

**MADISON COUNTY
INDUSTRIAL DEVELOPMENT
AGENCY**

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

**MADISON COUNTY
INDUSTRIAL DEVELOPMENT AGENCY**

December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Madison County Industrial Development Agency
Seneca Turnpike
Canastota, New York

We have audited the accompanying financial statements of the Madison County Industrial Development Agency (the Agency), a component unit of the County of Madison, NY, as of and for the years ended December 31, 2018 and 2017, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 Madison County Industrial Development Agency as of December 31, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, 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 supplemental Schedule of Indebtedness listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of management and has not been subjected to the auditing

procedures applied in the audit of the basic financial statements and accordingly we do not express an opinion in it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019, 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.



GUSTAFSON & WARGO CPAs LLP
Canastota • New York

March 22, 2019

Madison County Industrial Development Agency Management's Discussion and Analysis (MD&A)

For the Years Ended December 31, 2018 and 2017

As management of the Madison County Industrial Development Agency (the "Agency") we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency, including its subsidiaries, the Madison County Capital Resource Corporation and the Madison Grant Facilitation Corporation, for the years ended December, 31, 2018 and 2017. This narrative should be read in conjunction with the Agency's financial statements which follow this section.

Financial Highlights

- The assets of the Agency exceed its liabilities (net position) at December 31, 2018 and 2017 by \$1,696,033 and \$1,443,398 respectively. Of these amounts, \$1,004,337 and \$1,061,792 were unrestricted net assets, meaning that these amounts were available for use in furthering the Agency's mission. \$319,690 was restricted to use as a revolving loan fund. As of December 31, 2018 and 2017, the Agency's Board of Directors designated \$56,811 as unrestricted net assets for use in the continuing maintenance and upkeep of its building.
- The agency's total net position increased (decreased) by \$252,635 and (\$179,092) for the fiscal years ended December 31, 2018 and 2017 respectively.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. This report includes the independent auditors' report, management's discussion and analysis, financial statements, notes to financial statements, and other supplemental information.

Required Financial Statements – The financial statements are prepared using the accrual basis of accounting. The financial statements include:

- *Statements of Net Position* – Presents all assets, liabilities and net assets of the Agency at December 31, 2018 and 2017.
- *Statements of Activities* – Presents the financial activity for the years ended December 31, 2018 and 2017 and displays how this financial activity changed the Agency's net position.
- *Statements of Cash Flows* – Presents the cash provided and used during the 2018 and 2017 fiscal years and how it affects the cash balances at December 31, 2018 and 2017.

- *Notes to the Financial Statements* – Provide information regarding the Agency and explain in more detail information included in the financial statements.

Financial Analysis

The Agency provides administrative assistance and has limited operations. The Agency's net position may serve over time as a useful indicator of financial position. In the case of the Agency, assets exceeded liabilities by \$1,696,033 and \$1,443,337 at December 31, 2018 and 2017 respectively.

The Agency's largest types of assets are cash and capital assets. Capital assets are composed primarily of buildings and improvements and land. A condensed version of the Agency's statement of net position follows:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Assets		
Current Assets	\$ 1,436,819	\$ 1,177,777
Capital Assets, Net	315,195	324,795
Other Noncurrent Assets	<u>-</u>	<u>33,738</u>
Total Assets	1,752,014	1,536,310
Liabilities		
Current Liabilities	9,610	13,993
Noncurrent Liabilities	<u>46,371</u>	<u>78,919</u>
Total Liabilities	55,981	92,912
Net Position		
Invested in capital assets, net of related debt	315,195	324,795
Restricted	319,690	-
Unrestricted	1,004,337	1,061,792
Board Designated	<u>56,811</u>	<u>56,811</u>
Total net position	\$1,696,033	\$1,443,398

The Agency's building is its largest noncash investment and continues to help the county with showing a more unified face for economic development. Having a centralized location that is once removed from the county government, and is approachable by private businesses enhances the Agency's ability to facilitate economic development.

A useful indicator of the financial status and ability to meet the Agency's current obligations is the current ratio, which is computed as follows:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Current Assets	\$1,436,819	\$1,177,777
Current Liabilities	\$9,610	\$13,993
Ratio of current assets to current liabilities	149.51	84.17

The Agency had current ratios of 149.51 and 84.17 at December 31, 2018 and 2017 respectively. Such ratios indicate that the Agency has sufficient assets on hand to cover its liabilities that will come due in the coming year.

The Agency's revenue and expense activity produced a(n) increase (decrease) in net position of \$179,082 and \$(179,082) for the fiscal years ended December 31, 2018 and 2017, respectively.

A condensed statement of revenues, expense and changes in net assets follows:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Operating revenues	\$671,172	\$295,109
Operating expenses	<u>420,868</u>	<u>476,086</u>
Net operating income (loss)	250,304	(180,977)
Non-operating revenues (expenses)	<u>2,331</u>	<u>1,885</u>
Increase (decrease) in net position	\$252,635	(\$179,092)

Significant changes in revenues and expenses from 2018 to 2017 include:

- Operating revenues increased by \$376,063 due to an increase in the development project closings in 2018
- Expenses decreased by \$55,218 due largely to an economic development contract in 2017 with the Hamilton Partnership for Community Development to further assist small business improvements in Hamilton New York.

Another important factor in the consideration of the fiscal condition is the Agency's cash position and annual cash flows. A condensed version of the Agency's statement of cash flows follows:

	December 31,	
	2018	2017
Cash flows from:		
Operating activities	\$259,042	(\$164,648)
Investing activities	-	-
Net change in cash and cash equivalents	\$259,042	(\$164,648)

Capital Assets and Debt Administration

Capital Assets – the Agency’s investment in capital (net of accumulated depreciation) as of December 31, 2018 and 2017 amounted to \$315,195, and \$324,795 respectively.

	December 31,	
	2018	2017
Land	\$ 69,290	\$ 69,290
Buildings and improvements	244,203	253,146
Furniture and Fixtures	1,702	2,359
Machinery and equipment	-	-
Total	\$ 315,195	\$324,795

Debt – The Agency had no debt outstanding as of December 31, 2018 and 2017.

Economic Factors

The Agency’s basic purpose is to assist business growth and expansion in Madison County. The business and economic climate in the county has been relatively steady over the past two years. Incentives initiated at the State level have had a positive effect.

Contacting the Agency

The financial report is designed to provide a general overview of the agency’s finances for interested individuals. Questions regarding this report or requests for additional information should be directed to the Madison County Industrial Development Agency, 3215 Seneca Turnpike, Canastota, NY 13032.

MADISON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
December 31, 2018 and 2017

	2018				2017
	MCIDA	MCCRC	MGFC	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	<u>\$ 167,825</u>	<u>\$ 949,304</u>	<u>\$ 319,690</u>	<u>\$ 1,436,819</u>	<u>\$ 1,177,777</u>
Noncurrent assets:					
Capital assets:					
Land	69,290	-	-	69,290	69,290
Buildings and improvements	361,303	-	-	361,303	361,303
Furniture and fixtures	50,267	-	-	50,267	50,267
Machinery and equipment	13,242	-	-	13,242	13,242
Less accumulated depreciation	<u>(178,907)</u>	<u>-</u>	<u>-</u>	<u>(178,907)</u>	<u>(169,307)</u>
Total capital assets, net of depreciation	<u>315,195</u>	<u>-</u>	<u>-</u>	<u>315,195</u>	<u>324,795</u>
Deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,738</u>
Total assets	<u>483,020</u>	<u>949,304</u>	<u>319,690</u>	<u>1,752,014</u>	<u>1,536,310</u>
LIABILITIES AND NET POSITION					
Current liabilities:					
Accounts payable and accrued expenses	<u>9,610</u>	<u>-</u>	<u>-</u>	<u>9,610</u>	<u>13,993</u>
Noncurrent liabilities:					
Net pension liability	27,625	-	-	27,625	78,919
Deferred inflows	<u>18,746</u>	<u>-</u>	<u>-</u>	<u>18,746</u>	<u>-</u>
	<u>46,371</u>	<u>-</u>	<u>-</u>	<u>46,371</u>	<u>78,919</u>
Total liabilities	<u>55,981</u>	<u>-</u>	<u>-</u>	<u>55,981</u>	<u>92,912</u>
Net position:					
Invested in capital assets	315,195	-	-	315,195	324,795
Board designated building reserve	56,811	-	-	56,811	56,811
Restricted	-	-	319,690	319,690	-
Unrestricted	<u>55,033</u>	<u>949,304</u>	<u>-</u>	<u>1,004,337</u>	<u>1,061,792</u>
Total net position	<u>427,039</u>	<u>949,304</u>	<u>319,690</u>	<u>1,696,033</u>	<u>1,443,398</u>
Total liabilities and net position	<u>\$ 483,020</u>	<u>\$ 949,304</u>	<u>\$ 319,690</u>	<u>\$ 1,752,014</u>	<u>\$ 1,536,310</u>

MADISON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
Years ended December 31, 2018 and 2017

	2018				2017
	MCIDA	MCCRC	MGFC	Total	
Operating revenues:					
Charges for services	\$ 67,763	\$ -	\$ -	\$ 67,763	\$ 15,500
Rental and financing income	21,155	-	-	21,155	17,045
Grant revenue	172,946	-	319,690	492,636	172,946
MCCRC Contract	89,618	-	-	89,618	89,618
Total operating income	351,482	-	319,690	671,172	295,109
Operating expenses:					
Salaries	149,373	-	-	149,373	145,021
Other employee benefits	83,072	-	-	83,072	89,442
MCCRC Contract	-	89,618	-	89,618	89,618
Occupancy	14,861	-	-	14,861	10,784
Insurance	3,753	-	-	3,753	3,968
Professional fees	46,465	-	-	46,465	66,628
Dues and subscriptions	3,722	-	-	3,722	2,913
Promotion and development	9,178	-	-	9,178	46,995
Telephone and internet	4,873	-	-	4,873	4,881
Depreciation	9,600	-	-	9,600	9,882
Office supplies	1,034	-	-	1,034	938
Postage	447	-	-	447	189
Travel and conferences	4,872	-	-	4,872	4,827
Total operating expenses	331,250	89,618	-	420,868	476,086
Operating income (loss)	20,232	(89,618)	319,690	250,304	(180,977)
Nonoperating revenues:					
Interest income	63	2,268	-	2,331	1,885
Increase (decrease) in net position	20,295	(87,350)	319,690	252,635	(179,092)
Total net position - beginning	406,744	1,036,654	-	1,443,398	1,622,490
Total net position - ending	\$ 427,039	\$ 949,304	\$ 319,690	\$ 1,696,033	\$ 1,443,398

MADISON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
Years ended December 31, 2018 and 2017

Increase (Decrease) in Cash

	2018				2017
	MCIDA	MCCRC	MGFC	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from providing services	\$ 67,763	\$ -	\$ -	\$ 67,763	\$ 15,500
Grants received	172,946	-	319,690	492,636	172,946
Interest received	63	2,268	-	2,331	1,885
Rent and land sale proceeds received	21,155	-	-	21,155	17,045
MCCRC Contract payment received (paid)	89,618	(89,618)	-	-	-
Cash paid to employees and suppliers	(324,843)	-	-	(324,843)	(372,024)
Net cash provided by (used in) operating activities	26,702	(87,350)	319,690	259,042	(164,648)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of capital assets	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	26,702	(87,350)	319,690	259,042	(164,648)
Cash and cash equivalents - beginning	141,123	1,036,654	-	1,177,777	1,342,425
Cash and cash equivalents - ending	167,825	949,304	319,690	1,436,819	1,177,777
RECONCILIATION OF INCREASE (DECREASE) IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Increase (decrease) in net position	20,295	(87,350)	319,690	252,635	(179,092)
Adjustments for items not affecting cash flows:					
Depreciation	9,600	-	-	9,600	9,882
Changes in operating assets and liabilities:					
Changes in accounts payable, pension liability and deferred inflows/outflows	(3,193)	-	-	(3,193)	4,562
Net cash provided by (used in) operating activities	\$ 26,702	\$ (87,350)	\$ 319,690	\$ 259,042	\$ (164,648)

MADISON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

1. Background and Accounting Policies

Madison County Industrial Development Agency is a public benefit agency created in 1970 under the laws of the State of New York to advance economic growth in Madison County. Funding for the Agency is provided by Madison County and by fees collected upon issuance of Industrial Development Bonds for local businesses.

The Agency promotes economic growth in the County by providing new or existing businesses with low cost financing through the issuance of tax exempt or taxable obligations along with State and local tax abatement programs. Technically, the Agency retains title to the property, equipment or improvement financed and enters into a lease or mortgage agreement with the benefited enterprise with payments structured to coincide with debt service payments of the issued obligations. A trustee bank administers the issuance of the initial obligations and the repayments. In accordance with New York State policy, the Agency does not report the assets or obligations resulting from its economic development activities in its financial statements. The obligations are not obligations of the Agency; the primary function of the Agency is to arrange financing between companies and bond or note holders.

In order to retain MCIDA's ability to issue tax exempt revenue bonds to fund projects for nonprofit organizations, Madison County formed the Madison County Capital Resource Corporation (MCCRC) in November 2009. While MCCRC is a separate legal entity, its governing board is made up of the MCIDA's officers and directors and the two entities share common management and staff. As such, the MCCRC is presented as a component unit of the MCIDA in the accompanying financial statements. MCCRC paid MCIDA \$89,618 in 2018 and 2017 under a contract to provide administrative services.

The Agency formed the wholly-owned nonprofit subsidiary, Madison Grant Facilitation Corporation (MGFC), on June 3, 2013. As a nonprofit entity the new corporation will be able to receive grant funds whose receipt is limited to such organizations. While MGFC is a separate legal entity, its governing board is made up of the MCIDA's officers and directors and the two entities share common management and staff. As such, the MGFC is presented as a component unit of the MCIDA in the accompanying financial statements.

The Agency uses the calendar year and records revenue and expenditures on the accrual method for financial reporting purposes. The Agency's accounting and reporting is done in accordance with generally accepted accounting principles. Capital assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Routine maintenance and repairs are expensed as incurred. Land is not depreciated. As a public benefit agency, the Agency is not required to pay income taxes.

The Agency is a component unit of and receives a substantial portion of its revenue pursuant to a grant contract with Madison County. This contract is renewed every year at the option of both parties. Should Madison County discontinue the arrangement, the Agency would lose a substantial portion of its revenue.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

2. Cash and Cash Equivalents

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

Collateral is required for all deposits not covered by federal deposit insurance. All deposits were adequately collateralized as of December 31, 2018 and 2017.

3. Pension Plan

The Agency participates in the New York State and Local Employees Retirement System (the System). The System is a cost sharing multiple employer public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL).

As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller serves as sole trustee and administrative head of the System) shall adopt and may amend rules and regulations for the administration and transaction of business of the System and for the custody and control of its funds. The System issues a publically available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, State Office Building, Albany, New York 12244.

Funding Policy

The System is noncontributory for employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System for more than 10 years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. The

Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The Agency is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

2018	\$22,746
2017	\$22,254
2016	\$21,577

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

The Agency reported a liability of \$27,625 and \$78,919 for its proportionate share of the net pension liability as of December 31 2018 and 2017 respectively. The net pension liability was measured as of March 31, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

The Agency's proportion was .0008559% and .0008399% for 2018 and 2017 respectively.

For the years ended December 31, 2018 and 2017 respectively, the Agency recognized pension expense of \$23,936 and \$37,872. At December 31, 2018 the Agency reported deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,711
Changes in assumptions	18,318
Net difference between projected and actual earnings on pension plan investments	(39,076)
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	(22,445)
Contributions subsequent to the measurement date	<u>22,746</u>
	<u>\$ 18,746</u>

Actuarial Assumptions

The April 1, 2017 actuarial valuation determines the employer rates for contributions payable in fiscal year 2018. The following actuarial methods and assumptions were used:

Actuarial cost method	Aggregate cost method
Asset valuation period	5 year level smoothing of the difference between the actual gain and the expected gain using the the assumed investment rate of return
Inflation	2.5%
Salary scale	3.8% indexed by service
Investment rate of return	7.0% compounded annually, net of investment expenses including inflation
Cost of living adjustments	1.3% annually

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	38%	4.55 %
International Equity	13%	6.35 %
Private Equity	10%	7.50%
Real Estate	8%	5.55%
Absolute Return	3%	3.75%
Opportunistic Portfolio	3%	5.68%
Real Asset	3%	5.29%
Bonds & Mortgages	18%	1.31%
Cash	2%	(0.25)%
Inflation Indexed Bonds	2%	1.25%

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at the statutorily required rates, actuarially. Based on assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employer as of December 31, 2018 are as follows:

	<u>Pension Plan's Fiduciary Net Position</u>	<u>Agency's Share of Plan's Fiduciary Net Position</u>	<u>Agency's Allocation Percentage</u>
Total Pension Liability	\$ 183,400,590,000	\$ 1,569,726	0.0008559%
Net Position	<u>180,173,145,000</u>	<u>1,542,101</u>	0.0008559%
Net Pension Liability	<u>\$ 3,227,445,000</u>	<u>\$ 27,625</u>	0.0008559%
Ratio of net position to the employers' total pension liability	98.2%	98.2%	

4. Board Designated Net Assets

The Agency's Board of Directors has designated net assets of \$56,811 to be used for the ongoing maintenance and upkeep of the building.

5. Fee Sharing

MCCRC intends to use a portion of fees earned on a project with Colgate University to provide funds for economic development in the greater Hamilton, NY area. \$149,010 has been earmarked by the MCCRC Board to be used for this purpose.

An additional \$83,436 has been earmarked to provide funds for economic development in the Morrisville, NY area. This amount represents a portion of the fees earned in conjunction with a project with the Morrisville State College Foundation.

6. Subsequent Events

Management has reviewed subsequent events through March 22, 2019, the date which the financial statements were available to be issued, and no additional subsequent events occurred requiring accrual or disclosure.

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
Madison County Industrial Development Agency
Seneca Turnpike
Canastota, 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 as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise Madison County Industrial Development Agency's (MCIDA) basic financial statements, and have issued our report thereon dated March 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MCIDA'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 MCIDA's internal control. Accordingly, we do not express an opinion on the effectiveness of MCIDA'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 entity'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 MCIDA'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 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.



GUSTAFSON & WARGO CPAs LLP
Canastota • New York

March 22, 2019

MADISON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Supplemental Schedule of Indebtedness
December 31, 2018

PROJECT CODE	PURPOSE	ISSUED MONTH/ YEAR	INTEREST RATE 12/31/2017	12/31/2017 BALANCE	ISSUED DURING FISCAL YEAR	PAID DURING FISCAL YEAR	12/31/2018 BALANCE	FINAL MATURITY DATE
2501-09-01A	CCLF SENIOR HOUSING PROJECT	03/09	5.75%	1,955,678	-	(35,061)	1,920,617	03/40
2501-10-01A	COLGATE UNIVERSITY, HAMILTON, NY	05/10	3.78%	29,425,000	-	(1,070,000)	28,355,000	07/40
2501-12-01A	COLGATE UNIVERSITY, HAMILTON, NY	6/12	2.45%	20,890,000	-	(1,565,000)	19,325,000	07/33
2501-13-01A	COLGATE UNIVERSITY, HAMILTON, NY	02/13	2.95%	42,975,000	-	-	42,975,000	02/38
2501-15-01A	COLGATE UNIVERSITY, HAMILTON, NY	07/15	3.28%	39,985,000	-	-	39,985,000	07/40
2501-15-03B	COLGATE UNIVERSITY, HAMILTON, NY	07/15	3.46%	49,670,000	-	-	49,670,000	07/40
2501-15-02A	MORRISVILLE STATE COLLEGE FDN	09/15	3.00%	25,282,834	-	(753,396)	24,529,438	06/40
2501-15-04A	ONEIDA HEALTH SYSTEMS	8/15	VARIABLE	23,655,000	-	(2,175,000)	21,480,000	12/42
2501-16-02A	CARRIAGEHOUSE APARTMENTS II	12/16	2.63%	2,000,000	-	(343,086)	1,656,914	01/43
TOTAL				<u>235,838,512</u>	<u>-</u>	<u>(5,941,543)</u>	<u>229,896,969</u>	