued our report dated March 24, 2016, on our consideration of the Agency's compliance with Section 2925(3)(f) of the New York State (NYS) Public Authorities Law. The purpose of that report is to describe anything that came to our attention that caused us to believe the Agency failed to comply with the Agency's Investment Guidelines, the NYS Comptroller's Investment Guidelines and Section 2925 of the NYS Public Authorities Law (collectively, the Investment Guidelines).

Bonadio & Co., LLP

ONONDAGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the County of Onondaga, New York)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the Onondaga County Industrial Development Agency's (the Agency), a component unit of Onondaga County, New York (the County), annual financial report presents our discussion and analysis of the Agency's financial performance during the year ended December 31, 2015. It should be read in conjunction with the Agency's financial statements and accompanying notes.

FINANCIAL STATEMENTS

The annual financial report of the Agency consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements and footnotes. The Agency is a self-supporting entity. The accounts are recorded in accordance with a proprietary fund type and consist of an enterprise fund. Proprietary fund type operating statements present increases and decreases in net position. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Agency does not maintain separate fund accounts.

Condensed Comparative Financial Information

	Year Ended December 31, <u>2015</u>	As Restated Year Ended December 31, <u>2014</u>	As Restated Year Ended December 31, <u>2013</u>
Current assets	\$ 2,587,100	\$ 1,770,693	\$ 1,428,549
Restricted cash	35,201	44,159	1,642
Capital assets	3,279,805	2,272,462	2,245,625
Other assets	<u>93,750</u>	<u>143,750</u>	<u>104,631</u>
Total assets	<u>5,995,856</u>	<u>4,231,064</u>	<u>3,780,447</u>
Current liabilities	<u>615,601</u>	<u>127,150</u>	<u>373,853</u>
Total liabilities	<u>615,601</u>	<u>127,150</u>	<u>373,853</u>
Net position:			
Net investment in capital assets	3,279,805	2,272,462	2,245,625
Restricted	35,201	44,159	1,642
Unrestricted	<u>2,065,249</u>	<u>1,787,293</u>	<u>1,159,327</u>
Total net position	<u>\$ 5,380,255</u>	<u>\$ 4,103,914</u>	<u>\$ 3,406,594</u>

FINANCIAL STATEMENTS (Continued)

Condensed Comparative Financial Information (Continued)

	Year Ended December 31, <u>2015</u>	As Restated Year Ended December 31, <u>2014</u>	As Restated Year Ended December 31, <u>2013</u>
Operating revenues	\$ 2,153,276	\$ 1,437,299	\$ 562,698
Operating expenses	<u>887,686</u>	<u>750,550</u>	<u>415,432</u>
Operating income (loss)	1,265,590	686,749	147,266
Other revenue	<u>10,751</u>	<u>10,571</u>	<u>4,165</u>
Change in net position	1,276,341	697,320	151,431
Net position - beginning of year	<u>4,103,914</u>	<u>3,406,594</u>	<u>3,255,163</u>
Net position - end of year	<u>\$ 5,380,255</u>	<u>\$ 4,103,914</u>	<u>\$ 3,406,594</u>

Change in financial categories between the year ended December 31, 2015 and the year ended December 31, 2014 include the following:

- The Agency's total net position increased \$1,276,341 (or 31.1%) due to current operations and fee income as well as capital asset purchases.
- Total cash increased \$191,748 (or 10.9%) due to current operations and an increase in the number of projects generating fee income.
- Current Liabilities, other than PILOT payments, increased \$488,451 (or approximately 384%) as a result of 2016 PILOT pass through payments received by the Agency in 2015, 2015 Onondaga County Administrative Contract payables, and delinquent taxes due and payable at year ending December 31, 2015 related to the 2015 acquisition of 800 Hiawatha Blvd.
- Operating Revenues, other than pass-through income, increased \$715,977 (or 49.8%) due to the increase in capital investment of Agency projects.
- Operating Expenses, other than pass-through expenses, increased \$137,136 (or 18.3%). Generally, the Agency proactively responds to changing conditions by evaluating expenses throughout the year, prioritizing expenses based on the Agency's core mission. Much of the increase is due to property related expenses for delinquent taxes on a property purchased in 2015, due and payable at December 31, 2015 in the amount of approximately \$160,000.

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Agency is engaged in activities to support economic growth in Onondaga County, including job creation and retention, and increasing the net wealth of the County. The Agency does not receive any general appropriations from local, county or state government to support its operations. The Agency collects revenue for its operating purposes from the issuance of bonds and straight lease transactions and from interest on investments. In the year ended December 31, 2015, the Agency received \$1,649,380 from agency and other fees, an increase of \$393,644 from the prior year. The increase is due to the improving economy.

The Agency's operating from fees and interest revenues, other than pass-through income, as mentioned above, was \$1,660,131 which was approximately 169% more than the budgeted amount of \$616,610. The Agency's operating expenses, other than pass-through expenses, was \$527,760, which was approximately 41.3% more than the budgeted amount of \$338,075 with the majority of the variance attributed to the delinquent taxes due and payable on a property the Agency purchased in 2015.

The Agency's staff services are provided by the Onondaga County Office of Economic Development. That Agency enters into an annual contract to reimburse the County for these services; in 2015 the contract was estimated at a cost of approximately \$288,252, but was actually only \$209,864.

CAPITAL ASSET ADMINISTRATION

As of December 31, 2015, the Agency's investment in capital assets was \$3,279,805, net of depreciation. The Agency's capital assets include the White Pine Commerce Park (WPCP, formerly known as the Clay Business Park), land, buildings and equipment. WPCP is a 339 acre undeveloped industrial park in the Town of Clay. The Agency acquired the land in the park for the purpose of attracting a large commercial/industrial project in the Town of Clay. Additionally, in 2015 the Agency acquired property on North Salina Street, in the City of Syracuse, and will be leasing the premises to Onondaga Community College to house a workforce development training program. Finally, the Agency purchased the real property at 800 Hiawatha Blvd, also in the City of Syracuse. These purchases resulted in more than \$1,000,000 in capital asset additions during 2015.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Onondaga County citizens and taxpayers, and the clients of the Agency, with a general overview of the Agency's finances. If you have questions about this report or need additional financial information, contact the Executive Director, Onondaga County Industrial Development Agency, 333 West Washington Street, Suite 130, Syracuse, New York 13202.

ONONDAGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the County of Onondaga, New York)

STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u> (restated)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,919,888	\$ 1,719,182
Accounts receivable	617,212	1,511
Notes receivable, current portion	<u>50,000</u>	<u>50,000</u>
Total current assets	<u>2,587,100</u>	<u>1,770,693</u>
NONCURRENT ASSETS:		
Restricted cash	35,201	44,159
Notes receivable, net of current portion	93,750	143,750
Capital assets	<u>3,279,805</u>	<u>2,272,462</u>
Total noncurrent assets	<u>3,408,756</u>	<u>2,460,371</u>
Total assets	<u>5,995,856</u>	<u>4,231,064</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	254,226	2,121
Due to Onondaga County	94,948	125,029
Due to other governments	<u>266,427</u>	<u>-</u>
Total liabilities	<u>615,601</u>	<u>127,150</u>
NET POSITION		
Net investment in capital assets	3,279,805	2,272,462
Restricted	35,201	44,159
Unrestricted	<u>2,065,249</u>	<u>1,787,293</u>
Total net position	<u>\$ 5,380,255</u>	<u>\$ 4,103,914</u>

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the County of Onondaga, New York)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u> (restated)
OPERATING REVENUES:		
Agency and other fees	\$ 1,649,380	\$ 1,255,736
Pass-through income - Destiny USA Real Estate, LLC	-	125,000
Pass-through income	350,968	42,910
Rent income	3,500	3,500
Grant revenue - National Grid	49,428	-
Other income	<u>100,000</u>	<u>10,153</u>
Total operating revenues	<u>2,153,276</u>	<u>1,437,299</u>
OPERATING EXPENSES:		
Contractual support services	209,864	272,877
Pass-through expense - Destiny USA Real Estate, LLC	8,958	82,483
General and administrative	36,261	39,163
Industrial development contracts	4,995	281,529
Pass-through expense	350,968	42,910
Depreciation expense	5,351	-
Professional fees	100,795	30,424
Other expenses	5,640	-
Property related expenses	163,008	-
Seminars and meetings	<u>1,846</u>	<u>1,164</u>
Total operating expenses	<u>887,686</u>	<u>750,550</u>
OPERATING INCOME	1,265,590	686,749
OTHER REVENUE:		
Interest income	<u>10,751</u>	<u>10,571</u>
CHANGE IN NET POSITION	<u>1,276,341</u>	<u>697,320</u>
Net position - beginning of year, as previously reported	4,103,914	3,479,969
Prior period adjustment (Note 3)	<u>-</u>	<u>(73,375)</u>
Net position - beginning of the year, as restated	4,103,914	3,406,594
Change in net position	<u>1,276,341</u>	<u>697,320</u>
NET POSITION - end of year	<u>\$ 5,380,255</u>	<u>\$ 4,103,914</u>

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the County of Onondaga, New York)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u> (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for agency and other fees	\$ 1,033,679	\$ 1,303,178
Cash received for pass-through Destiny USA Real Estate, LLC	-	125,000
Cash received for grant reimbursement expenses	49,428	-
Cash paid for industrial development contracts	(4,995)	(281,529)
Cash paid for contractual support services	(239,945)	(235,087)
Cash received for rent and other fees	103,500	13,673
Cash payments for professional services	(11,722)	(33,189)
Cash payments for general and administrative expenses	(36,511)	(39,913)
Cash payments for pass-through Destiny USA Real Estate, LLC	(8,958)	(82,483)
Cash payments for other operating expenses	(5,640)	-
Cash received and due to other governments	266,427	(154,225)
Cash paid for seminars and meetings	<u>(1,572)</u>	<u>(1,251)</u>
Net cash flows from operating activities	<u>1,143,691</u>	<u>614,174</u>
CASH FLOS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	<u>(1,012,694)</u>	<u>(26,837)</u>
Net cash flows from capital and related financing activities	<u>(1,012,694)</u>	<u>(26,837)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in notes receivable	<u>50,000</u>	<u>144,510</u>
Net cash flows from investing activities	<u>50,000</u>	<u>144,510</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments on note payable	-	(126,666)
Net cash received for interest on notes outstanding	<u>10,751</u>	<u>10,571</u>
Net cash flows from financing activities	<u>10,751</u>	<u>(116,095)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	191,748	615,752
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,763,341</u>	<u>1,147,589</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 1,955,089</u>	<u>\$ 1,763,341</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
Cash and cash equivalents	\$ 1,919,888	\$ 1,719,182
Restricted cash	<u>35,201</u>	<u>44,159</u>
Total cash and cash equivalents	<u>\$ 1,955,089</u>	<u>\$ 1,763,341</u>

(Continued)

ONONDAGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the County of Onondaga, New York)

STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u> (restated)
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 1,265,590	\$ 686,749
Adjustment to reconcile operating income to net cash flow from operating activities:		
Depreciation	5,351	-
Changes in:		
Accounts receivable	(615,701)	47,442
Prepaid PILOT expense	-	20
Accounts payable	252,105	(3,602)
Due to Onondaga County	(30,081)	37,790
Due to other governments	<u>266,427</u>	<u>(154,225)</u>
Net cash flows from operating activities	<u>\$ 1,143,691</u>	<u>\$ 614,174</u>

The accompanying notes are an integral part of these statements.

ONONDAGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit of the County of Onondaga, New York)

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. ORGANIZATION

The New York State Industrial Development Agency Act of 1969 provided for the use of industrial revenue bond financing for the expansion and growth of industry in New York State. The Onondaga County Industrial Development Agency (the Agency) was created in accordance with the provisions of this Act in 1970 by a resolution passed by the County of Onondaga, New York (the County) Legislature.

The Agency was formed to promote and develop the economic growth of the County and to assist in attracting industry to the County through bond and sale/leaseback financing programs and other activities. The Agency created under this Act is a corporate governmental agency constituting a public benefit corporation. The County Legislature appoints the entire governing board and there is a potential for the County to impose its will on the Agency, and as such, the Agency is a discretely presented component unit of the County based on the criteria set forth by the Governmental Accounting Standards Board (GASB).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The Agency operates as a proprietary fund. Proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) and deferred inflows and outflows associated with their activities are reported. Fund equity is classified as net position.

The Agency utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reporting period. Actual results could differ from these estimates.

Income Tax Status

The Agency is a governmental corporation, exempt from federal and state income taxes. New York State Public Authorities Law, Title 10, Section 2975-A established a cost recovery of central governmental services to various public authorities. On November 1 of each year, the Director of the Division of Budget determines the assessment amount owed under this section by each industrial development agency in New York State.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are stated at their outstanding balances. The Agency considers all accounts receivable to be fully collectible. If collection becomes doubtful, the Agency will either set up an allowance for doubtful accounts or if deemed completely uncollectible, the accounts will be charged against income in the current period. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Management did not believe an allowance for doubtful accounts was necessary at December 31, 2015 and 2014.

Capital Assets

Capital asset purchases are recorded at historical cost or fair market value at the date of acquisition. Depreciation expense is recorded on a straight-line basis over the assets' estimated useful life of 5 to 39 years. The Agency's policy is to capitalize all additions greater than \$1,000 with a useful life of more than 5 years.

Operating Revenues and Non-operating Revenues

The Statements of Revenues, Expenses, and Changes in Net Position distinguishes between operating and non-operating revenues. Operating revenues, such as fee and rental income, result from exchange transactions associated with the principal activities of the Agency. Exchange transactions are those in which each party to the transaction receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the Agency's principal activities and from all non-exchange transactions.

Other Income

The County and Onondaga County Development Corporation (OCDC) entered into an agreement in 2014, whereas the Agency will be paid 60% of the net sale proceeds of property within Hancock Field for a total amount of \$348,387. As of December 31, 2015, the Agency earned \$100,000 recorded in accounts receivable at December 31, 2015.

Revenue Recognition

Agency and other fee revenue are recognized by the Agency at the date of closing when the related bonds are issued. Interest income is recorded when earned.

Pass-through Revenue and Expense

Pass-through revenue and expense - Destiny USA Real Estate, LLC pertains to revenues and expenses associated with an agreement dated June 2014, between the Agency and Destiny USA Real Estate, LLC (the Company), whereas the Company deposited monies in escrow with the Agency to pay costs of investigating and evaluating a project.

Net Position

GASB requires the classification of net position into three components. These classifications are displayed in three components below:

- a. Net investment in capital assets - capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - net position with constraints placed on their use either by (1) external groups such as creditors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

- c. Unrestricted net position - all other assets that do not meet the definition of net investment in capital assets or restricted net position.

It is the Agency's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

3. RESTATEMENT OF NET POSITION

Net position as of January 1, 2014 has been restated to reflect the correction of an error in the financial statements related to capital assets. As of December 31, 2013, the Agency's financial statements erroneously overstated capital assets and understated expenses by \$73,375. As a result, net position as of January 1, 2014 has been adjusted to reflect the following:

<u>Net Position Previously Reported December 31, 2013</u>	<u>Effect of Restatement</u>	<u>Net Position Restated at January 1, 2014</u>
\$ 3,479,969	\$ (73,375)	\$ 3,406,594

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Agency follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conform with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Executive Director.

Monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within and authorized to do business in New York State (the State). Collateral is required for deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are those identified in New York State General Municipal Law, Section 10 and outlined in the New York State Comptroller's Financial Management Guide.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Agency has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Agency's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The Agency's investments and deposit policy authorizes the Agency to purchase the following types of investments:

- Obligations of the United States of America;
- Obligations where payment of principal and interest are guaranteed by the United States of America;
- Obligations of New York State;
- Special time deposit account; and
- Certificates of deposit.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Agency's investment and deposit policy, all deposits of the Agency including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIA) shall be secured by a pledge of securities with an aggregate value equal to the aggregate amount of deposits.

The Agency restricts the securities to the following eligible items:

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation;
- Obligations partially insured or guaranteed by an agency of the United States of America;
- Obligations issued or fully insured or guaranteed by the State of New York;
- Obligations issued by a municipal corporation, school district or district corporation of New York State;
- Obligations issued by states (other than New York State) of the United States of America rated in one of the two highest rating categories by at least one Nationally Recognized Statistical Rating Organization (NRSRO).

At December 31, 2015 and 2014 the Agency maintained cash balances with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank for interest bearing and non-interest bearing accounts. The Agency's deposits consisted of approximately \$1,950,000 and \$1,810,000 in cash and cash equivalents at December 31, 2015, and 2014, respectively. The remaining balance of approximately \$1,700,000 and \$1,560,000 at December 2015 and 2014, respectively was collateralized by a third party in accordance with New York State General Municipal Law, Section 10 and the Agency's policies.

5. RESTRICTED CASH

In accordance with an agreement between the Agency and Blue Sky Redevelopment Corporation, a wholly owned subsidiary of New York State Urban Development Corporation (Urban Development Corporation), certain payments received from Griffin Environmental Company are restricted for purposes to be agreed on by the Agency and the Urban Development Corporation. The Agency's share of cash restricted under this agreement amounted to \$1,642 at December 31, 2015 and 2014.

In accordance with an agreement dated June 2014, between the Agency and Destiny USA Real Estate, LLC (the Company), the Company shall deposit monies in escrow with the Agency to pay costs of investigating and evaluating a project related to the Company's desire to develop a parcel of land for the construction of a hotel. As a result, the Agency's restricted cash balance under this agreement amounted to \$33,559 and \$42,517 at December 31, 2015 and 2014, respectively.

6. NOTES RECEIVABLE

Notes receivable consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Note receivable from Aquarii, Inc. payable in interest only monthly payments of 4.5% per annum through February 2015. Thereafter, payable in monthly installments of \$2,083 plus 4.5% interest per annum through January 2019.	\$ 77,083	\$ 100,000
Note receivable from Simple Admit, LLC. payable in interest only monthly payments of 6.0% per annum through August 2014. Thereafter, payable in monthly installments of \$2,083 plus 6.0% interest per annum through August 2018.	<u>66,667</u>	<u>93,750</u>
Total	<u>\$ 143,750</u>	<u>\$ 193,750</u>

Future maturities as of December 31, 2015:

2016	\$ 50,000
2017	50,000
2018	41,667
2019	<u>2,083</u>
Total	<u>\$ 143,750</u>

7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u> <u>(Restated)</u>	<u>Additions</u> <u>(Depreciation)</u>	<u>Disposals</u>	<u>Ending Balance</u>
Building and building improvements	\$ -	\$ 862,100	\$ -	\$ 862,100
Furniture and fixtures	3,086	376	-	2,862
Land	<u>2,270,805</u>	<u>150,218</u>	-	<u>2,421,623</u>
Total capital assets	<u>2,273,891</u>	<u>1,012,694</u>	-	<u>3,286,585</u>
Less: Accumulated depreciation:				
Building and building improvements	-	(5,351)	-	(5,351)
Furniture and fixtures	<u>(1,429)</u>	<u>-</u>	<u>-</u>	<u>(1,429)</u>
Total accumulated depreciation	<u>(1,429)</u>	<u>(5,351)</u>	<u>-</u>	<u>(6,780)</u>
Capital assets - net	<u>\$ 2,272,462</u>	<u>\$ 1,007,342</u>	<u>\$ -</u>	<u>\$ 3,279,805</u>

7. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u> <u>(Restated)</u>	<u>Additions</u> <u>(Depreciation)</u>	<u>Disposals</u>	<u>Ending Balance</u> <u>(Restated)</u>
Furniture and fixtures	\$ 3,086	\$ -	\$ -	\$ 3,086
Land	<u>2,243,968</u>	<u>26,837</u>	-	<u>2,270,805</u>
Total capital assets	<u>2,247,054</u>	<u>26,837</u>	-	<u>2,273,891</u>
Less: Accumulated depreciation:				
Building and building improvements	-	-	-	-
Furniture and fixtures	<u>(1,429)</u>	-	-	<u>(1,429)</u>
Total accumulated depreciation	<u>(1,429)</u>	-	-	<u>(1,429)</u>
Capital assets - net	<u>\$ 2,245,625</u>	<u>\$ 26,837</u>	<u>\$ -</u>	<u>\$ 2,272,462</u>

8. AGENCY-INDUCED FINANCINGS

The total amount of industrial development, civic facility and pollution control financing issued through the Agency from inception through December 31, 2015 amounted to approximately \$2.58 billion. Of this total, \$12.2 million was issued in the year ended December 31, 2015.

9. INDUSTRIAL DEVELOPMENT CONTRACTS

Industrial development contractual payments consisted of employee productivity programs. Employee productivity program contracts totaled \$14,245 for the year ended December 31, 2014.

10. DUE TO ONONDAGA COUNTY

The Agency has contracted with the County whereby the Agency will reimburse the County for a portion of the cost of operation of the Onondaga County Office of Economic Development. In exchange for this funding, the staff of the office provides operational and project implementation support services for the Agency. Maximum funds committed by the Agency under this contract were \$288,252 and \$281,983 for the years ended December 31, 2015 and 2014, respectively. The Agency owed \$94,948 and \$125,029 to the County at December 31, 2015 and 2014, respectively.

11. PROPERTY LEASES AND BONDS PAYABLE

In accordance with its corporate purpose, the Agency has issued bonds to promote and develop various businesses within the County. The Agency holds legal title to the properties, under which such bonds were issued in order for business to acquire or renovate various facilities. The Agency's primary function is to arrange financing between borrowing companies and bondholders. For providing this service, the Agency receives administration fees from the borrowing companies. Total bonds outstanding were \$141,128,115 and \$165,573,115 at December 31, 2015 and 2014, respectively, which represent non-recourse debt of the Agency.

12. PAYMENTS IN LIEU OF TAXES AGREEMENTS (PILOT)

The Agency has entered into PILOT agreements with various companies whereas the company will make annual payments in lieu of taxes to the Agency and the Agency will remit the annual payments to the appropriate tax jurisdictions. The Agency records a liability for any amounts paid by companies to the Agency but not distributed to the tax jurisdictions as of year-end. Total due to other governments was \$266,427 at December 31, 2015.

13. DESIGNATED FOR CONTRACTS

Included in unrestricted net position are amounts designated by the Agency for future payment of contractual obligations. Listed below are the current contracts in effect at year-end and the costs incurred through year-end on each contract.

<u>December 31, 2015</u>	<u>Total Contract</u>	<u>Portion Used</u>	<u>Designated Unrestricted Net Position</u>
Onondaga County OED	\$ 288,252	\$ 209,864	\$ 78,388
Marketing	23,333	16,014	7,319
Professional Services	84,000	50,312	33,688
435/437 North Salina Acq.	200,000	111,625	88,375
800 Hiawatha Blvd. West Acq.	100,000	110,386	(10,386)
B&L Brownfield Characterization	15,000	14,445	555
	<u>\$ 710,585</u>	<u>\$ 512,646</u>	<u>\$ 197,939</u>

<u>December 31, 2014</u>	<u>Total Contract</u>	<u>Portion Used</u>	<u>Designated Unrestricted Net Position</u>
Onondaga County OED	\$ 281,983	\$ 272,877	\$ 9,106
Simple Admit- EPP	12,500	12,500	-
Simple Admit - QE	100,000	100,000	-
Rapid Cure Tech - EPP	9,250	9,250	-
TES - Indiana Bat Assessment	9,600	8,795	805
Spectra Environmental - Park St. Bridge	15,000	7,762	7,238
CHA - GEIS Clay Business Park	400,305	383,733	16,572
CNY Regional Planning Development Board	25,000	19,795	5,205
CHA - Air Quality Analysis	3,100	1,483	1,617
CHA - Phase 1B	81,500	73,246	8,254
CHA - Archaeological Survey WPCP	2,500	-	2,500
Unimar - EPP	4,995	-	4,995
CHA - Topographical Survey Clay B. Park	43,900	41,705	2,195
Clay Business Park - Marketing	20,000	20,132	(132)
	<u>\$ 1,009,633</u>	<u>\$ 962,163</u>	<u>\$ 47,470</u>

14. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject to the Agency to credit risk consist principally of unsecured note receivable.

15. NEW AND UPCOMING PRONOUNCEMENTS

New Pronouncements

As of January 1, 2015 the Agency adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The objective of this Statement is to establish accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of these provisions. The Agency adopted the provisions of this Statement with an immaterial effect on the financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date - an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Agency adopted the provisions of this Statement with an immaterial effect on the financial statements.

Upcoming Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This standard addresses accounting and financial reporting issues related to fair value measurements and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Agency is required to adopt the provisions of Statement No. 72 for the year ending December 31, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provision of GASB Statement 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purposes external financial reports of statement local governments for making decision and assessing accountability. The Agency is required to adopt portions of the provisions of Statement No. 73 for the years ending December 31, 2016 and 2017, pending applicability.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pension (other postemployment benefits or OPEB) included in the general purposes external financial reports of statement local governmental OPEB plans for making decisions and assessing accountability. The Agency is required to adopt the provisions of Statement No. 74 for the year ending December 31, 2017.

15. NEW AND UPCOMING PRONOUNCEMENTS (Continued)
Upcoming Pronouncements (Continued)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pension (other postemployment benefits or OPEB). The Agency is required to adopt the provisions of Statement No. 75 for the year ending December 31, 2018.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP) and reduce the GAAP hierarchy to two categories of authoritative GAAP and address the use of authoritative and nonauthoritative literature. The Agency is required to adopt the provisions of Statement No. 76 for the year ending December 31, 2016.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this Statement is to assist financial statement users in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The Agency is required to adopt the provisions of Statement No. 77 for the year ending December 31, 2016.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multi-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68 and pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Agency is required to adopt the provisions of Statement No. 78 for the year ending December 31, 2016.

The Agency has not yet assessed the impact of these statements on its future financial statements.

16. SUBSEQUENT EVENTS

Purchase of 437 North Salina Street

In November 2015, the Agency entered into an indenture with the Greater Syracuse Property Development Corporation to acquire a parcel of land and building. The acquisition of the property was completed in January 2016.

Lease of 435 North Salina Street

In February 2016, the Agency entered into a five year lease until February 2021, with the option to extend the lease for two separate five-year terms. Under this lease, the Agency will rent the property to Onondaga Community College (the College). In lieu of collecting rental income from the College, the College is obligated to complete a set schedule of improvements on the property.

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

March 24, 2016

To the Members of the Board of the
Onondaga County Industrial Development Agency:

We have audited, 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, the financial statements of the Onondaga County Industrial Development Agency (the Agency), a discretely presented component unit of the County of Onondaga, New York (the County), as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinion 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.

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. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2015-001 to be a material weakness.

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.

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(Continued)

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

(Continued)

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*.

Onondaga County Industrial Development Agency's Responses to Findings

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Agency's response was 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 the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP

ONONDAGA COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2015

Reference Number: 2015-001

Criteria:

Internal controls over financial reporting should be properly designed, implemented and monitored to ensure all material transactions are recorded properly in accordance with accounting principles generally accepted in the United States of America.

Condition/Cause:

Currently there is a lack of adequate review over certain transactions to ensure proper revenue and expense cutoff and proper recording of capital asset and grant related activity.

Effect:

The following material adjustments were recorded as of December 31, 2015:

To reduce revenue and accounts receivable to actual at December 31, 2015:

Other Income	\$ 248,387	
Accounts Receivable		\$ 248,387

To increase expense and accounts payable to actual at December 31, 2015:

Property related expense	\$ 163,008	
Accounts payable		\$ 163,008

To record grant revenue that was erroneously recorded as capital assets at December 31, 2015:

Capital assets	\$ 49,428	
Grant revenue		\$ 49,428

To properly state capital assets at January 1, 2014:

Beginning net position	\$ 73,375	
Capital assets		\$ 73,375

Recommendation:

Management should review the current internal control structure for adequate policies and procedures that will ensure all transactions are adequately reviewed and recorded in accordance with accounting principles generally accepted in the United States of America.

Management's Response:

OCIDA undertook several new initiatives this year, which we believe will bring stronger economic development support to the County. As a result of the new activities resulted in unique accounting transactions, which have been adjusted by the audit team. Management is reviewing its internal controls to align with this new activity. Staff will be drafting an updated internal control policy as well as a property acquisition policy outlining the roles and responsibilities of staff, management, and the Board of Directors. We anticipate review of these policies at the IDA's May 2016 meeting.

**REPORT ON SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC
AUTHORITIES LAW**

March 24, 2016

To the Members of the Board of the
Onondaga County Industrial Development Agency:

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 Onondaga County Industrial Development Agency (the Agency) a discretely presented component unit of the County of Onondaga, New York (the County), as of and for the year ended December 31, 2015, 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 24, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that the Agency failed to comply with the Agency's Investment Guidelines, The New York State (NYS) Comptroller's Investment Guidelines and Section 2925 of the NYS Public Authorities Law (collectively, the Investment Guidelines), which is the responsibility of the Agency's management, insofar as they relate to the financial accounting knowledge of noncompliance with such Investment Guidelines. However, our audit was not directed primarily towards obtaining knowledge of noncompliance with such Investment Guidelines. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Agency's noncompliance with the Investment Guidelines.

This report is intended solely for the information and use of management, the Board of Directors, and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these parties.

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