

***COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY***

***FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011***

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INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2012 and 2011

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COOPER, NIEMANN & CO., LLP

Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To The Members of the County
Of Sullivan Industrial Development Agency
Monticello, NY 12701

We have audited the accompanying statement of net position of the County of Sullivan Industrial Development Agency, a component unit of the County of Sullivan, New York, as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in fund net position and cash flows for the years then ended, and the related notes to the financial statements.

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 of 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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the County of Sullivan Industrial Development Agency as of December 31, 2012 and 2011, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Sullivan Industrial Development Agency's financial statements as a whole. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013, on our consideration of the County of Sullivan Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the County of Sullivan Industrial Development Agency's internal control over financial reporting and compliance.

Cooper, Neumann & Co. CPA's LLP
Mongaup Valley, New York
March 29, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2012

This section of the County of Sullivan Industrial Development Agency's annual financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year ended on December 31, 2012. Please read it in conjunction with the Agency's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Total net position increased \$58,221 (3%)
- Cash increased \$528,574 (19%)
- Liabilities increased \$735,834 (65%)
- Operating revenues increased \$32,921 (8%)
- Operating expenses decreased \$72,247 (15%)
- Operating income increased \$105,168 from the prior year.
- Total net income increased \$399,375 from the prior year.

The main reason for the increase in cash was the timing of the receipt and payment of PILOT payments and agency fees. The increase in liabilities was also affected by the timing of payments but also increased as a result of the \$372,000 note payable disclosed in Note 10 to the financial statements.

The main reasons for the decrease in operating expenses were \$13,000 in one time website and software costs incurred in 2011, a \$25,000 decrease in promotional fees paid as a result of the Sullivan County Funding Corp. taking over some activity previously handled by the IDA, a \$10,000 decrease in one-time payments to the Sullivan County Partnership for Economic Development and a \$37,000 decrease in professional fees.

The main reason for the increase in total net income was the \$300,000 one-time payment made to the Sullivan County Funding Corp. in 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Agency's statements follow the accrual basis of accounting and are presented in a manner similar to a private business.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2012

FINANCIAL ANALYSIS OF THE AGENCY

The following table summarizes the changes in net position between December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Current Assets	\$ 2,566,328	\$ 2,499,426
Capital Assets	265,382	281,105
Restricted Assets	<u>1,220,921</u>	<u>478,045</u>
Total Assets	<u>4,052,631</u>	<u>3,258,576</u>
Total Liabilities	<u>1,865,642</u>	<u>1,129,808</u>
Net Investment In Capital Assets	265,382	281,105
Restricted	506,116	466,922
Unrestricted	<u>1,415,491</u>	<u>1,380,741</u>
Total Net Position	<u>\$ 2,186,989</u>	<u>\$ 2,128,768</u>

The balance of restricted net assets consists of the cash balances in the various escrow accounts and revolving loan accounts, plus the revolving loans outstanding, less any liabilities being held in the restricted accounts:

	<u>2012</u>	<u>2011</u>
Escrow Accounts - Cash	\$ 337,718	\$ 11,123
Revolving Loan Accounts – Cash	385,358	250,587
Revolving Loans Outstanding	497,845	216,335
Less: Liabilities Held In Restricted Accounts	<u>(714,805)</u>	<u>(11,123)</u>
Restricted Net Assets	<u>\$ 506,116</u>	<u>\$ 466,922</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2012

Operating Income. The following table summarizes the changes in Operating Income between fiscal years 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Rental Income	\$ 38,000	\$ 44,407
Administrative Fees	400,211	305,954
Reimbursed Expenses	14,861	72,056
Grant Income	6,194	10,194
Other Revenues	<u>8,819</u>	<u>2,553</u>
Total Operating Revenues	<u>468,085</u>	<u>435,164</u>
Legal and Professional Fees	80,911	117,965
Salaries and Benefits	153,456	142,919
Consulting Fees	39,554	38,994
Business Promotion	75,000	110,000
Other Expenses	<u>52,041</u>	<u>63,331</u>
Total Operating Expenses	<u>400,962</u>	<u>473,209</u>
Operating Income (Loss)	<u>\$ 67,123</u>	<u>\$ (38,045)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2012

OPERATIONS AND ACCOMPLISHMENTS

In the spring of 2012, the IDA collected Payment in Lieu of Tax (PILOT) payments from its projects and disbursed them back out to the local taxing jurisdictions. Over the last ten years the IDA has increased its PILOT disbursements from \$510,776 in 2002 to \$4,104,758 in 2012.

The IDA continued its funding in 2012 for the Partnership for Economic Development in the amount of \$75,000 and it helped fund a regional economic development advocacy group called Hudson Valley Pattern for Progress in the amount of \$5,000.

Working on new initiatives to improve the economic climate in Sullivan County, in 2012 the IDA continued its work to develop a red meat processing facility within the County. Five grants have been approved for the financing of the proposed facility, these funds coming from the US Department of Agriculture through their Rural Business Enterprise Grant and Rural Business Opportunity Grant programs, the New York State Empire State Development Corporation through their Upstate Regional Blueprint Fund and Build Now New York programs, and the US Department of Commerce through the Economic Development Assistance Program. Site plan approval for the project was received from the Village of Liberty Planning Board and work is expected to start on the facility in 2013.

Additionally, in 2012, the Agency was involved in the following projects:

- The administration of 7 loans through the Agency's new Rural Microentrepreneur Assistance Program (USDA), all of which were approved in 2012.
- The administration of 6 loans to small local businesses through the Agency's Revolving Loan Program, one of which was approved in 2012.
- The administration of 1 lease agreement through the Agency's Agri-Business Loan Fund.
- The administration of 4 outstanding Industrial Development Bonds. Two of the bonds were for for-profit businesses and 2 were for not-for profit agencies.
- The administration of 58 projects with IDA agreements, including 55 projects with property tax exemption agreements and 7 projects with valid sales tax exemption letters.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
DECEMBER 31,

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash	\$ 2,545,010	\$ 2,477,802
Accounts Receivable	4,083	8,200
Due From Other Governments	-	2,105
Due From Related Parties	-	3,333
Prepaid Expenses	<u>17,235</u>	<u>7,986</u>
Total Current Assets	<u>2,566,328</u>	<u>2,499,426</u>
Non-Current Assets		
Restricted Cash	723,076	261,710
Notes Receivable - Restricted	<u>497,845</u>	<u>216,335</u>
Restricted Assets	<u>1,220,921</u>	<u>478,045</u>
Property, Plant and Equipment		
Equipment - Distillery	295,000	295,000
Equipment	4,865	9,362
Less: Accumulated Depreciation	<u>(34,483)</u>	<u>(23,257)</u>
Net Property, Plant and Equipment	<u>265,382</u>	<u>281,105</u>
Total Non-Current Assets	<u>1,486,303</u>	<u>759,150</u>
TOTAL ASSETS	<u>4,052,631</u>	<u>3,258,576</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
DECEMBER 31,

	<u>2012</u>	<u>2011</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 15,794	\$ 2,425
Accrued Liabilities	29,809	27,461
Due To Other Governments	1,147,167	750,719
Due To Related Parties	-	125,107
Deferred Revenues	300,054	223,876
Escrow Balances	<u>818</u>	<u>220</u>
Total Current Liabilities	<u>1,493,642</u>	<u>1,129,808</u>
Long-Term Liabilities		
Note Payable – Due Beyond One Year	<u>372,000</u>	<u>-</u>
Total Long-Term Liabilities	<u>372,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,865,642</u>	<u>1,129,808</u>
NET POSITION		
Net Investment In Capital Assets	265,382	281,105
Restricted	506,116	466,922
Unrestricted	<u>1,415,491</u>	<u>1,380,741</u>
TOTAL NET POSITION	<u>\$ 2,186,989</u>	<u>\$ 2,128,768</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEARS ENDED DECEMBER 31,

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Rental Income	\$ 38,000	\$ 44,407
Interest on Notes Receivable	8,819	2,253
Administrative Fees	400,211	305,954
Reimbursed Expenses	14,861	72,056
Grant Income	6,194	10,194
Miscellaneous Income	<u>-</u>	<u>300</u>
TOTAL OPERATING REVENUES	<u>468,085</u>	<u>435,164</u>
OPERATING EXPENSES		
Salaries And Benefits	153,456	142,919
Legal and Professional Fees	80,911	117,965
Accounting Fees	7,500	7,100
Consulting Fees	39,554	38,994
Dues, Publications and Subscriptions	6,369	7,745
Office Expense	6,538	17,376
Business Promotion	75,000	110,000
Rent Expense	15,626	15,233
Telephone	2,387	2,458
Insurance	8,194	8,190
Repairs And Maintenance	249	-
Miscellaneous	2,636	2,819
Travel	1,042	2,410
Technical Assistance Grant	<u>1,500</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>400,962</u>	<u>473,209</u>
NET OPERATING REVENUE (LOSS)	67,123	(38,045)
NON-OPERATING REVENUE (LOSS)		
Interest Income	6,821	12,422
Depreciation	(15,723)	(15,723)
Transfer To Sullivan County Funding Corp.(See Note 9)	<u>-</u>	<u>(299,808)</u>
NET REVENUE (LOSS)	58,221	(341,154)
NET POSITION - Beginning of Year	<u>2,128,768</u>	<u>2,469,922</u>
NET POSITION – End of Year	<u>\$ 2,186,989</u>	<u>\$ 2,128,768</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 669,354	\$ 544,414
Cash payments for contractual expenses	(243,386)	(351,359)
Cash payments for personal services and benefits	(151,108)	(143,624)
Cash payments to Sullivan County Funding Corp.	<u>(125,107)</u>	<u>(174,701)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>149,753</u>	<u>(125,270)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>6,821</u>	<u>12,422</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>6,821</u>	<u>12,422</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of Notes Payable	<u>372,000</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>372,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	528,574	(112,848)
CASH- BEGINNING OF YEAR	<u>2,739,512</u>	<u>2,852,360</u>
CASH- END OF YEAR	<u>\$ 3,268,086</u>	<u>\$ 2,739,512</u>
Reconciliation of operating revenue (loss) to net cash provided (used) by operating activities:		
Operating Revenue (Loss)	\$ 67,123	\$ (38,045)
Transfer to Sullivan County Funding Corp.	(125,107)	(174,701)
Decrease (Increase) in Operating Assets:		
Accounts Receivable	4,117	(8,200)
Due From State and Federal	-	295,000
Due From Other Governments	5,438	(5,438)
Pre-Paid Expenses	(9,249)	(1,085)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	13,369	(19,984)
Accrued Liabilities	2,348	(705)
Deferred Revenues	76,178	(13,423)
Due To Other Governments	396,448	37,429
Escrow Balances	598	(8,941)
Revolving Loans Repaid	53,902	12,823
Revolving Loans Issued	<u>(335,412)</u>	<u>(200,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 149,753</u>	<u>\$ (125,270)</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the County of Sullivan Industrial Development Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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.

The County of Sullivan Industrial Development Agency follows the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred. Fixed assets and long-term liabilities related to these activities are recorded within the financial statements.

Financial Reporting Entity

The County of Sullivan Industrial Development Agency (the "Agency") was created in 1970 as public benefit corporation through state legislation to promote the economic welfare, recreation opportunities, and prosperity of the County's inhabitants. The Agency is exempt from federal, state, and local income taxes. The County's governing body appoints members of the Agency, and the County exercises some oversight responsibility for management of the Agency. Although the management is not accountable directly to the County for fiscal matters, a budget is submitted to the County, and the County assumes a financial burden from the Agency by assuming certain expenses incurred by the Agency through its bonding transactions. Accordingly, the Agency is considered a component unit of the County of Sullivan, and reports as such.

Administrative Fee Income

Administrative fees for Agency costs relating to the project are recognized as income upon consummation of the related transactions. The fees charged by the Agency are based on a percentage of the financing, individual negotiations, the size of the project, and/or on an "as incurred" basis.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would be immaterial. Accounts receivable at December 31, 2012 and 2011 amounted to \$4,083 and \$8,200, respectively.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

The Agency records equipment at historical cost and depreciates the assets on a straight-line basis over periods of 5 and 20 years.

Expenses

Certain payroll and payroll related expenses for one of the employees of the Agency are paid and recorded by the County of Sullivan, the primary government, and the Agency reimburses the County for these expenses. All reporting and filing requirements for payroll taxes and benefits related to this employee are the responsibility of the County.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents

For the statement of cash flows, the Agency considers all highly liquid investments as cash equivalents.

Operating Revenues and Expenses

In the statement of revenues, expenses and changes in net position, operating revenues and expenses include all activity that is part of the Agency's normal operating activities. Interest earned on cash balances, depreciation and unusual or infrequent items are included as non-operating activities.

New Accounting Standards

The Agency has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2012 the Agency implemented the following new standards:

GASB 57 - OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.

GASB 60 - Accounting and Financial Reporting for Service Concession Arrangements.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*GASB 62 - Codification of Accounting and Financial Reporting Guidance
Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

*GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred
Inflows of Resources, and Net Position.*

*GASB 64 – Derivative Instruments: Application of Hedge Accounting
Termination Provisions.*

Equity Classifications

In the financial statements there are three classes of net position:

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Restricted – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the Agency.

Reclassifications

Certain items at December 31, 2011 have been reclassified to conform to the presentation at December 31, 2012. The reclassifications have no effect on the change in net position for the year ended December 31, 2011.

NOTE 2 – CASH AND INVESTMENTS

The state statutes govern the Agency's investment policies. In addition, the Agency has its own written investment policy. Agency monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Chief Executive Officer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State and its localities. Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 – CASH AND INVESTMENTS (Continued)

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement. The Agency's aggregate bank balances included balances not covered by depository insurance at year end, collateralized as follows:

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Agency's name.	<u>\$ 2,516,702</u>
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NOTE 3 – NOTES RECEIVABLE

Notes receivable consist of amounts due from various business entities within Sullivan County. The purpose of these notes is to help local businesses expand and develop. A schedule of notes receivable at December 31, 2012 and 2011 is as follows:

				<u>BALANCE</u>	
<u>Borrower</u>	<u>Original Loan</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2012</u>	<u>2011</u>
The Bake House	\$ 20,000	2016	4.00%	\$ 16,462	\$ 19,092
David Appel	25,000	2016	3.00%	-	23,447
Carmine's Meat Market	30,000	2016	3.00%	23,877	29,071
Davidson Sullivan Realty	50,000	2016	3.00%	38,994	48,451
Country House Realty	75,000	2022	3.00%	73,386	75,000
Sara's Gourmet	40,000	2014	2.438%	13,849	21,274
David Appel	63,412	2018	4.00%	<u>63,412</u>	<u>-</u>
IDA Revolving Loans				<u>229,980</u>	<u>216,335</u>
Kranky Pants	40,000	2020	4.00%	40,000	-
Malek Furniture	50,000	2017	4.00%	46,204	-
Samba	30,000	2017	4.00%	30,000	-
Prohibition Distillery	50,000	2017	4.00%	50,000	-
ND Pro Media	25,000	2017	4.00%	25,000	-
Callicoon Health Food	37,000	2018	4.00%	36,661	-
The Shoe Box	40,000	2018	4.00%	<u>40,000</u>	<u>-</u>
RMAP Revolving Loans				<u>267,865</u>	<u>-</u>
Total Notes Receivable				<u>\$ 497,845</u>	<u>\$ 216,335</u>

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 4 – REVENUE BONDS

Industrial Revenue Bonds

Certain industrial revenue bonds and notes issued by the Agency are not obligations of the Agency. The Agency does not record the assets or liabilities resulting from the completed bond and note issues since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies, which are negotiated on a project by project basis. Industrial revenue bond activity for the year ended December 31, 2012 is as follows:

<u>PROJECT NAME</u>	<u>JANUARY 1, 2012</u>	<u>ISSUED</u>	<u>REDEEMED</u>	<u>DECEMBER 31, 2012</u>
KS Realty Associates, LLC	\$ 590,466	\$ -	\$ 590,466	\$ -
Crystal Run Village	1,095,000	-	180,000	915,000
Hebrew Academy For Special Children	4,212,917	-	53,533	4,159,384
Frontier Insurance	<u>26,000,000</u>	<u>-</u>	<u>-</u>	<u>26,000,000</u>
Total	<u>\$ 31,898,383</u>	<u>\$ -</u>	<u>\$ 823,999</u>	<u>\$ 31,074,384</u>

NOTE 5 – DEFERRED REVENUE

The Agency had \$300,054 and \$223,876 in deferred revenue at December 31, 2012 and 2011, respectively. The balance in this account is made up of the following items:

	<u>2012</u>	<u>2011</u>
Sullivan County Grant	\$ 150,000	\$ 150,000
Administrative Fees	43,247	39,747
Reimbursed Legal Expenses	101,257	34,129
RMAP Technical Assistance Grant	<u>5,550</u>	<u>-</u>
	<u>\$ 300,054</u>	<u>\$ 223,876</u>

NOTE 6 – EVENTS OCCURRING AFTER REPORTING DATE

The Agency has evaluated events and transactions that occurred between December 31, 2012 and March 29, 2013, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7 – EQUIPMENT LEASE

The Agency has entered into a lease agreement with Catskill Distilling Company, LTD (Lessee), in which the Agency purchased equipment to be used by the lessee. The lessee will pay monthly payments of \$1,500 to the Agency, beginning on January 1, 2011 and continuing for 114 months until the end of the lease term on June 30, 2020. Upon expiration of the lease term, the lessee has the option to purchase the equipment for \$146,000.

The equipment being leased is carried on the Agency's books as follows:

Still	\$ 236,545
Tanks	55,906
Pump	<u>2,549</u>
	295,000
Accumulated Depreciation	<u>(30,731)</u>
Net Book Value	<u>\$ 264,269</u>

NOTE 8 – CAPITAL ASSETS

The Agency's capital assets for the year ended December 31, 2012 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment - Distillery	\$ 295,000	\$ -	\$ -	\$ 295,000
Equipment	<u>9,362</u>	<u>-</u>	<u>4,497</u>	<u>4,865</u>
Historical Cost	<u>304,362</u>	<u>-</u>	<u>4,497</u>	<u>299,865</u>
Accumulated Depreciation:				
Equipment-Distillery	15,979	14,752	-	30,731
Equipment	<u>7,278</u>	<u>971</u>	<u>4,497</u>	<u>3,752</u>
Total Accumulated Depreciation	<u>23,257</u>	<u>15,723</u>	<u>4,497</u>	<u>34,483</u>
Net Cost	<u>\$ 281,105</u>	<u>\$ (15,723)</u>	<u>\$ -</u>	<u>\$ 265,382</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$15,723 and \$15,723, respectively.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 9 – RELATED PARTIES

The County of Sullivan, New York formed the Sullivan County Funding Corporation on November 24, 2010 under Section 1411 of the Not For Profit Corporation Law, which covers local development corporations. The purpose of the Sullivan County Funding Corporation is to foster the creation, retention and expansion of jobs and economic opportunities within Sullivan County. Similar to the County of Sullivan Industrial Development Agency, the Sullivan County Funding Corporation is a component unit of the County of Sullivan.

During the year ended December 31, 2011, the Board of the County of Sullivan Industrial Development Agency authorized the Sullivan County Funding Corporation to take over certain functions that were previously carried out by the Agency. As a result, the Agency authorized the transfer of \$299,808 to the Sullivan County Funding Corporation, which represents the remaining balance of the funds received by the Agency for the years 2009 through 2011 related to the Millenium Pipeline agreement dated April 21, 2009.

Beginning in 2012, the Sullivan County Funding Corporation took over the receipt and administration of the annual \$108,000 payments related to the Millenium Pipeline agreement for the remaining seven years of the agreement. In addition, the Sullivan County Funding Corporation reimburses the County of Sullivan Industrial Development Agency on a monthly basis for bookkeeping and related administrative costs. The Agency received \$40,000 and \$3,333 from the Sullivan County Funding Corporation for administrative costs for the years ended December 31, 2012 and 2011, respectively.

NOTE 10 – NOTE PAYABLE

The Agency has entered into an agreement with the United States Department of Agriculture (USDA) to create a Rural Microloan Revolving Fund (RMRF), which will provide loans to local eligible businesses. The funds drawn down from the USDA, which must be used to capitalize a Rural Microentrepreneur Assistance Program (RMAP), are in the form of a loan that must be repaid to the USDA. The outstanding amount will accrue interest at 2% per annum throughout the term of the loan but will be deferred for the first 24 months. Once the deferral period is over, the Agency must repay the loan in equally amortized monthly payments of principal and interest over a period not to exceed 20 years.

As of December 31, 2012, the Agency has drawn down a total of \$372,000 of the \$440,000 loan funds available.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
INDUSTRIAL REVENUE BONDS
DECEMBER 31, 2012

<u>PROJECT NAME</u>	<u>TAX STATUS</u>	<u>ISSUE DATE</u>	<u>INTEREST RATE</u>	<u>ISSUE AMOUNT</u>	<u>TAX EXEMPTIONS</u>		
					<u>COUNTY</u>	<u>LOCAL</u>	<u>SCHOOL</u>
Hebrew Academy For Special Children, Inc. Brooklyn, NY 11219	Not-For-Profit	6/02	7.50%	\$ 4,750,000	\$ -	\$ -	\$ -
KS Realty Associates, LLC Goshen, NY 10924	Taxable	12/91	8.00%	16,000,000	35,427	48,282	142,226
Frontier Insurance Rock Hill, NY 12775	Taxable	11/93	PRIME	26,000,000	41,418	24,766	111,003
Crystal Run Village Middletown, NY 10941	Not-For-Profit	6/06	4.15%	1,980,000	-	-	-



Reaching new heights,
with an eye on
tomorrow

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 Auditor's Report

To The Members of the County
Of Sullivan Industrial Development Agency
Monticello, New York 12701

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 County of Sullivan Industrial Development Agency, a component unit of the County of Sullivan, New York, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the County of Sullivan Industrial Development Agency's financial statements and have issued our report thereon dated March 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Sullivan Industrial Development Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Sullivan Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Sullivan Industrial Development Agency'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 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 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, as defined above. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control that we consider to be a significant deficiency. We consider the deficiency described below to be a significant deficiency in internal control:

Management does not possess the necessary training required to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America.

Management Response: The Agency's accounting office has the knowledge and ability to post the ongoing day to day activity in accordance with the accrual basis of accounting. However, management feels that it would not be cost effective to take the necessary educational courses to be able to prepare the complete financial statements, including all required notes, in accordance with generally accepted accounting principles.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Sullivan Industrial Development Agency, New York'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 or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The County of Sullivan Industrial Development Agency's response to the finding identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Cooper, Neumann & Co. CPA's LLP
Mongaup Valley, New York
March 29, 2013