MONROE COUNTY
INDUSTRIAL DEVELOPMENT CORPORATION

ROCHESTER, NEW YORK

BASIC FINANCIAL STATEMENTS

For Years Ended December 31, 2019 and 2018

MENGEL METZGER BARR & CO. LLP
RAYMOND F. WAGER, CPA, P.C. DIVISION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Monroe County Industrial Development Corporation
Rochester, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Monroe County Industrial Development Corporation (the Corporation), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Corporation'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 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 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 Corporation'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 Corporation'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.

100 Chestnut Street | Suite 1200 | Rochester, NY 14604 | P 585.423.1860 | F 585.423.5966 | mengelmetzgerbarr.com
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Monroe County Industrial Development Corporation, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

2018 Financial Statements

The financial statements for the Corporation, as of and for the year ended December 31, 2018 were audited by other auditors whose report, dated March 4, 2019, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–5 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 19, 2020 on our consideration of the Monroe County Industrial Development Corporation'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 Monroe County Industrial Development Corporation's internal control over financial reporting and compliance.

Rochester, New York
March 19, 2020

Mengel, Metzger, Barr & Co. LLP

Monroe County Industrial Development Corporation
Rochester, New York

Management's Discussion and Analysis (MD&A)

December 31, 2019

INTRODUCTION

Our discussion and analysis of the Monroe County Industrial Development Corporation's ("Corporation") financial performance provides an overview of the Corporation's financial activities for the year ended December 31, 2019. It should be read in conjunction with the basic financial statements to enhance understanding of the Corporation's financial performance, which immediately follows this section.

The purpose of the Corporation is to provide financial assistance to small job creating businesses that demonstrate a need for financing which cannot be met entirely from conventional financing sources.

OVERVIEW OF THE FINANCIAL STATEMENTS

The statements of net position and the statements of revenues, expenses, and changes in net position report information about the Corporation as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Revenue and expenses are recorded when earned and incurred, respectively, regardless of when cash is received or paid.

These two statements report he Corporation's net position and changes in them from one year to the next. The Corporation's net position, the difference between assets and liabilities, is one way to measure the Corporation's financial health, or financial position. Over time, increases or decreases in the Corporation's net position is one indicator of whether its financial health is improving or deteriorating. Consideration should also be given to other factors, such as changes in the Corporation's income and the fluctuation of the Corporation's expenses, to assess the overall health of the Corporation.

NOTES TO THE FINANCIAL STATEMENTS

The financial statements also include the notes to the financial statements, which explain certain information in the financial statements. They are essential to a full understanding of the information provided in the financial statements.

FINANCIAL HIGHLIGHTS

- The Corporation's net position was $6,036,570 at the end of 2019 as compared to $7,807,450 at the end of 2018.
- The Corporation's total operating revenues were $503,367 in 2019 as compared to $438,383, in 2018.
- The Corporation's total expenses were $2,274,247 in 2019 as compared to $1,448,004 in 2018.
- The Corporation's change in net position was ($1,770,880) in 2019 as compared to ($1,009,621) in 2018.

THE CORPORATION

The analysis below summarizes the statements of net position and change in net position of the Corporation as of and for the years ended December 31, 2019, 2018, and 2017.

Statement of Net Position

	2019	2018	2017
ASSETS			
Cash and cash equivalents	$ 5,801,286	$ 6,425,589	$ 6,783,238
Other receivable	-	5,107	234,000
Loans receivable	340,003	323,202	395,449
Prepaid expenses	58,964	65,587	60,840
Investment in limited partnerships and related entities	212,825	1,033,153	1,297,973
Investment in Laser Max, Inc.	49,950	49,950	49,950
Total Assets	**$ 6,463,028**	**$ 7,902,588**	**$ 8,821,450**
LIABILITIES			
Accounts payable	$ 426,458	$ 95,138	$ 4,379
Total Liabilities	**$ 426,458**	**$ 95,138**	**$ 4,379**
NET POSITION			
Unrestricted-Operating	$ 6,036,570	$ 7,807,450	$ 8,817,071
Total Net Position	**$ 6,036,570**	**$ 7,807,450**	**$ 8,817,071**

Cash decreased at December 31, 2019 as a result of total expenses exceeding total revenues. Net position decreased as a result of the operations of the Corporation; see the analysis on the following page of this MD&A. Loans receivable increased by approximately $17,000 based on the issuance of new loan proceeds in excess of principal payments made on existing loans. Management has reviewed the remaining loans in the portfolio and determined all payments have been made in accordance with established agreements and no collection issues exist at this time.

Cash decreased at December 31, 2018 as a result of a decrease in bond fee income in 2018. Net position decreased as a result of the operations of the Corporation; see the analysis on the following page of this MD&A. Loans receivable decreased by approximately $72,000 based on repayments and no new loans issued in 2018. Management has reviewed the remaining loans in the portfolio and determined all payments have been made in accordance with established agreements and no collection issues exist at this time.

Statement of Revenues, Expenses, and Changes in Net Position

	2019	2018	2017
Revenues:			
Bond fee income	$ 282,075	$ 208,683	$ 1,854,238
Fees	197,850	214,759	202,483
Interest, dividends, and investment income	23,442	14,941	16,155
Total Revenues	**$ 503,367**	**$ 438,383**	**$ 2,072,876**
Expenses:			
Program	$ 1,155,538	$ 982,970	$ 660,568
Management and general	298,381	205,321	192,889
Investment loss	820,328	259,713	-
Total Expenses	**$ 2,274,247**	**$ 1,448,004**	**$ 853,457**
Operating Income	**$ (1,770,880)**	**$ (1,009,621)**	**$ 1,219,419**

In 2019, bond fee income increased as a result of an increase in the monetary value of the closed project in the current year. The monetary value of closed projects in 2019 was approximately $109 million, which is higher than the monetary value of closed projects in 2018 of approximately $65 million. Program expenses increased approximately $173,000 as a result of new programs: Rockets, Economic Gardening, Mentor U, and BOCES CDL, and increases in program expenses for BOCES 2, Second Chance Monroe, Manufacturing Reward, Monroe Manufactures Jobs, and Monroe on the Job. These increases of approximately $499,000 were offset by decreases in Make Monroe Home and GreatRate program expenses of approximately $338,000. Investment losses increased $560,612 as management has reported an impairment to certain investments.

In 2018, bond fee income decreased substantially as there was less projects than the previous year. The monetary value of closed projects in 2018 was approximately $65 million, which is substantially lower than the monetary value of closed projects in 2017 of approximately $681 million. Program expenses increased approximately $322,000 as a result of an increase in GreatRate Program, Make Monroe Home expenses, and Rochester Works program. These increase of approximately $481,000 were offset by decrease in GreatRebate and Monroe On-the-Job Program expenses of approximately $154,000.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Monroe County Industrial Development Corporation's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Monroe County Industrial Development Corporation
50 West Main Street, Suite 8100
Rochester, New York 14614

Statement 1

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION

December 31, 2019 and 2018

	2019	2018
ASSETS :		
Current Assets -		
Cash and cash equivalents	$ 5,801,286	$ 6,425,589
Other receivable	-	5,107
Loans receivable - current portion	126,299	94,625
Prepaid expenses	58,964	65,587
Total Current Assets	$ 5,986,549	$ 6,590,908
Noncurrent Assets -		
Investment in limited partnerships and related entities	$ 212,825	$ 1,033,153
Investment in Laser Max, Inc.	49,950	49,950
Loans receivable-net of current portion	213,704	228,577
Total Noncurrent Assets	$ 476,479	$ 1,311,680
TOTAL ASSETS	**$ 6,463,028**	**$ 7,902,588**
LIABILITIES:		
Current Liabilities -		
Accounts payable	$ 426,458	$ 95,138
TOTAL LIABILITIES	**$ 426,458**	**$ 95,138**
NET POSITION:		
Unrestricted - Operating	$ 6,036,570	$ 7,807,450
TOTAL NET POSITION	**$ 6,036,570**	**$ 7,807,450**

(The accompanying notes are an integral part of the financial statements)

Statement 2

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For Years Ended December 31, 2019 and 2018

		2019		2018
OPERATING REVENUES:				
Bond fee income	$	282,075	$	208,683
Fees		197,850		214,759
Interest earned on loans		14,436		9,669
Interest and dividends		9,006		5,272
TOTAL OPERATING REVENUES	$	503,367	$	438,383
EXPENSES:				
Program Expenses -				
Reward programs	$	356,218	$	513,861
Legal fees		30,700		20,000
PTAC		97,884		91,260
Economic development expense		664,611		350,000
Other		6,125		7,849
Total Program Expenses	$	1,155,538	$	982,970
Management and General Expenses -				
Administrative expense	$	90,000	$	90,000
Professional fees		191,383		101,330
Travel		3,547		2,025
Supplies		3,316		5,804
Other		10,135		6,162
Total Management and General Expenses	$	298,381	$	205,321
Loss on Investment Activity	$	820,328	$	259,713
TOTAL EXPENSES	$	2,274,247	$	1,448,004
CHANGE IN NET POSITION	$	(1,770,880)	$	(1,009,621)
NET POSITION - BEGINNING OF YEAR		7,807,450		8,817,071
NET POSITION - END OF YEAR	**$**	**6,036,570**	**$**	**7,807,450**

(The accompanying notes are an integral part of the financial statements)

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For Years Ended December 31, 2019 and 2018

		2019		2018
Cash Flows From Operating Activities:				
Cash received from providing services	$	499,281	$	672,383
Principal payments received on loans		65,578		72,247
Issuance of new loans		(78,293)		-
Cash paid to suppliers		(1,115,976)		(1,102,279)
Net Cash Provided by Operating Activities	$	(629,410)	$	(357,649)
Cash Flows From Investing Activities:				
Distributions from limited partnership interests	$	5,107	$	-
Net Cash Provided By (Used In) Investing Activities	$	5,107	$	-
Net Increase in Cash	$	(624,303)	$	(357,649)
Cash and Cash Equivalents - Beginning of Year		6,425,589		6,783,238
Cash and Cash Equivalents - End of Year	**$**	**5,801,286**	**$**	**6,425,589**
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities				
Change in net position	$	(1,770,880)	$	(1,009,621)
Adjustments to reconcile Change in Net Position to Net Cash (Used)/ Provided from Operations:				
Loss on investment activities	$	820,328	$	259,713
Change in assets and liabilities -				
Fee income receivable		-		234,000
Loans receivable		(16,801)		72,247
Prepaid expense		6,623		(4,747)
Accounts payable		331,320		90,759
Total Adjustments to reconcile Change in Net Position to Net Cash (Used)/Provided from Operations	$	1,141,470	$	651,972
Net Cash Provided by Operating Activities	**$**	**(629,410)**	**$**	**(357,649)**

(The accompanying notes are an integral part of the financial statements)

I. Summary of Significant Accounting Policies:

The financial statements of the Monroe County Industrial Development Corporation (the Corporation) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Organization

The Monroe County Industrial Development Corporation, New York (the Corporation) is a not-for-profit corporation organized under the laws of the state of New York in 1962. In December 2009, the County of Monroe (the County) authorized the Corporation to issue tax exempt and/or taxable bonds and/or notes on behalf of certain not-for-profit organizations. As a result, the bylaws of the Corporation were amended to provide for control over board appointments by the Monroe County Executive.

The purpose of the Corporation is to provide financial assistance to small job creating businesses that demonstrate a need for financing which cannot be met entirely from conventional financing sources. In addition, the Corporation acts as a Certified Development Corporation for the Small Business Administration (SBA) 504 Program.

A revolving loan fund was established in 1984 through an initial contribution of $350,000 from the County of Monroe Industrial Development Agency (d/b/a Imagine Monroe)

B. Basis of Presentation

GASB requires the reporting of net position into three classifications defined as follows:

1. Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. At December 31, 2019 and 2018, the Corporation has no net investment in capital assets.

2. Restricted net position- This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as thought debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. At December 31, 2019 and 2018, the Corporation does not have restricted net position.

(I.) (Continued)

3. Unrestricted net position – This component of net position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted”

When both restricted and unrestricted resources are available for use, it is the Corporation’s policy to use restricted resources first, and then unrestricted resources as needed.

C. Cash and Cash Equivalents

Cash and cash equivalents includes demand deposits, money market, and certificates of deposit and are carried at cost plus accrued interest, which approximates fair value. For purposes of presenting the statement of cash flows, The Corporation considers all highly liquid short-term investments with maturities of twelve months or less from the date of purchase to be cash or cash equivalents. Interest and dividend income from cash and cash equivalents is reported in operating revenue in the Statement of Revenues, Expenses and Changes in Net Position.

D. Income Taxes

The Corporation is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. Under Accounting Standards Codification (ASC) Section 740, the tax status of tax-exempt entities is an uncertain tax position since events could potentially occur that jeopardize tax-exempt status. Management is not aware of any events that could jeopardize the Corporation’s tax-exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements. The Corporation has requested a determination letter from the IRS.

E. Loans Receivable

Loans receivable are carried at unpaid principal balances. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Corporation reviews outstanding loans receivable for uncollectibility and records an allowance for uncollectible accounts based on that review. When all collection efforts have been exhausted, the account is written-off as uncollectible. At December 31, 2019 and 2018 management considered all amounts fully collectible and, accordingly, no allowance has been established.

F. Revenue Recognition

Fees are assessed on a monthly basis for those loans processed by the Corporation and granted through the SBA. These fees are for processing and maintenance of the loans and are based on 0.5% of the outstanding principal balance.

G. Contributions

Contributions are recognized when unconditional promises to give are received by the corporation. Contributions represent amounts provided by unrelated third parties to support the activities of the Corporation.

(I.) (Continued)

H. Investments

1. LaserMax, Inc.

The Corporation owns 333 shares of common stock of Laser Max, Inc. The investment is stated at cost in the amount of $49,950 and the market value is not readily available.

2. Limited Partnership Interests

The Corporation has investments in limited partnership interests of Trillium Lakefront Partners, III, LP, The Monroe Fund LLC. These investments are valued at cost in the statement of net position. The market value of these assets is not readily available. Distributions from the investment is limited partnership interest are treated as a reduction to the cost basis of the respective limited partnership interests. As described in Note V, the University Technology Seed fund dissolved in 2018.

I. Prepaid Items

Prepaid items represent payments made by the Corporation for which benefits extend beyond year end. These payments reflect costs applicable to future accounting periods and are recorded as assets on the statement of net position. A current asset for the prepaid amounts is recorded at the time of disbursement and an expense is reported in the year the goods or services are consumed. The Corporation has an agreement to fund a portion of the Monroe County Finger Lakes Procurement Technical Assistance Center's (PTAC) operating expense. The Corporation paid $91,260 to PTAC, which covers PTAC's fiscal year from September 1, 2019 to August 31, 2020. Of the amount paid to PTAC in 2019, $54,216 is related to the 2020 portion of PTAC's funding arrangement and is a prepaid expense for the Corporation.

J. Reward Programs

The Corporation provides various incentive programs to local businesses and individuals to support local economic development initiatives. The summary of the programs in place are as follows:

1. The Monroe Manufactures Jobs LoansPlus program lends manufacturing companies 10% of the purchase price of new manufacturing equipment, up to $100,000, at 1% interest.

2. The Monroe Manufactures Jobs program connects graduates of the Monroe Community College Applied Technology Center with local manufacturing companies by providing both the employee and employer a $1,500 bonus if the employee works for the company for one full year.

3. The Monroe Manufacturing Rewards program provides manufacturing businesses with a rebate of $2,000 on qualified equipment purchases from $25,000 to $49,999.

4. The Monroe On-the-Job program provides matching funds for skilled trades training that leads to industry recognized certifications for employees.

5. The GreatRebate program is a two year program for companies who buy $50,000 or more of equipment. The Corporation will give a rebate of $5,000 to companies who buy equipment locally or a rebate of $4,000 to companies who buy equipment outside the local area.

6. The GreatRate program is a three to five year program that subsidizes interest rates by 4% for bank loans or capital leases for job creating companies purchasing equipment locally or 3% for bank loans or capital leases for job creating companies not purchasing locally.

7. The Helmets to Hardhats program offers veterans enrolled in the Rochester Building and Trades Council (RBTC) an award for completion of a training program. Qualified veterans completing a minimum of three years in the RBTC training program will be awarded $1,500 while those qualified veterans who have already received a certification through RBTC and are currently employed in that field of certification will be awarded $500.

8. The MM rewards small business incurred $1,000 in expenditures.

Expenses are recognized in the accompanying financial statements when an eligible program disbursement is provided by the participating company under these programs.

K. <u>Bond Fee Income</u>

The Corporation is authorized by the County to issue Tax-Exempt Civic Facility Bonds on behalf of certain not-for-profit organizations. Associated with each issuance are application fees, administrative fees and/or counsel fees incurred by those organizations, which are recognized in the statement of activities as bond fee income.

L. <u>Industrial Development Bonds</u>

The Corporation issues tax-exempt bonds and special issue bonds to provide financial assistance on behalf of certain not-for-profit organizations for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers back to the not-for-profit organization served by the bond issuance. The Corporation is not obligated in any manner for repayment of the bonds at any time. Accordingly, related property is not reported as assets, and the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2019, there were 40 tax-exempt bonds outstanding with an aggregate amount payable of approximately $1,846,300,026. At December 31, 2018 there were 40 tax-exempt bonds outstanding with an aggregate amount payable of approximately $1,860,048,000.

M. <u>Use of Estimates</u>

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 expenditures during the reporting period. Actual results could differ from those estimates.

N. New Accounting Standards

The Corporation has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2019, the Corporation implemented the following new standards issued by GASB:

GASB has issued Statement 83, *Certain Asset Retirement Obligations*.

GASB has issued Statement 84, *Fiduciary Activities*.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*.

GASB has issued Statement 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*.

P. Future Changes in Accounting Standards

GASB has issued Statement 87, *Leases*, which will be effective for the periods beginning after December 15, 2019.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for reporting periods beginning after December 15, 2019.

GASB has issued Statement 91, *Conduit Debt Obligations*, which will be effective for reporting periods beginning after December 15, 2020.

The Corporation is currently studying these statements and plans on adoption as required.

Q. Reclassification

There were reclassifications to the 2018 cash flow statement for comparability purposes.

II. Deposits with Financial Institutions and Investments:

A. Policies

The Corporation follows an investment and deposit policy, the overall objective of which is to adequately safeguard the funds of the Corporation and funds under the control of the Corporation; to provide sufficient liquidity of invested funds in order to meet obligations as they become due; and to earn the maximum yield possible given the objectives previously listed. Oversight of investment activity is the responsibility of the Executive Director. The Corporation's monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies as designated by the Board of Directors. Permissible investments include: a) obligations of the United States or of federal agencies whose principal and interest payments are fully guaranteed by the federal or state government, b) obligations of New York State or in general obligations of the state's political subdivisions, c) certificates of deposit or deposits with banks with an investment grade rating by a Rating Agency, d) commercial paper rates Prime-1 and/or A-1, e) money market funds with AAA ratings, and f) investments in Laser Max, Inc. and various other investments in entities.

(II.) (Continued)

B. Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The Corporation's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

C. Credit Risk

The Corporation'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.

D. Custodial Credit Risk

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.

At December 31, 2019 and 2018, the Corporation's cash was covered by FDIC insurance, or by eligible securities held in the Corporation's name by a third-party custodial bank or by the bank's trust department. The Corporation's deposits (including petty cash) consisted of the following at December 31:

	2019	
	Bank Balance	**Carrying Amount**
Demand deposits	$ 4,724,306	$ 4,721,834
Time deposits	1,079,515	1,079,452
Total	$ 5,803,821	$ 5,801,286

	2018	
	Bank Balance	**Carrying Amount**
Demand deposits	$ 5,352,919	$ 5,350,227
Time deposits	1,075,332	1,075,362
Total	$ 6,428,251	$ 6,425,589

These deposits were insured or collateralized as follows:

	2019	**2018**
FDIC insurance	$ 2,217,559	$ 2,337,016
Collateralized by third-party	3,586,262	3,976,284
Uncollaterized	-	114,951
Total	$ 5,803,821	$ 6,428,251

III. Loan Receivables

The following is a summary of the Corporation's balance of outstanding loans receivable at December 31:

Borrower	Date of Issue	Original Loan	Rate of Interest	Maturity Date	Balance at 12/31/2019	Balance at 12/31/2018
Stamper Technology, Inc.	05/2011	$ 28,250	1.00%	12/2018	$ -	$ 348
RocCera, LLC 2	04/2012	$ 73,527	1.00%	12/2017	-	3,765
Trillitek Inc./Steel Works	08/2014	$ 40,000	1.00%	09/2021	10,264	16,049
Northern Air Sys. Holdings	11/2014	$ 180,000	4.00%	12/2024	97,463	119,338
RocCera, LLC	11/2014	$ 80,000	4.00%	01/2020	-	40,407
Alkemy Machine, LLC	02/2015	$ 125,000	3.00%	02/2020	70,275	82,452
Tracey Door Company	12/2015	$ 50,000	4.00%	12/2020	10,814	21,205
Abundance Food Co-op	11/2017	$ 50,000	2.25%	11/2022	29,847	39,638
Precision Laser Technology	05/2019	$ 28,293	1.00%	05/2026	25,683	-
Iron Smoke Whiskey, LLC	07/2019	$ 50,000	4.00%	07/2026	47,399	-
RocCera, LLC	12/2019	$ 48,258	4.50%	12/2031	48,258	-
Total					**$ 340,003**	**$ 323,202**
Less: Current Portion					(126,299)	(94,625)
NonCurrent Portion					**$ 213,704**	**$ 228,577**

Payment Repayment Schedule	2020	2021	2022	2023	2024	Thereafter	Total
Trillitek Inc./Steel Works	$ 5,843	$ 4,421	$ -	$ -	$ -	$ -	$ 10,264
Northern Air Sys. Holdings	16,750	80,713	-	-	-	-	97,463
Alkemy Machine, LLC	70,275	-	-	-	-	-	70,275
Tracey Door Company	10,814	-	-	-	-	-	10,814
Abundance Food Co-op	10,014	10,241	9,592	-	-	-	29,847
Precision Laser Technology	3,617	3,984	4,024	4,065	4,106	5,887	25,683
Iron Smoke Whiskey, LLC	5,877	6,662	6,933	7,216	7,910	12,801	47,399
RocCera, LLC	3,109	3,246	3,395	3,551	3,714	31,243	48,258
Total	**$ 126,299**	**$ 109,267**	**$ 23,944**	**$ 14,832**	**$ 15,730**	**$ 49,931**	**$ 340,003**

IV. Related Parties

The Corporation has a contract with Imagine Monroe, which states the Corporation will reimburse Imagine Monroe for the cost of certain professional services up to $100,000. This contract is effective April 1, 2019 and runs through December 31, 2019. The Corporation had a previous contract with Imagine Monroe, which stated the Corporation will reimburse Imagine Monroe for the cost of certain professional services up to $100,000 annually. This contract ran through March 31, 2019. The Corporation had a previous contract with Imagine Monroe, which stated the Corporation will reimburse Imagine Monroe for the cost of certain professional services up to $40,000 annually. This contract ran through February 1, 2018. For the years ended December 31, 2019 and 2018, the Corporation spent approximately $123,400 and $69,400, respectively, with Imagine Monroe. Of the amount expended in 2019, approximately $51,000 is considered payable as of year end. Of the amount expended in 2018, approximately $11,900 is considered payable as of year end.

The Corporation is related to the County through the appointment of board members to the Corporation. The Monroe County Department of Planning and Development has executed contracts with the Corporation to provide administrative services. The 2019 and 2018 contracts required a payment of $90,000 for general administrative and overhead fees to the County. In 2019 and 2018, the Corporation paid the County $90,000 annually, based on an annual administrative agreement between the entities.

V. Investments in Limited Partnership Interests

Investments in limited partnership interests consisted of the following at December 31:

	2019 Ownership %	2019	2018 Ownership %	2018
The Monroe Fund, LLC	12.48%	$ 70,762	12.48%	$ 790,360
Trillium Lakefront Properties III, LP	4.49%	142,063	4.49%	142,063
Equities		-		100,730
Total		**$ 212,825**		**$ 1,033,153**

On December 28, 2018 the University Technology Seed Fund was dissolved. The Corporation received equity investments in three corporations that were previously owned by the Fund; the value of the equities was $100,730. The Corporation also received $5,107 in cash in March 2019; this amount is recorded as a receivable at December 31, 2018. For the year ended December 31, 2019, management has determined that the shares received relating to OyaGen, Inc., Thermal Gradient, Inc., and New Scale Technologies from the University Technology Seed Fund have been impaired and recognized an adjustment of $100,730 on the investment.

The following represents the equities received from the University Technology Seed Fund dissolution:

Equities Received	Shares
New Sale Technology, Inc., Series A Preferred	896
OyaGen, Inc., Common	134,931
OyaGen, Inc., Common Stock Option	2,421
OyaGen, Inc., Common Stock Warrant	112,980
OyaGen, Inc., Series A Preferred	256,580
OyaGen, Inc., Series B Preferred	21,951
Thermal Gradient, Inc., Class A Convertible Preferred	29

In addition, management has adjusted the Monroe Fund cost basis down $719,598 to reflect a recognition of an impairment.

VI. Commitments

Future payments under the Manufacturing Rewards, Monroe On the Jobs, GreatRebate, GreatRate, and Rochester Works programs are anticipated to be as follows for the years ending December 31:

2020	$ 387,900
2021	176,750
2022	102,766
2023	44,997
2024	12,715
Total	**$ 725,128**

At December 31, 2019, several companies have been approved for the Manufacturing Rewards, Monroe On the Jobs, GreatRebate, and GreatRate programs, but have not submitted final documentation for payment. Therefore, the Corporation has conditional payments of $381,531 outstanding until such time as all program requirements have been satisfied.

VII. Litigation

There is one pending claim filed against the corporation in which the outcome cannot be determined at this time.

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*

Independent Auditors' Report

To the Board of Directors
Monroe County Industrial Development Corporation
Rochester, 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 Monroe County Industrial Development Corporation (Corporation) as of and for the years ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Monroe County Industrial Development Corporation's basic financial statements, and have issued our report thereon dated March 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Monroe County Industrial Development Corporation's internal control over financial reporting 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 Monroe County Industrial Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Monroe County Industrial Development Corporation'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 Corporation'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.

100 Chestnut Street | Suite 1200 | Rochester, NY 14604 | P 585.423.1860 | F 585.423.5966 | mengelmetzgerbarr.com
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Monroe County Industrial Development Corporation'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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rochester, New York
March 19, 2020

Mengel, Metzger, Barr & Co. LLP

MENGEL METZGER BARR & CO. LLP
RAYMOND F. WAGER, CPA, P.C. DIVISION

Independent Auditors' Report

To the Board Members
Monroe County Industrial Development Corporation
Rochester, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Monroe County Industrial Development Corporation, which comprise the statement of net position as of December 31, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 19, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the Corporation failed to comply with its own investment guidelines, the New York State Comptroller's Investment Guidelines, or Section 2925 of the New York State Public Authorities Law (collectively, Investment Guidelines), which is the responsibility of the Corporation's management, in so far as they relate to the financial accounting knowledge of noncompliance with such Investment Guidelines.

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

Rochester, New York
March 19, 2020

Mengel, Metzger, Barr & Co. LLP

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MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

ROCHESTER, NEW YORK

COMMUNICATING INTERNAL CONTROL RELATED MATTERS IDENTIFIED IN AN AUDIT

For Year Ended December 31, 2019

MENGEL METZGER BARR & CO. LLP
RAYMOND F. WAGER, CPA, P.C. DIVISION

MENGEL METZGER BARR & CO. LLP
RAYMOND F. WAGER, CPA, P.C. DIVISION

March 19, 2020

To the Board of Directors
Monroe County Industrial Development Corporation
Rochester, New York

In planning and performing our audit of the financial statements of the Monroe County Industrial Development Corporation as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Monroe County Industrial Development Corporation's internal control over financial reporting (internal control) as a basis for designing 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Current Year Deficiencies in Internal Control:

Stock Certificates –

As indicated in the financial statements the Corporation owns 333 shares of common stock of LaserMax, Inc. totaling $49,950. As part of the audit process we inquired about the status of this investment and related stock certificates. As a result of our inquiry, management is investigating the status of that investment which may have changed due to a change in the ownership of the company.

We recommend the Corporation develop a procedure to request an annual confirmation acknowledging the status of the investment and if anything changed during the year relating to the shares of common stock.

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To the Board of Directors
Monroe County Industrial Development Corporation
Rochester, New York

This communication is intended solely for the information and use of management, the Board of Directors, audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

* * *

We wish to express our appreciation to all client personnel for the courtesies extended to us during the course of our examination.

Rochester, New York
March 19, 2020

Mengel, Metzger, Barr & Co. LLP

MONROE COUNTY
INDUSTRIAL DEVELOPMENT CORPORATION

ROCHESTER, NEW YORK

LETTER OF COMMUNICATION

For Year Ended December 31, 2019

MENGEL METZGER BARR & CO. LLP
RAYMOND F. WAGER, CPA, P.C. DIVISION

MENGEL METZGER BARR & CO. LLP
RAYMOND F. WAGER, CPA, P.C. DIVISION

March 19, 2020

To the Board Members
Monroe County Industrial Development Corporation
Rochester, New York

We have audited the financial statements of the Monroe County Industrial Development Corporation, (Corporation) for the year ended December 31, 2019, and have issued our report thereon dated March 19, 2020. Professional standards require that we provide you with the following information related to our audit.

A. Our Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated January 27, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Monroe County Industrial Development Corporation. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Monroe County Industrial Development Corporation's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

B. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management and the Board in our engagement letter dated January 27, 2020.

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C. **<u>Significant Audit Findings</u>**

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Corporation are described in Note 1 to the financial statements. The new accounting pronouncements which were implemented were GASB 83, *Certain Asset Retirement Obligations*, GASB 84, *Fiduciary Activities,* GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements,* and GASB 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61.* We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events effecting them may differ significantly from those expected. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no individually sensitive disclosures affecting the financial statements.

D. **<u>Difficulties Encountered in Performing the Audit</u>**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

E. **<u>Corrected and Uncorrected Misstatements</u>**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not identify any known or likely misstatements during our audit.

F. **<u>Disagreements with Management</u>**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

G. **<u>Management Representations</u>**

We have requested certain representations from management that are included in the management representation letter dated March 19, 2020.

To the Board Members
Monroe County Industrial Development Corporation
Rochester, New York

H. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

I. Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

J. Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence. Safeguards in place to eliminate or reduce threats to independence to an acceptable level include a skilled, knowledgeable and experienced Finance Director who reviews draft financial statements prior to issuance and accepts responsibility for them.

K. Other Matters

We applied certain limited procedures to the management's discussion and analysis, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

* * *

This information is intended solely for the use of the Board and management of the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
March 19, 2020