

OTSEGO COUNTY CAPITAL RESOURCE
CORPORATION

FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 6
FINANCIAL STATEMENTS	
Statements of Net Assets	7
Statements of Revenues, Expenses and Change in Fund Net Assets	8
Statements of Cash Flows	9
Notes to Financial Statements	10 – 11
OTHER FINANCIAL INFORMATION	
Schedule of Supplemental Bond and Note Information	12
Schedule of Full-Time Equivalent (FTE) Jobs Created and Retained	13
COMPLIANCE AND INTERNAL CONTROL	
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 <i>Government Auditing Standards</i>	14 – 15

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Otsego County Capital Resource Corporation
Oneonta, New York

We have audited the accompanying statements of net assets of the Otsego County Capital Resource Corporation ("OCCRC"), as of December 31, 2011 and 2010, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the years then ended. These basic financial statements are the responsibility of OCCRC's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above, present fairly, in all material respects, the financial position of the OCCRC, as of December 31, 2011 and 2010, and the changes in its fund net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2012, on our consideration of the OCCRC'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on Page 3 – 6 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, and 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 method 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the OCCRC's financial statements taken as a whole. The schedule of supplemental bond and note information and schedule of full-time equivalent (FTE) jobs created and retained are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Gruva, Jureifel & Acott, LLP

Oneonta, New York
August 8, 2012

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

MANAGEMENT AND DISCUSSION ANALYSIS

The Otsego County Capital Resource Corporation (OCCRC) was created pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York, as amended (the “Enabling Act”). Pursuant to the provisions of the Enabling Act and Revenue Ruling 57-187 and Private Letter Ruling 200936012, the Board of Representatives of Otsego County, New York (the “County”) adopted a resolution on October 1, 2008 (the “Sponsor Resolution”) (A) authorizing the incorporation of the Issuer under the Enabling Act, and (B) appointing the initial members of the board of directors of the Issuer. On October 15, 2008, a certificate of incorporation was filed with the New York Secretary of State’s Office (the “Certificate of Incorporation”) creating the Issuer as a public instrumentality of the County; and

The Otsego County Capital Resource Corporation is authorized and empowered by the provisions of the Enabling Act to relieve and reduce unemployment, promote and provide for additional and maximum employment, better and maintain job opportunities, and lessen the burdens of government and act in the public interest, and in carrying out the aforesaid purposes and in exercising the powers conferred in the Enabling Act, the Enabling Act declares that the Issuer will be performing essential governmental functions; and

To accomplish its stated purposes, the Otsego County Capital Resource Corporation is authorized and empowered under the Enabling Act to acquire real and personal property; to borrow money and issue negotiable bonds, notes and other obligations therefore; to lease, sell, mortgage or otherwise dispose of or encumber any of its real or personal property upon such terms as it may determine; and otherwise to carry out its corporate purposes in the territory in which the operations of the Issuer are principally to be conducted.

As the financial management of the Otsego County Capital Resources Corporation (OCCRC) we offer readers of these financial statements this narrative overview and analysis of the financial activities for OCCRC for the fiscal year ended December 31, 2011. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. OCCRC encourages its readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Budget

OCCRC budgets its operating income and expenses each year. OCCRC’s primary source of income is generated through fee for services related to Tax Exempt Bond Financing.

Expenses for OCCRC comprise mostly of general Corporation operations including corporate insurance policies and notifications related to various bond issuances. The OCCRC does not have direct employees. Administrative and clerical support is provided by the County Economic Development Department.

OCCRC strictly adheres to financial procedures and requirements of New York State General Municipal Law, Article 18A, and its own bylaws, as audited by our accountants Gruver, Zweifel & Scott, LLP.

Overview of the Financial Statements

This discussion and analysis accompanies OCCRC’s financial statements, including notes to the financial statements and the reports on compliance and internal control to help the reader better understand the financials.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

MANAGEMENT AND DISCUSSION ANALYSIS

Financial Statements

OCCRC's financial statements provide readers with a comprehensive reporting of OCCRC's 2011 transactions and balances. The difference between the assets and liabilities are reported as net assets. Increases or decreases in net assets are an indicator of strengthened or weakened financial position.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

Operating revenue for OCCRC was \$227,800 for fiscal year 2011. This was an increase of approximately 21% over the prior year. Net income produced an increase in net assets of \$226,373. At the close of fiscal year 2011, OCCRC had net assets of \$415,321, an increase of 120% over the prior year, which was attributable to bond fees.

Accomplishments

Bond Issuances ~

\$25,000,000 Springbrook, NY (September 2010)

In 2010, OCCRC closed on a \$25M Bond issuance to help Springbrook with their "Coming Home" building Project. Development is underway and anticipated to be complete in 3Q12. This expansion project will support returning NYS residents (children) placed out of state back into our community and results in the creation of 120 new jobs. The project consists of extensive reconstruction and renovation of the Facility located in Milford NY, including the construction of an addition to an existing facility and the construction of eight new buildings for the provision of residential, educational and clinical services for children and adults diagnosed with mental retardation and/or developmental disabilities and related activities.

\$25,000,000 Bassett Hospital New Issue (November 2011)

In 2007, Bassett completed a \$20 Million financing through the Otsego County IDA. The 2011 project was a second phase to that ongoing campus renovation project. Major components to the project included: Expansion to OR #11 that will accommodate robotic surgery for Obstetrics – Urology and Vascular procedures (approximately 1,540 sq. ft). Another 6,370 sq. ft. of renovations will include relocation and expansion of an OR and support space for the professional personnel, pharmacy and other ancillary functions within the OR; Ventilation and Renovation of inpatient rooms on L2/L4, Parking Lot Expansion, Fire Alarm System, Physician Offices and replacement of Clinic Building Windows. No net new positions will be created as a result of the expansion project. However, it is anticipated that retention and the ability to attract personnel to fill current open, yet unfilled positions will be significant.

\$19,600,000 Bassett Hospital Refunding Project (November 2011)

This Project consisted of the refinancing and/or refunding of the County of Otsego Industrial Development Agency's Multi-Mode Variable Rate Civic Facility Revenue Bonds (The Mary Imogene Bassett Hospital Project), Series 2007A in the principal amount of \$20,000,000.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

MANAGEMENT AND DISCUSSION ANALYSIS

\$12,400,000 Templeton Corporation Refunding Project (December 2011)

This Project consisted of the refinancing and/or refunding of the County of Otsego Industrial Development Agency's Multi-Mode Variable Rate Civic Facility Revenue Bonds (Templeton Foundation Project), Series 2007A in the aggregate principal amount of \$13,500,000. The Prior Bonds were issued for the purpose of the acquisition and renovation of 4580 State Highway 28, in the Town of Hartwick, renovation and expansion to property located at One and Seven Associate Drive in the City of Oneonta, Otsego County, New York, renovation to 125 Main Street in the City of Oneonta, Otsego County, New York.

Economic Factors

2011 continued to be a difficult economic environment, on the global, national and local level. Commercial lending continued to lag, hampering the access to capital many businesses need for growth and stability. However, historic low interest rates created a market for local Not-for-Profits to continue to finance and refinance debt associated with expansion projects. The following is a 2011-2010 comparative summary of OCCRC financial statements, showing the increase in net assets:

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION'S NET ASSETS

	<u>2011</u>	<u>2010</u>
Current assets	\$ 415,321	\$ 188,948
Total assets	<u>\$ 415,321</u>	<u>\$ 188,948</u>
Current liabilities	\$ -	\$ -
Total liabilities	-	-
Net assets	<u>415,321</u>	<u>188,948</u>
Total liabilities and net assets	<u>\$ 415,321</u>	<u>\$ 188,948</u>

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION'S
CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 227,800	\$ 189,000
Operating expenses	<u>2,114</u>	<u>188</u>
Operating income	225,686	188,812
Non-Operating revenue	687	136
Net assets, beginning of year	<u>188,948</u>	<u>-</u>
Net assets, end of year	<u>\$ 415,321</u>	<u>\$ 188,948</u>

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

MANAGEMENT AND DISCUSSION ANALYSIS

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Carolyn Lewis, CEO, Otsego County Capital Resource Corporation, 242 Main Street, Oneonta, New York 13820.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

STATEMENTS OF NET ASSETS

December 31, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 414,338	\$ 188,010
Prepaid expenses	983	938
Total current assets	<u>415,321</u>	<u>188,948</u>
Total assets	<u>\$ 415,321</u>	<u>\$ 188,948</u>
<u>LIABILITIES AND NET ASSETS</u>		
Net assets:		
Unrestricted net assets	<u>\$ 415,321</u>	<u>\$ 188,948</u>
Total liabilities and net assets	<u>\$ 415,321</u>	<u>\$ 188,948</u>

See accompanying notes.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

Years ended December 31, 2011 and 2010

	2011	2010
Operating revenues:		
Bond fees	\$ 227,800	\$ 189,000
Total operating revenues	227,800	189,000
Operating expenses:		
Bond issuance costs	980	-
Insurance	1,134	188
Total operating expenses	2,114	188
Net income from operations	225,686	188,812
Non-operating revenues:		
Interest income	687	136
Net income	226,373	188,948
Net assets, beginning of year	188,948	-
NET ASSETS, END OF YEAR	\$ 415,321	\$ 188,948

See accompanying notes.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

STATEMENTS OF CASH FLOWS

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating and non-operating activities:		
Net income	\$ 226,373	\$ 188,948
Adjustments to reconcile net income to net cash provided by operating and non-operating activities:		
Changes in operating assets and liabilities:		
Increase in prepaid expenses	<u>(45)</u>	<u>(938)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>226,328</u>	<u>188,010</u>
 INCREASE IN CASH AND CASH EQUIVALENTS	 226,328	 188,010
 Cash and cash equivalents, beginning of year	 <u>188,010</u>	 <u>-</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 414,338</u></u>	 <u><u>\$ 188,010</u></u>

See accompanying notes.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

Otsego County Capital Resource Corporation (“OCCRC”) is a New York State Corporation organized under New York State Not-for-Profit Corporation Law and is located in Oneonta, New York. OCCRC’s mission is to assist local economic development efforts by promoting community and economic development and the creation of jobs in non-profit and the for profit institutions. OCCRC provides access to low interest tax-exempt and non tax-exempt financing for eligible projects in Otsego County. Currently the OCCRC does not administer any direct business assistance. Otsego County is the sole member of the corporation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting – OCCRC follows enterprise fund reporting. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. All enterprise funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of OCCRC’s enterprise fund is bond fees. Operating expenses for the enterprise fund includes bond issuance costs and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The basic financial statements of OCCRC have been prepared in conformity with accounting principles generally accepted in the United States of America (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 OCCRC’s accounting policies are described below.

Income Tax - OCCRC is a governmental instrumentality of Otsego County under IRS revenue ruling 57-128 and therefore pursuant to Section 115 of the Internal Revenue Code is exempt from filing income tax returns. No provision for income taxes has been provided for in the financial statements.

Statement of Cash Flows - For the purposes of the statement of cash flows OCCRC considers cash to be all unrestricted and restricted cash accounts including demand accounts.

Use of Estimates in Preparation of Financial Statements - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. This affects the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Contributed Facilities and Services – OCCRC with the consent of the Board of Representatives from Otsego County is authorized to use and share county employees, facilities, and equipment and may reimburse the County an agreed upon proportion of the compensation or costs of the services provided.

Component Unit - Management has evaluated the provisions of Government Accounting Standards Board Statement No. 61 - *The Financial Reporting Entity* and has determined they are not a component unit of the County of Otsego Industrial Development Agency (COIDA).

Subsequent Events – OCCRC has evaluated subsequent events through August 8, 2012 which is the date these financial statements were available to be issued.

NOTE 3 REVENUE BONDS

OCCRC facilitates the issuance of tax-exempt and non-tax-exempt revenue bonds and notes. The bonds and notes are not the obligations of OCCRC or the State of New York. OCCRC does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and the funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, OCCRC receives bond administration fees from the borrowing organizations. This administrative fee income is recognized immediately upon issuance of bonds and notes. During the year ending December 31, 2011, OCCRC facilitated the refunding of bonds issued by COIDA which will be refinanced through a bond issuance with OCCRC. During the year ended December 31, 2011, OCCRC received bond issuance fees of \$227,800.

During the year ended December 31, 2010, OCCRC issued tax-exempt revenue bonds and received a bond issuance fee of \$188,963.

NOTE 4 RELATED PARTIES

OCCRC and County of Otsego Industrial Development Agency (COIDA) are related through common board members and management.

NOTE 5 CASH AND CASH EQUIVALENTS

States statutes require that collateral be pledged for demand deposits, time deposits, and certificates of deposit at 100% of deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Obligations that may be pledged as collateral are obligations of the U.S. Treasury and its agencies, obligations of the state and its municipalities, school district debt, irrevocable letters of credit and surety bonds issued by state authorized insurance companies. The carrying amount of cash and cash equivalents was \$414,338 at December 31, 2011, only \$250,000 was covered by FDIC, the balance was uncollateralized. At December 31, 2010 the carrying amount of cash and cash equivalents was \$188,010, which was covered by FDIC.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

SCHEDULE OF SUPPLEMENTAL BOND AND NOTE INFORMATION

Year ended December 31, 2011

Purchaser	Issue	Issue Date	Price	Rate	Balance	Due Date
RBS Citizens Corp.	Springbrook Inc. Portlandville, New York 13834 Construction	9/14/2010	\$ 25,200,000	Variable	\$ 25,200,000	8/14/2030
Key Bank	Templeton Foundation Oneonta, New York 13820 Refunding	12/1/2011	11,980,000	1.49%	11,980,000	11/1/2018
Key Bank	Mary Imogene Bassett Hospital Cooperstown, NY 13326 Refunding	11/3/2011	19,200,000	1.49%	19,200,000	8/3/2018
Key Bank	Mary Imogene Bassett Hospital Cooperstown, NY 13326 Refunding	11/3/2011	25,000,000	1.49%	25,000,000	8/3/2026

See auditors' report.

OTSEGO COUNTY CAPITAL RESOURCE CORPORATION

SCHEDULE OF FULL-TIME EQUIVALENT (FTE) JOBS
CREATED AND RETAINED

Year Ended December 31, 2011

	# of FTE Employees at Project Location before IDA Status	Original Estimate of		# of Current FTE Employees	# of FTE		# of FTE Jobs Retained During Fiscal Year
		Jobs to be Created	Jobs to be Retained		Jobs Created During Fiscal Year	Jobs Retained During Fiscal Year	
Springbrook, Inc. 2010 \$25M	365	Portlandville	70	378	Portlandville	13	365
Templeton Foundation-2011 refinance	304	*	-	304	*	-	304
Mary Imogene Bassett Hospital-2011 refinance	2,311		-	2,311		-	2,311
Mary Imogene Bassett Hospital-2011 \$25M	-	**	10	-	**	-	-
	<u>2,980</u>		<u>80</u>	<u>2,993</u>		<u>13</u>	<u>2,980</u>

Issuee:

Springbrook, Inc. 2010 \$25M

Templeton Foundation-2011 refinance

Mary Imogene Bassett Hospital-2011 refinance

Mary Imogene Bassett Hospital-2011 \$25M

* Bassett employees

** Included in Bassett Hospital - 2011 refinance number

See auditors' report

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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*

Board of Directors
Otsego County Capital Resource Corporation
Oneonta, New York

We have audited the financial statements of Otsego County Capital Resource Corporation ("OCCRC") as of and for the year ended December 31, 2011, and have issued our report thereon dated August 8, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered OCCRC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCCRC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OCCRC's internal control over financial reporting.

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 weakness of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We considered the deficiency described below to be a material weakness as defined above.

During our audit we noted that the financial statements were not generated for OCCRC due to the small number of receipts and disbursements activity for the year. We recommend that OCCRC prepare monthly financial statements so that management has reliable financial statements on a timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OCCRC's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management and others within the Otsego County Capital Resource Corporation, federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Gruba, Jureifel & Scott, LLP

Oneonta, New York
August 8, 2012