

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

FINANCIAL STATEMENTS

DECEMBER 31, 2014

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
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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, 2014 and 2013, 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.

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, 2014 and 2013, 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 schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplemental schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 19, 2015, 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.

A handwritten signature in cursive script, appearing to read "Cooper Arias".

Mongaup Valley, New York
March 19, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2014

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, 2014. Please read it in conjunction with the Agency's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Total net position increased \$791,428 (32%)
 - The increase in net position was mainly due to the capitalization of \$1,006,107 in expenses related to the new Red Meat facility. The costs will be depreciated over the useful life of the facility while the grant revenues to fund the project, totaling \$871,706 for the year ended December 31, 2014, are recognized immediately.
- Cash decreased \$1,671,987 (59%)
 - The decrease in cash was mainly due to expenses paid by the Agency related to the Red Meat facility that have not yet been reimbursed by the various granting agencies. As of December 31, 2014, the Agency is owed \$1,057,147 in grant revenues related to the project. Additionally, the total PILOT payments received prior to December 31, 2014 attributable to the subsequent year are down \$309,830 from the previous year.
- Liabilities decreased \$597,222 (37%)
 - The decrease in liabilities was due to the decrease in PILOT payments received as described in the preceding section and a decrease of \$322,100 in year end accounts payable related to the Red Meat facility.
- Operating revenues increased \$167,447 (47%)
 - The increase in revenues was caused by two project fees of \$100,000 each in the current year.
- Operating expenses increased \$175,360 (43%)
- Operating income decreased \$8,013 from the prior year.
- Total net income increased \$528,981 from the prior year.

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, 2014

FINANCIAL ANALYSIS OF THE AGENCY

The following table summarizes the changes in net position between December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Current Assets	\$ 1,632,446	\$ 2,165,960
Capital Assets	1,626,170	630,645
Restricted Assets	<u>987,252</u>	<u>1,255,057</u>
Total Assets	<u>4,245,868</u>	<u>4,051,662</u>
Total Liabilities	<u>1,005,004</u>	<u>1,602,226</u>
Net Investment In Capital Assets	1,626,170	630,645
Restricted	551,947	537,899
Unrestricted	<u>1,062,747</u>	<u>1,280,892</u>
Total Net Position	<u>\$ 3,240,864</u>	<u>\$ 2,449,436</u>

The balance of restricted net position 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>2014</u>	<u>2013</u>
Escrow Accounts - Cash	\$ 59,228	\$ 340,922
Revolving Loan Accounts – Cash	572,018	545,681
Revolving Loans Outstanding	356,006	368,454
Less: Liabilities Held In Restricted Accounts	<u>(435,305)</u>	<u>(717,158)</u>
Restricted Net Position	<u>\$ 551,947</u>	<u>\$ 537,899</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2014

Operating Income. The following table summarizes the changes in Operating Income between fiscal years 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Rental Income	\$ 18,000	\$ 38,848
Administrative Fees	450,134	276,378
Interest on Notes Receivable	12,749	16,699
Reimbursed Expenses	41,243	21,216
Grant Income	1,000	1,500
Other Revenues	<u>-</u>	<u>1,038</u>
Total Operating Revenues	<u>523,126</u>	<u>355,679</u>
Legal and Professional Fees	46,452	64,280
Salaries and Benefits	174,197	152,750
Consulting Fees	44,994	38,994
Business Promotion	75,000	75,000
Reimbursable Project Expenses	41,243	21,216
Lobbying Expense	101,095	-
Advertising	46,440	-
Other Expenses	<u>54,104</u>	<u>55,825</u>
Total Operating Expenses	<u>583,525</u>	<u>408,065</u>
Operating Income (Loss)	<u>\$ (60,399)</u>	<u>\$ (52,386)</u>

OPERATIONS AND ACCOMPLISHMENTS

In the spring of 2014, the IDA collected Payment in Lieu of Tax (PILOT) payments from its projects and dispersed them back out 100% to the local taxing jurisdictions. Over the last ten years the IDA has increased its PILOT disbursements from \$875,961 in 2003 to \$4,335,502 in 2014.

The IDA continued its funding in 2014 for the Partnership for Economic Development in the amount of \$75,000, and it helped fund the regional economic development advocacy group Hudson Valley Pattern for Progress in the amount of \$5,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2014

OPERATIONS AND ACCOMPLISHMENTS (Continued)

In 2014, the IDA continued to work on initiatives to improve the economic climate in Sullivan County. These initiatives included:

- 1) 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, the New York State Empire State Development Corporation, 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 excavating work started on the facility site in 2013.
- 2) The IDA started an initiative to fund a Food Hub within the County. This project will improve the efficiency of the regional food distribution network and increase the value of local food transactions by taking advantage of opportunities to sell locally grown food to downstate customers. Funds from the USDA Rural Business Enterprise Grant program and Rural Business Opportunity Grant program, and the Consolidated Funding program were obtained in 2013.

Additionally, in 2014, the Agency was involved in the following projects:

- The administration of 8 loans through the Agency's new Rural Micro-entrepreneur Assistance Program (USDA), one of which was approved in 2014.
- The administration of 5 loans to small local businesses through the Agency's Revolving Loan Program, one of which was refinanced in 2014.
- The administration of 1 lease agreement through the Agency's Agri-Business Loan Fund.
- The administration of 1 outstanding Industrial Development Bond, which was related to a not-for profit agency.
- The administration of 54 projects with IDA agreements, including 50 projects with property tax exemption agreements and 12 projects with valid sales tax exemption letters.

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

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash	\$ 543,948	\$ 1,960,578
Accounts Receivable	13,237	6,608
Due From State And Federal	1,057,147	185,441
Prepaid Expenses	<u>18,114</u>	<u>13,333</u>
Total Current Assets	<u>1,632,446</u>	<u>2,165,960</u>
Non-Current Assets		
Restricted Cash	631,246	886,603
Notes Receivable - Restricted	<u>356,006</u>	<u>368,454</u>
Restricted Assets	<u>987,252</u>	<u>1,255,057</u>
Property, Plant and Equipment		
Construction In Progress	1,387,012	380,905
Equipment – Distillery	295,000	295,000
Equipment	5,968	4,865
Less: Accumulated Depreciation	<u>(61,810)</u>	<u>(50,125)</u>
Net Property, Plant and Equipment	<u>1,626,170</u>	<u>630,645</u>
Total Non-Current Assets	<u>2,613,422</u>	<u>1,885,702</u>
TOTAL ASSETS	<u>4,245,868</u>	<u>4,051,662</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

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

	<u>2014</u>	<u>2013</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 59,269	\$ 356,625
Accrued Liabilities	31,069	30,756
Retainage Payable	-	18,544
Due To Other Governments	329,995	639,825
Loan Payable – Related Parties (Note 8)	99,500	-
Unearned Revenues	69,654	172,468
Escrow Balances	42,674	1,617
Note Payable – Due Within One Year	<u>18,169</u>	<u>9,787</u>
Total Current Liabilities	<u>650,330</u>	<u>1,229,622</u>
Long-Term Liabilities		
Note Payable – Due Beyond One Year	<u>354,674</u>	<u>372,604</u>
Total Long-Term Liabilities	<u>354,674</u>	<u>372,604</u>
TOTAL LIABILITIES	<u>1,005,004</u>	<u>1,602,226</u>
NET POSITION		
Net Investment In Capital Assets	1,626,170	630,645
Restricted	551,947	537,899
Unrestricted	<u>1,062,747</u>	<u>1,280,892</u>
TOTAL NET POSITION	<u>\$ 3,240,864</u>	<u>\$ 2,449,436</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>2014</u>	<u>2013</u>
OPERATING REVENUES		
Rental Income	\$ 18,000	\$ 38,848
Interest on Notes Receivable	12,749	16,699
Administrative Fees	450,134	276,378
Reimbursed Expenses	41,243	21,216
Grant Income	1,000	1,500
Miscellaneous Income	<u>-</u>	<u>1,038</u>
TOTAL OPERATING REVENUES	<u>523,126</u>	<u>355,679</u>
OPERATING EXPENSES		
Salaries and Benefits	174,197	152,750
Legal and Professional Fees	46,452	64,280
Accounting Fees	8,400	9,400
Consulting Fees	44,994	38,994
Reimbursable Project Expenses	41,243	21,216
Dues, Conferences and Subscriptions	9,443	6,313
Office Expense	5,395	8,734
Business Promotion	75,000	75,000
Lobbying Expense	101,095	-
Advertising	46,440	-
Rent Expense	16,018	15,708
Telephone	2,232	1,905
Insurance	8,535	8,711
Miscellaneous	1,787	2,048
Travel	1,294	1,506
Technical Assistance Grant	<u>1,000</u>	<u>1,500</u>
TOTAL OPERATING EXPENSES	<u>583,525</u>	<u>408,065</u>
NET OPERATING INCOME (LOSS)	(60,399)	(52,386)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	3,012	5,425
Interest Expense	(7,436)	(10,391)
Depreciation	(15,455)	(15,642)
Capital Grant Income	<u>871,706</u>	<u>335,441</u>
NET INCOME (LOSS)	791,428	262,447
NET POSITION - Beginning of Year	<u>2,449,436</u>	<u>2,186,989</u>
NET POSITION – End of Year	<u>\$ 3,240,864</u>	<u>\$ 2,449,436</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

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

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 467,188	\$ 505,758
Cash payments for contractual expenses	(408,409)	(267,207)
Cash payments for personal services and benefits	(173,884)	(151,803)
Net Proceeds (Payments) of PILOT Payments	<u>(309,830)</u>	<u>(507,342)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(424,935)</u>	<u>(420,594)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	3,012	5,425
Purchase of Capital Assets	<u>(1,333,080)</u>	<u>(5,736)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,330,068)</u>	<u>(311)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Notes Payable	(9,548)	-
Proceeds of Loan Payable	100,000	-
Interest Payments	<u>(7,436)</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>83,016</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(1,671,987)	(420,905)
CASH- BEGINNING OF YEAR	<u>2,847,181</u>	<u>3,268,086</u>
CASH- END OF YEAR	<u>\$ 1,174,194</u>	<u>\$ 2,847,181</u>
Reconciliation of operating revenue (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$ (60,399)	\$ (52,386)
Increase (Decrease) in PILOT Payable	(309,830)	(507,342)
Decrease (Increase) in Operating Assets:		
Accounts Receivable	(6,629)	(2,525)
Pre-Paid Expenses	(4,781)	3,902
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	6,200	(15,794)
Accrued Liabilities	313	947
Loan Payable-Related Party	(500)	-
Unearned Revenues	(102,814)	22,414
Escrow Balances	41,057	799
Revolving Loans Repaid	61,936	140,979
Revolving Loans Issued	<u>(49,488)</u>	<u>(11,588)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (424,935)</u>	<u>\$ (420,594)</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014 and 2013 amounted to \$13,237 and \$6,608, respectively.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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. Construction In Progress is not depreciated until the asset is placed in service.

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.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards

The Agency has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2014 the Agency implemented the following new standards:

GASB 67 – Financial Reporting For Pension Plans.

GASB 69 - Government Combinations and Disposals of Government Operations.

GASB 70 - Accounting and Financial Reporting for Non-exchange Financial Guarantees.

Future Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following standards that will become effective in future fiscal years:

GASB 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB 27, effective for the year ending December 31, 2015.

GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68, effective for the year ending December 31, 2015.

The Agency will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Inflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63), and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets that applies to future periods, and as such, will not be recognized as an outflow of resources (expense/expenditure) until that time. A deferred inflow of resources is an acquisition of net assets that applies to future periods, and as such, will not be recognized as an inflow of resources (revenue) until that time. Based on these criteria, the Agency had no deferred inflows of resources or deferred outflows of resources as of December 31, 2014 or 2013.

Reclassifications

Certain items at December 31, 2013 have been reclassified to conform to the presentation at December 31, 2014. The reclassifications have no effect on the change in net position for the year ended December 31, 2013.

Advertising and Lobbying Expenses

During the year ended December 31, 2014, the Agency incurred \$101,095 in lobbying expenses and \$46,440 in advertising expenses related to Sullivan County's efforts to obtain one of the licenses being issued for a full service casino in New York State. The expenses were aimed at convincing the NYS Gaming Facility and Location Board that Sullivan County would make an ideal resort destination for one of the casinos, and detailing the benefits it would provide to the County. In December 2014, the NYS Gaming Facility Location Board selected a Sullivan County casino project to apply to the NYS Gaming Commission for a gaming facility license. These expenses are not expected in subsequent years.

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.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts. 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>\$ 605,390</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, 2014 and 2013 is as follows:

<u>Borrower</u>	<u>Original Loan</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>BALANCE</u>	
				<u>2014</u>	<u>2013</u>
The Bake House	\$ 20,000	2016	4.00%	\$ 14,985	\$ 14,653
Carmine's Meat Market	30,000	2016	3.00%	17,484	19,750
Davidson Sullivan Realty	50,000	2016	3.00%	19,257	29,323
Sara's Gourmet	40,000	2014	2.438%	-	4,892
David Appel	75,000	2023	4.00%	<u>73,421</u>	<u>68,379</u>
IDA Revolving Loans				<u>125,147</u>	<u>136,997</u>
Kranky Pants	40,000	2020	4.00%	30,234	35,492
Malek Furniture	50,000	2017	4.00%	27,165	36,952
Samba	30,000	2017	4.00%	24,199	28,259
Prohibition Distillery	50,000	2017	4.00%	32,107	41,701
ND Pro Media	25,000	2017	4.00%	18,117	20,860
Callicoon Health Food	37,000	2018	4.00%	31,079	32,960
The Shoe Box	40,000	2018	4.00%	28,372	35,233
Riverside Remedies	40,000	2021	4.00%	<u>39,586</u>	<u>-</u>
RMAP Revolving Loans				<u>230,859</u>	<u>231,457</u>
Total Notes Receivable				<u>\$ 356,006</u>	<u>\$ 368,454</u>

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014 is as follows:

<u>PROJECT NAME</u>	<u>JANUARY 1, 2014</u>	<u>ISSUED</u>	<u>REDEEMED</u>	<u>DECEMBER 31, 2014</u>
Crystal Run Village	\$ 735,000	\$ -	\$ 185,000	\$ 550,000

NOTE 5 – UNEARNED REVENUE

The Agency had \$69,654 and \$147,468 in unearned revenue at December 31, 2014 and 2013, respectively. The balance in this account is made up of the following items:

	<u>2014</u>	<u>2013</u>
Administrative Fees	\$ 25,300	\$ 45,080
Reimbursed Legal Expenses	41,304	98,338
RMAP Technical Assistance Grant	<u>3,050</u>	<u>4,050</u>
	<u>\$ 69,654</u>	<u>\$ 147,468</u>

NOTE 6 – 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:

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6 – EQUIPMENT LEASE (Continued)

Still	\$ 236,545
Tanks	55,906
Pump	<u>2,549</u>
	295,000
Accumulated Depreciation	<u>(60,229)</u>
Net Book Value	<u>\$ 234,771</u>

The future minimum lease payments to be received by the Agency under the terms of the agreement are as follows:

2015	\$ 18,000
2016	18,000
2017	18,000
2018	18,000
2019	18,000
2020	<u>9,000</u>
	<u>\$ 99,000</u>

NOTE 7 – CAPITAL ASSETS

The Agency's capital assets for the year ended December 31, 2014 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Construction In Progress	\$ 380,905	\$ 1,006,107	\$ -	\$ 1,387,012
Non-Depreciable Historical Cost	<u>380,905</u>	<u>1,006,107</u>	<u>-</u>	<u>1,387,012</u>
Equipment - Distillery	295,000	-	-	295,000
Equipment	<u>4,865</u>	<u>4,873</u>	<u>3,770</u>	<u>5,968</u>
Depreciable Historical Cost	<u>299,865</u>	<u>4,873</u>	<u>3,770</u>	<u>300,968</u>
Accumulated Depreciation:				
Equipment-Distillery	45,480	14,749	-	60,229
Equipment	<u>4,645</u>	<u>706</u>	<u>3,770</u>	<u>1,581</u>
Total Accumulated Depreciation	<u>50,125</u>	<u>15,455</u>	<u>3,770</u>	<u>61,810</u>
Net Cost	<u>\$ 630,645</u>	<u>\$ 995,525</u>	<u>\$ -</u>	<u>\$ 1,626,170</u>

Depreciation expense for December 31, 2014 and 2013 was \$15,455 and \$15,642, respectively.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 8 – 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. 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 \$40,000 from the Sullivan County Funding Corporation for administrative costs for the years ended December 31, 2014 and 2013, respectively.

During the year ended December 31, 2014, the Sullivan County Funding Corporation loaned \$100,000 to the Agency to relieve cash flow issues caused by project expenditures related to the Red Meat facility paid by the Agency but not yet reimbursed by the granting agencies.

During the year ended December 31, 2013, the Sullivan County Funding Corporation transferred \$70,121 to the Agency, which represents the outstanding balance on a revolving loan previously administered by the Agency but transferred, per Board Resolution, to the Sullivan County Funding Corporation.

As of December 31, 2014, there was an outstanding loan payable of \$99,500 related to transactions between the two entities.

NOTE 9 – LONG TERM DEBT

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. The first payment, consisting of principal and interest, was due in May 2014.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 9 – LONG TERM DEBT (Continued)

The Agency has drawn down a total of \$372,000 of the \$440,000 loan funds available, and has accrued \$10,391 in deferred interest charges as of December 31, 2014.

The changes in the Agency's long term debt during the year ended December 31, 2014 are summarized as follows:

	<u>BALANCE</u> <u>01/01/14</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/14</u>	<u>AMOUNTS</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
RMAP Note Payable	\$ <u>382,391</u>	\$ <u>-</u>	\$ <u>9,548</u>	\$ <u>372,843</u>	\$ <u>18,169</u>

The following is a summary of the Agency's future debt service requirements:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2015	\$ 18,169	\$ 7,286
2016	18,536	6,919
2017	18,910	6,545
2018	19,291	6,164
2019	19,681	5,774
2020-2024	104,526	22,749
2025-2029	115,510	11,765
2030-2032	<u>58,220</u>	<u>1,414</u>
TOTAL	\$ <u>372,843</u>	\$ <u>68,616</u>

NOTE 10 – EVENTS OCCURRING AFTER REPORTING DATE

The Agency has evaluated events and transactions that occurred between December 31, 2014 and March 19, 2015, 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, 2014

NOTE 11 – RESTATED ACTIVITY

The beginning net position for the year ended December 31, 2014 has been decreased by \$25,000 to account for an agency fee received and reported as revenue in the year ended December 31, 2013, that was attributable to the subsequent year and should have been reported as unearned revenue as of December 31, 2013. The restated activity has the following effect on the comparative statements presented for the year ended December 31, 2013:

Administrative Fees decreased	\$ 25,000
Net Income decreased	\$ 25,000
Unearned Revenues increased	\$ 25,000
Unrestricted Net Position decreased	\$ 25,000

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
USDA RURAL MICROENTREPRENEUR ASSISTANCE PROGRAM
STATEMENT OF NET POSITION
DECEMBER 31,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash – Loan Account	\$ 257,077	\$ 265,011
Cash – Technical Assistance Grant	12,057	13,055
Cash – Loan Loss Reserve	18,610	18,606
Notes Receivable (See Note 3)	<u>230,859</u>	<u>231,457</u>
TOTAL ASSETS	<u>518,603</u>	<u>528,129</u>
LIABILITIES		
Unearned Revenues (See Note 5)	3,050	4,050
Note Payable (See Note 9)	<u>372,843</u>	<u>382,391</u>
TOTAL LIABILITIES	<u>375,893</u>	<u>386,441</u>
NET POSITION		
Restricted	<u>142,710</u>	<u>141,688</u>
TOTAL NET POSITION	<u>\$ 142,710</u>	<u>\$ 141,688</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
USDA RURAL MICROENTREPRENEUR ASSISTANCE PROGRAM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31,

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Interest on Notes Receivable	\$ 8,383	\$ 11,031
Technical Assistance Grant Income	<u>1,000</u>	<u>1,500</u>
TOTAL OPERATING REVENUES	<u>9,383</u>	<u>12,531</u>
OPERATING EXPENSES		
Technical Assistance Grant Expense	<u>1,000</u>	<u>1,500</u>
TOTAL OPERATING EXPENSES	<u>1,000</u>	<u>1,500</u>
NET OPERATING INCOME	8,383	11,031
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	75	127
Interest Expense	<u>(7,436)</u>	<u>(10,391)</u>
NET INCOME	1,022	767
NET POSITION - Beginning of Year	<u>141,688</u>	<u>140,921</u>
NET POSITION – End of Year	<u>\$ 142,710</u>	<u>\$ 141,688</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
INDUSTIAL REVENUE BONDS
DECEMBER 31, 2014

<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>
Crystal Run Village Middletown, NY 10941	Not-For-Profit	6/06	4.15%	1,980,000	-	-	-

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2014

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL EXPENDITURES</u>	<u>AMOUNT PROVIDED TO SUB- RECIPIENTS</u>
US DEPARTMENT OF COMMERCE Investments For Public Works And Economic Development Facilities	11.300	-	\$ 456,073	-
US DEPARTMENT OF AGRICULTURE Rural Business Enterprise Grants	10.769	-	95,633	-
Rural Microentrepreneur Assistance Program	10.870	-	<u>1,000</u>	-
TOTAL			<u>\$ 552,706</u>	

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2014

GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial awards programs of the County of Sullivan Industrial Development Agency. The reporting entity is defined in Note 1 to the Agency's financial statements. All federal awards that passed through other governmental agencies are included on the schedule.

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1 to the Agency's financial statements.

RELATIONSHIP TO FINANCIAL STATEMENTS

Federal expenditures are reported in the Agency's financial statements as follows:

Capitalized Costs – Construction In Progress	\$ 551,706
Operating Expenses – Technical Assistance Grant	<u>1,000</u>
	<u>\$ 552,706</u>

FEDERAL LOAN PROGRAM

As of December 31, 2014, the Agency has an outstanding loan with the United States Department of Agriculture in the amount of \$372,843, related to the Rural Microentrepreneur Assistance Program. Details on the loan, including interest rate and repayment schedule, are detailed in Note 9 to the financial statements.

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 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, 2014 and 2013, 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 19, 2015.

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 over financial reporting that we consider to be a significant deficiency. We consider the deficiency described in the Schedule of Findings and Questioned Costs as Finding 2014-01 to be a significant deficiency in internal control over financial reporting.

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.

A handwritten signature in dark ink, appearing to read "Cooper Arias" followed by a stylized flourish or initials.

Mongaup Valley, New York
March 19, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the County of Sullivan Industrial Development Agency, New York's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Sullivan Industrial Development Agency, New York's major federal programs for the year ended December 31, 2014. The County of Sullivan Industrial Development Agency, New York's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Sullivan Industrial Development Agency, New York's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Sullivan Industrial Development Agency, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Sullivan Industrial Development Agency, New York's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the County of Sullivan Industrial Development Agency, New York complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.


Report on Internal Control Over Compliance

Management of the County of Sullivan Industrial Development Agency, New York is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Sullivan Industrial Development Agency, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Sullivan Industrial Development Agency, New York's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Mongaup Valley, New York
March 19, 2015

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2014

Summary of Auditors' Results:

1. The auditors' report expresses an unmodified opinion on the financial statements of the County of Sullivan Industrial Development Agency.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the *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*. The deficiency is not reported as a material weakness.
3. No instances of non-compliance material to the financial statements of the County of Sullivan Industrial Development Agency, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of internal control over major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the County of Sullivan Industrial Development Agency expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported on this schedule.
7. The programs tested as major programs included:

Investments For Public Works And Economic Development Facilities	11.300
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8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The County of Sullivan Industrial Development Agency was determined to be a high-risk auditee.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2014

Findings – Financial Statement Audit

Significant Deficiency

2014-01 Internal Controls

Condition: Management does not possess the necessary training required to prepare the Agency's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Criteria: 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.

Effect: Material misstatements to the accounting records may occur and not be identified if the internal control system does not include an individual with the necessary knowledge of GAAP accounting.

Recommendations: The Agency should assign someone with the proper knowledge of GAAP accounting to be part of the internal control system.

Views of Responsible Officials and Planned Corrective Actions: 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.

Findings and Questioned Costs – Major Federal Award Programs Audit

None

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014

No findings noted in the prior year.