

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

Rochester, New York

FINANCIAL REPORT

December 31, 2018 and 2017



MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Monroe County Industrial Development Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Monroe County Industrial Development Corporation (the Corporation) as of and for the year ended December 31, 2018, 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 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.

INSERO & Co. CPAs, LLP

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Corporation, as of December 31, 2018, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

2017 Financial Statements

The financial statements of the Corporation, as of and for the year ended December 31, 2017, were audited by other auditors, whose report, dated March 22, 2018, 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 3-3b 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 4, 2019, on our consideration of the 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 Corporation's internal control over financial reporting and compliance.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Rochester, New York
March 4, 2019

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

The following Management's Discussion and Analysis (MD&A) of Monroe County Industrial Development Corporation's (the Corporation) financial statements provides an overview of the Corporation's financial activities for the years ended December 31, 2018 and 2017. The MD&A should be read in conjunction with the Corporation's financial statements and related notes, which follow the MD&A.

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 the 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.

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

The Corporation

The analysis below summarizes the statements of net position (Table 1) and change in net position (Table 2) of the Corporation as of and for the years ended December 31, 2018, 2017 and 2016.

Table 1 - Statements of Net Position

	2018	2017	2016
ASSETS			
Cash and equivalents	\$ 6,425,589	\$ 6,783,238	\$ 5,777,742
Investment in limited partnerships	1,033,153	1,297,973	1,299,265
Accounts receivable	5,107	-	1,752
Fee income receivable	-	234,000	-
Loans receivable	323,202	395,449	460,164
Prepaid expenses	65,587	60,840	60,840
Investment in Laser Max, Inc.	49,950	49,950	49,950
	7,902,588	8,821,450	7,649,713
LIABILITIES			
Accounts payable	95,138	4,379	52,061
	95,138	4,379	52,061
NET POSITION			
Unrestricted	\$ 7,807,450	\$ 8,817,071	\$ 7,597,652

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. Investments declined due to the dissolution of one of the limited partnerships.

Cash increased at December 31, 2017 as a result of an increase in bond fee income in 2017. Net position increased as a result of the operations of the Corporation; see the analysis on the following page of this MD&A. The Corporation had fee income receivable of \$234,000 due to an issuance of a Tax Exempt Civic Facility Bond before year-end. Due to the timing of the issuance, the related bond fees were not received until 2018. Loans receivable decreased by \$64,000 due to repayments of approximately \$115,000 offset by issuance of new loans of approximately \$50,000.

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Table 2 - Statements of Revenues, Expenses, and Change in Net Position

	2018	2017	2016
REVENUES:			
Bond fee income	\$ 208,683	\$ 1,854,238	\$ 356,492
Fees	214,759	202,483	242,650
Interest, dividends, and investment income	14,941	16,155	22,145
Total Revenues	438,383	2,072,876	621,287
EXPENSES:			
Program	982,970	660,568	745,636
Management and general	205,321	192,889	211,712
Investment loss	259,713		
Total Expenses	1,448,004	853,457	957,348
Change in Net Position	\$ (1,009,621)	\$ 1,219,419	\$ (336,061)

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 increases of approximately \$481,000 were offset by decreases in GreatRebate and Monroe On-the-Job Program expenses of approximately \$154,000.

In 2017, bond fee income increased substantially as there was a large increase in the monetary value of closed projects in the current year. The monetary value of closed projects in 2017 was approximately \$681 million, which is substantially higher than the monetary value of closed projects in 2016 of approximately \$91.3 million. Program expenses decreased approximately \$86,000 as a result of a decrease in expenses related to the Manufacturing Rewards Program of approximately \$200,000, offset by an increase in expense related to the GreatRebate Program of approximately \$130,000.

Request for Information

This financial report is designed to provide financial statement users with a general overview of the Corporation's finances and to show the accountability for the money received. If you have questions about this report or need additional financial information, contact the Monroe County Industrial Development Corporation's Executive Director at 50 West Main Street, Suite 8100, Rochester, New York, 14614.

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION DECEMBER 31,

	2018	2017
ASSETS		
Current Assets		
Cash and equivalents	\$ 6,425,589	\$ 6,783,238
Fee income receivable	-	234,000
Other receivable	5,107	-
Loans receivable - current portion	94,625	93,872
Prepaid expenses	65,587	60,840
Total Current Assets	6,590,908	7,171,950
Non-Current Assets		
Investment in limited partnerships and related entities	1,033,153	1,297,973
Investment in Laser Max, Inc.	49,950	49,950
Loans receivable - net of current portion	228,577	301,577
Total Non-Current Assets	1,311,680	1,649,500
Total Assets	7,902,588	8,821,450
LIABILITIES		
Current Liabilities		
Accounts payable	95,138	4,379
Total Current Liabilities	95,138	4,379
NET POSITION		
Unrestricted	\$ 7,807,450	\$ 8,817,071

See Independent Auditors' Report and Notes to Financial Statements

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION FOR THE YEARS ENDED DECEMBER 31,

	2018	2017
REVENUES		
Bond fee income	\$ 208,683	\$ 1,854,238
Fees	214,759	202,483
Interest earned on loans	9,669	12,371
Interest and dividends	5,272	3,784
Total Revenues	438,383	2,072,876
EXPENSES		
Program:		
Rewards programs	513,861	549,309
Legal fees	20,000	20,000
PTAC	91,260	85,792
Economic Development expense	350,000	-
Other	7,849	5,467
Total Program	982,970	660,568
Management and General:		
Administrative expense	90,000	90,000
Professional fees	101,330	69,365
Travel	2,025	1,642
Supplies	5,804	9,831
Other	6,162	22,051
Total Management and General	205,321	192,889
Loss on investment activity	259,713	-
Total Expenses	1,448,004	853,457
Change in Net Position	(1,009,621)	1,219,419
Net Position - Beginning of Year	8,817,071	7,597,652
Net Position - End of Year	\$ 7,807,450	\$ 8,817,071

See Independent Auditors' Report and Notes to Financial Statements

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31,

	2018	2017
Cash Flow From Operating Activities		
Receipts from providing services	\$ 672,383	\$ 1,790,628
Payments to suppliers	<u>(1,102,279)</u>	<u>(851,139)</u>
Net Cash Flow from Operating Activities	<u>(429,896)</u>	<u>939,489</u>
Cash Flow From Investing Activities		
Distributions from limited partnership interests	-	1,292
Principal payments received on loans	72,247	114,715
Issuance of new loans	<u>-</u>	<u>(50,000)</u>
Net Cash Flow From Investing Activities	<u>72,247</u>	<u>66,007</u>
Net Change in Cash and Equivalents	(357,649)	1,005,496
Cash and Equivalents - Beginning of Year	<u>6,783,238</u>	<u>5,777,742</u>
Cash and Equivalents - End of Year	<u>\$ 6,425,589</u>	<u>\$ 6,783,238</u>
Reconciliation of Change in Net Position to Net Cash Flow from Operating Activities		
Change in net position	\$ (1,009,621)	\$ 1,219,419
Adjustments to reconcile change in net position to net cash flow from operating activities:		
Loss on investment activity	259,713	
Increase / (Decrease) in :		
Accounts receivable	-	1,752
Fee income receivable	234,000	(234,000)
Prepaid expenses	(4,747)	-
(Increase) / Decrease in:		
Accounts payable	<u>90,759</u>	<u>(47,682)</u>
Net Cash Flow from Operating Activities	<u>\$ (429,896)</u>	<u>\$ 939,489</u>

See Independent Auditors' Report and Notes to Financial Statements

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

***Note 1* The Corporation**

The Monroe County Industrial Development Corporation (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).

***Note 2* Summary of Significant Accounting Policies**

Basis of Accounting

The Corporation's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds.

Basis of Presentation

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

- 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 borrowings 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, 2018 and 2017, the Corporation had no net investment in capital assets.
- Restricted net position - This component of net position consists of amounts which have external constraints placed on their use imposed by creditors (such as through 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, 2018 and 2017, the Corporation does not have restricted net position.
- 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.

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

***Note 2* Summary of Significant Accounting Policies (Continued)**

Income Taxes

The Corporation is a New York not-for-profit corporation qualified under §501(c)(6) of the Internal Revenue Code.

Cash and Equivalents

Cash and equivalents includes demand deposits, money markets, and certificates of deposit with original maturities of twelve months or less. The Corporation maintains its cash and equivalents in bank accounts. Interest and dividend income from cash and equivalents is reported in operating revenue in the statements of revenues, expenses, and change in net position.

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, 2018 and 2017, management considered all amounts fully collectible and, accordingly, no allowance had been established.

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.

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.

Investment in 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.

Investment in Limited Partnership Interests

The Corporation has investments in limited partnership interests of Trillium Lakefront Partners, III, LP, The Monroe Fund LLC, and University Technology Seed Fund. These investments are valued at cost in the statements of net position. The market value of these assets is not readily available. Distributions from the investment in limited partnership interests are treated as a reduction to the cost basis of the respective limited partnership interests. As described in Note 6, the University Technology Seed Fund dissolved in 2018.

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

***Note 2* Summary of Significant Accounting Policies (Continued)**

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, 2018 to August 31, 2019. Of the amount paid to PTAC in 2018, \$60,840 is related to the 2019 portion of PTAC's funding arrangement, and is a prepaid expense for the Corporation.

Rewards 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:

- 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.
- 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.
- The Monroe Manufacturing Rewards program provides manufacturing businesses with a rebate of \$2,000 on qualified equipment purchases from \$25,000 to \$49,999.
- The Monroe On-the-Job program provides matching funds for skilled trades training that leads to industry recognized certifications for employees.
- 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.
- 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.

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Note 2 Summary of Significant Accounting Policies (Continued)

Rewards Programs (Continued)

- 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.

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

Bond Fee Income

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 statements of revenues, expenses, and change in net position as bond fee income. The Corporation Issued a Tax-Exempt Civic Facility Bond that resulted in \$234,000 in bond fee income which was not received prior to December 31, 2017. This income is recognized in the Statement of Net Position as fee income receivable.

Industrial Development Bonds

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, 2018, there were 40 tax-exempt bonds outstanding with an aggregate amount payable of approximately \$1,860,048,000. At December 31, 2017, there were 39 tax-exempt bonds outstanding with an aggregate amount payable of approximately \$1,871,671,000.

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Note 3 Deposits with Financial Institutions and Investments

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 deposits or deposits with banks with an investment grade rating by a Rating Agency, d) commercial paper rated 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.

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.

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.

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, 2018 and 2017, 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:

	2018		2017	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Demand deposits	\$ 5,352,919	\$ 5,350,227	\$ 5,838,259	\$ 5,709,495
Time deposits	1,075,332	1,075,362	1,073,743	1,073,743
Total	\$ 6,428,251	\$ 6,425,589	\$ 6,912,002	\$ 6,783,238

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Note 3 Deposits with Financial Institutions and Investments (Continued)

These deposits were insured or collateralized as follows:

	<u>2018</u>	<u>2017</u>
FDIC insurance	\$ 2,337,016	\$ 2,502,330
Collateralized by third-party	3,976,284	4,178,974
Uncollateralized	<u>112,289</u>	<u>101,934</u>
Total	\$ <u>6,425,589</u>	\$ <u>6,783,238</u>

Note 4 Loans Receivable

The following is a summary of the Corporation's balance of outstanding loans receivable at December 31, 2018 and 2017:

<u>Borrower</u>	<u>Date of Issue</u>	<u>Original Loan</u>	<u>Rate of Interest</u>	<u>Maturity Date</u>	<u>Balance at 12/31/2018</u>	<u>Balance at 12/31/2017</u>
Duncan Industrial Equipment	01/2011	\$ 22,500	1.00%	01/2018	\$ -	\$ 278
Mastro Graphic Arts, Inc.	03/2011	100,000	1.00%	03/2018	-	3,694
Stamper Technology, Inc.	05/2011	28,250	1.00%	12/2018	348	2,084
RocCera, LLC 2	04/2012	73,527	1.00%	12/2017	3,765	5,018
Canfield & Tack, Inc.	11/2013	65,000	2.00%	12/2018	-	13,524
Trillitek Inc./Steel Works	08/2014	40,000	1.00%	09/2021	16,049	21,776
Northern Air Sys. Holdings	11/2014	180,000	4.00%	12/2024	119,338	131,950
RocCera, LLC	11/2014	80,000	4.00%	01/2020	40,407	41,642
Alkemy Machine, LLC	02/2015	125,000	3.00%	02/2020	82,452	94,268
Tracey Door Company	12/2015	50,000	4.00%	12/2020	21,205	32,003
Abundance Food Co-op	11/2017	<u>50,000</u>	2.25%	11/2022	<u>39,638</u>	<u>49,212</u>
Totals		<u>\$ 814,277</u>			<u>\$ 323,202</u>	<u>\$ 395,449</u>

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Note 4 Loans Receivable (Continued)

Principal Repayment Schedule	2019	2020	2021	2022	2023	2024	Total
Stamper Technology, Inc.	\$ 348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 348
RocCera, LLC 2	3,765	-	-	-	-	-	3,765
Trillitek Inc./Steel Works	5,785	5,843	4,421	-	-	-	16,049
Northern Air Sys. Holdings	17,412	18,122	18,860	19,628	20,428	24,888	119,338
RocCera, LLC	34,956	5,451	-	-	-	-	40,407
Alkemy Machine, LLC	12,177	70,275	-	-	-	-	82,452
Tracey Door Company	10,391	10,814	-	-	-	-	21,205
Abundance Food Co-op	9,791	10,014	10,241	9,592	-	-	39,638
	<u>\$ 94,625</u>	<u>\$ 120,519</u>	<u>\$ 33,522</u>	<u>\$ 29,220</u>	<u>\$ 20,428</u>	<u>\$ 24,888</u>	<u>\$ 323,202</u>

Note 5 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 was effective February 1, 2018 and runs 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, 2018 and 2017, the Corporation paid approximately \$69,400 and \$40,000, respectively, to Imagine Monroe. Of the amount paid in 2018, approximately \$11,900 is considered payable as of year-end. Of the amount paid in 2017, approximately \$4,400 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 2018 and 2017 contracts required a payment of \$90,000 for general administrative and overhead fees to the County. In 2018 and 2017, the Corporation paid the County \$90,000 annually, based on an annual administrative agreement between the entities.

MONROE COUNTY INDUSTRIAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Note 6 Investments in Limited Partnership Interests

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

	Ownership %	2018
The Monroe Fund, LLC	12.48%	\$ 790,360
Trillium Lakefront Properties III, LP	4.49%	142,063
Equities		100,730
		\$ 1,033,153

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

	Ownership %	2017
The Monroe Fund, LLC	12.48%	\$ 790,360
Trillium Lakefront Properties III, LP	4.49%	142,063
University Technology Seed Fund	8.06%	365,550
		\$ 1,297,973

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.

Note 7 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:

2019	\$	567,203
2020		177,988
2021		94,528
2022		35,229
2023		9,483
	\$	884,431

At December 31, 2018, 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 \$110,800 outstanding until such time as all program requirements have been satisfied.

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

To the Board of Directors of
Monroe County Industrial Development Corporation:

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 Monroe County Industrial Development Corporation (the Corporation) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 4, 2019.

Internal Control over Financial Reporting

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

Respectfully Submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Rochester, New York
March 4, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
SECTION 2925(3)(f) OF THE NEW YORK STATE PUBLIC AUTHORITIES LAW**

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

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 Monroe County Industrial Development Corporation (the Corporation), a nonprofit organization and a component unit of the County of Monroe, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's financial statements, and have issued our opinion thereon dated March 4, 2019.

In connection with our audit, nothing came to our attention that caused us to believe the Corporation failed to comply with the Corporation's 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, insofar as they relate to the financial accounting knowledge of noncompliance with such Investment Guidelines.

This communication is intended solely for the information and use of the Board of Directors and management of the Monroe County Industrial Development Corporation, and the Office of the Comptroller of the State of New York, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

Insero & Co. CPAs, LLP
Certified Public Accountants

Rochester, New York
March 4, 2019

INSERO & Co. CPAs, LLP

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