

*COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY*

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2016*

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, 2016 and 2015, 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, 2016 and 2015, 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 supplemental schedules 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 31, 2017, 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.



Mongaup Valley, New York  
March 31, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2016

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, 2016. Please read it in conjunction with the Agency's financial statements and accompanying notes.

## FINANCIAL HIGHLIGHTS

- Total net position increased \$813,755 (23%)
  - The increase in net position was mainly due to a substantial increase in administrative fees related to several large ongoing projects in the County. Additionally, the expenses related to the new distillery equipment are capitalized and depreciated over the estimated useful life of the equipment while the corresponding grant revenues to fund the purchases, totaling \$264,360 for the year ended December 31, 2016, are recognized immediately.
- Cash increased \$576,009 (33%)
  - The increase in cash was mainly due to the Agency increase in administrative fees as noted above.
- Liabilities decreased \$1,419 (< 1%)
  - The net liabilities remained similar to last year but the components of the balance changed. The Agency repaid its \$100,000 loan from the Sullivan County Funding Corporation, reduced its outstanding PILOTs at year end by approximately \$270,000 and increased its escrow liabilities by about \$407,000.
- Operating revenues increased \$413,821 (66%)
  - The increase in revenues was caused by a substantial increase in administrative fees as noted earlier, partially offset by a decrease of about \$117,000 for two large technical assistance grants received in the previous year.
- Operating expenses decreased \$89,140 (16%)
  - The decrease in expenses was mainly due to a decrease of \$122,690 in technical assistance grant expenses related to two grants received in the previous year.
- Operating income increased \$502,961 from the prior year.
- Total net income increased \$578,909 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, 2016

### FINANCIAL ANALYSIS OF THE AGENCY

The following table summarizes the changes in net position between December 31, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Current Assets	\$ 1,476,486	\$ 1,311,652
Non-Current Assets	<u>3,942,883</u>	<u>3,295,381</u>
Total Assets	<u>5,419,369</u>	<u>4,607,033</u>
Current Liabilities	774,457	755,973
Long Term Liabilities	<u>355,447</u>	<u>375,350</u>
Total Liabilities	<u>1,129,904</u>	<u>1,131,323</u>
Net Investment In Capital Assets	2,320,035	2,110,263
Restricted	597,649	569,685
Unrestricted	<u>1,371,781</u>	<u>795,762</u>
Total Net Position	<u>\$ 4,289,465</u>	<u>\$ 3,475,710</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>2016</u>	<u>2015</u>
Escrow Accounts - Cash	\$ 611,938	\$ 219,203
Revolving Loan Accounts – Cash	598,854	562,895
Revolving Loans Outstanding	373,956	403,020
Less: Liabilities Held In Restricted Accounts	<u>(987,099)</u>	<u>(615,433)</u>
Restricted Net Position	<u>\$ 597,649</u>	<u>\$ 569,685</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2016

*Operating Income.* The following table summarizes the changes in operating activity between fiscal years 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Administrative Fees	\$ 992,815	\$ 452,793
Lease Income	26,124	18,000
Interest on Notes Receivable	11,869	14,908
Reimbursed Expenses	9,349	23,913
Grant Income	<u>-</u>	<u>116,722</u>
Total Operating Revenues	<u>1,040,157</u>	<u>626,336</u>
Salaries and Benefits	200,515	210,969
Legal and Professional Fees	26,501	5,353
Consulting Fees	84,844	53,500
Business Promotion	75,000	75,000
Reimbursable Project Expenses	9,349	23,913
Grant Expenses	-	122,690
Other Expenses	<u>64,598</u>	<u>58,522</u>
Total Operating Expenses	<u>460,807</u>	<u>549,947</u>
Operating Income (Loss)	<u>\$ 579,350</u>	<u>\$ 76,389</u>

### OPERATIONS AND ACCOMPLISHMENTS

In the spring of 2016, the Agency collected Payment in Lieu of Tax (PILOT) payments from its projects and distributed 100% of payments received to the local taxing jurisdictions. Over the last ten years the Agency has increased its PILOT distributions from \$3,228,087 in 2006 to \$4,451,401 in 2016.

During 2016 the Agency continued to provide funding for the Partnership for Economic Development in Sullivan County, Inc. in the amount of \$75,000, and for the regional economic development advocacy group Hudson Valley Pattern for Progress in the amount of \$5,000.

In 2016, the Agency continued its efforts to foster Sullivan County's food and agriculture sector. The Agency was awarded two new grants from the United States Department of Agriculture-Rural Development. Grant funds will be used to purchase equipment to be leased to two local businesses: Catskill Brewery and the to-be-determined operator of the food hub that the Agency has been working to develop since 2013.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2016

The food hub 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. The Agency continues to seek grant funding to support the project, and to administer grants received to date.

Additionally, in 2016, the Agency was involved in the following projects:

- The administration of thirteen loans through the Agency's Rural Micro-entrepreneur Assistance Program (USDA).
- The administration of eight loans to small local businesses through the Agency's Revolving Loan Program, two of which were approved in 2016.
- The administration of five equipment lease agreements, four of which were approved in 2016.
- The administration of one outstanding Industrial Development Bond, which is related to a not-for profit agency.
- The administration of 55 projects with Agency agreements, including 42 projects that made payments in lieu of taxes to the Agency and sixteen projects that held valid sales tax exemption letters.

## CAPITAL ASSETS

The Agency had \$2,320,035 invested in capital assets, net of \$101,139 in accumulated depreciation, as of December 31, 2016. Depreciation expense for the year ended December 31, 2016 was \$23,262.

## DEBT

As of December 31, 2016, the Agency had \$375,161 in outstanding long term debt. The Agency paid interest of \$7,558 during the year.

## CONTACTING THE AGENCY'S MANAGEMENT

If you have any questions about this report or need additional information, contact Jennifer Flad, Executive Director, County of Sullivan Industrial Development Agency, at One Cablevision Center, Ferndale, NY 12734.

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

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash	\$ 1,099,415	\$ 952,100
Accounts Receivable	22,329	11,858
Due From Related Parties (Note 8)	10,000	10,000
Due From State And Federal	320,000	320,000
Prepaid Expenses	18,955	17,694
Current Portion Of Lease Receivable	<u>5,787</u>	<u>-</u>
Total Current Assets	<u>1,476,486</u>	<u>1,311,652</u>
Non-Current Assets		
Restricted Cash	1,210,792	782,098
Notes Receivable - Restricted	<u>373,956</u>	<u>403,020</u>
Restricted Assets	<u>1,584,748</u>	<u>1,185,118</u>
Lease Receivable (Note 10)	<u>38,100</u>	<u>-</u>
Property, Plant and Equipment		
Equipment Deposit (Note 11)	-	164,086
Construction In Progress	-	1,721,857
Building And Improvements	1,590,086	-
Equipment	831,088	302,197
Less: Accumulated Depreciation	<u>(101,139)</u>	<u>(77,877)</u>
Net Property, Plant and Equipment	<u>2,320,035</u>	<u>2,110,263</u>
Total Non-Current Assets	<u>3,942,883</u>	<u>3,295,381</u>
TOTAL ASSETS	<u>5,419,369</u>	<u>4,607,033</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

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

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 13,550	\$ 6,647
Accrued Liabilities	6,999	36,084
Due To Other Governments	52,602	323,799
Due To Related Parties (Note 8)	-	100,000
Unearned Revenues	69,596	65,462
Escrow Balances	610,595	203,283
Note Payable – Due Within One Year	<u>21,115</u>	<u>20,698</u>
Total Current Liabilities	<u>774,457</u>	<u>755,973</u>
Long-Term Liabilities		
Note Payable – Due Beyond One Year	354,046	375,350
Deferred Lease Interest	<u>1,401</u>	<u>-</u>
Total Long-Term Liabilities	<u>355,447</u>	<u>375,350</u>
TOTAL LIABILITIES	<u>1,129,904</u>	<u>1,131,323</u>
NET POSITION		
Net Investment In Capital Assets	2,320,035	2,110,263
Restricted	597,649	569,685
Unrestricted	<u>1,371,781</u>	<u>795,762</u>
TOTAL NET POSITION	<u>\$ 4,289,465</u>	<u>\$ 3,475,710</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>2016</u>	<u>2015</u>
OPERATING REVENUES		
Administrative Fees	\$ 992,815	\$ 452,793
Lease Income	26,124	18,000
Interest on Notes Receivable	11,869	14,908
Reimbursed Expenses	9,349	23,913
Grant Income	<u>-</u>	<u>116,722</u>
 TOTAL OPERATING REVENUES	 <u>1,040,157</u>	 <u>626,336</u>
 OPERATING EXPENSES		
Salaries and Benefits	200,515	210,969
Legal and Professional Fees	26,501	5,353
Accounting Fees	9,200	11,300
Consulting Fees	84,844	53,500
Reimbursable Project Expenses	9,349	23,913
Dues, Conferences and Subscriptions	10,800	8,239
Office Expense	4,965	6,938
Business Promotion	75,000	75,000
Rent	16,309	16,210
Telephone	2,600	2,157
Insurance	15,026	10,020
Miscellaneous	2,017	2,190
Travel	3,681	1,468
Technical Assistance – Food Hub	-	57,900
Technical Assistance - RMAP	<u>-</u>	<u>64,790</u>
 TOTAL OPERATING EXPENSES	 <u>460,807</u>	 <u>549,947</u>
 NET OPERATING INCOME (LOSS)	 <u>579,350</u>	 <u>76,389</u>
 NON-OPERATING REVENUES (EXPENSES)		
Interest Income	865	988
Interest Expense	(7,558)	(7,875)
Depreciation	(23,262)	(16,067)
Capital Grant Income	<u>264,360</u>	<u>181,411</u>
 NET NON-OPERATING REVENUES (EXPENSES)	 <u>234,405</u>	 <u>158,457</u>
 NET INCOME (LOSS)	 813,755	 234,846
 NET POSITION - Beginning of Year	 <u>3,475,710</u>	 <u>3,240,864</u>
 NET POSITION – End of Year	 <u>\$ 4,289,465</u>	 <u>\$ 3,475,710</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

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

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 1,470,196	\$ 727,618
Cash payments for contractual expenses	(254,650)	(344,758)
Cash payments for personal services and benefits	(229,600)	(205,954)
Net Proceeds (Payments) of PILOT Payments	<u>(271,197)</u>	<u>(6,196)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>714,749</u>	<u>170,710</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	865	988
Purchase of Capital Assets	(276,485)	(546,582)
Proceeds of Capital Grants	264,360	918,558
Proceeds of Capital Lease	<u>965</u>	<u>-</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(10,295)</u>	<u>372,964</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of Notes Payable	-	42,577
Repayments of Notes Payable	(20,887)	(19,372)
Repayment of Loan Payable	(100,000)	-
Interest Payments	<u>(7,558)</u>	<u>(7,875)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(128,445)</u>	<u>15,330</u>
NET INCREASE (DECREASE) IN CASH	576,009	559,004
CASH- BEGINNING OF YEAR	<u>1,734,198</u>	<u>1,175,194</u>
CASH- END OF YEAR	<u>\$ 2,310,207</u>	<u>\$ 1,734,198</u>
Reconciliation of operating revenue (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$ 579,350	\$ 76,389
Increase (Decrease) in PILOT Payable	(271,197)	(6,196)
Decrease (Increase) in Operating Assets:		
Accounts Receivable	(10,471)	1,379
Due From Related Parties	-	(10,000)
Pre-Paid Expenses	(1,261)	420
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	6,903	(6,200)
Accrued Liabilities	(29,085)	5,015
Due To Related Parties	-	500
Unearned Revenues	4,134	(4,192)
Escrow Balances	407,312	160,609
Revolving Loans Repaid	99,064	71,563
Revolving Loans Issued	<u>(70,000)</u>	<u>(118,577)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 714,749</u>	<u>\$ 170,710</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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, 2016 and 2015 amounted to \$22,329 and \$11,858, respectively.

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Property, Plant and Equipment**

The Agency records capital assets at historical cost and depreciates the assets on a straight-line basis over periods from 5 through 20 years. Assets are not depreciated until 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. The employee involved retired from the Agency in early 2016 and this arrangement is not in effect for any other employees.

**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.

**Reclassifications**

Certain items at December 31, 2015 have been reclassified to conform to the presentation at December 31, 2016. The reclassifications had no effect on the change in net position for the year ended December 31, 2015.

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Liabilities Paid From Restricted Assets**

The following liabilities of the Agency will be paid from restricted assets:

	<u>2016</u>	<u>2015</u>
Due To Other Governments	\$ 17,335	\$ 16,102
Escrow Balances	594,603	203,283
Note Payable	<u>375,161</u>	<u>396,048</u>
	<u>\$ 987,099</u>	<u>\$ 615,433</u>

**New Accounting Standards**

The Agency has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2016 the Agency implemented the following new standards:

*GASB 72 – Fair Value Measurement and Application*

*GASB 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

*GASB 77 – Tax Abatement Disclosures.*

*GASB 78 – Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.*

*GASB 79 – Certain External Investment Pools and Pool Participants.*

**Future Accounting Standards**

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

*GASB 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB 67 and GASB 68, effective for the year ending December 31, 2017.*

*GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pensions, effective for the year ending December 31, 2017.*

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*GASB 75 – Accounting and Reporting for Post-Employment Benefits Other Than Pensions*, effective for the year ending December 31, 2018.

*GASB 80 – Blending Requirements for Certain Component Units – an Amendment of GASB 14*, effective for the year ending December 31, 2017.

*GASB 81 – Irrevocable Split-Interest Agreements*, effective for the year ending December 31, 2017.

*GASB 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*, effective for the year ending December 31, 2017, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year end. In that circumstance, the requirements of paragraph 7 are effective for the period ending December 31, 2018.

*GASB 83 – Certain Assets Retirement Obligations*, effective for the year ending December 31, 2019.

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.

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.

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency reported no deferred outflows or inflows of resources as of December 31, 2016 and 2015.

NOTE 2 – CASH AND INVESTMENTS

New York 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 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>\$ 1,401,375</u>
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COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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, 2015 and 2014 is as follows:

<u>Borrower</u>	<u>Original Loan</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>BALANCE</u>	
				<u>2016</u>	<u>2015</u>
The Bake House	\$ 20,000	2016	4.00%	\$ 11,134	\$ 12,373
Carmines Meat Market	30,000	2016	3.00%	-	9,509
Davidson Sullivan Realty	50,000	2016	3.00%	-	8,887
Watt's Cooking	16,000	2020	4.00%	11,275	14,342
David Appel	75,000	2023	4.00%	-	58,224
David Appel	9,488	2023	4.00%	-	8,259
David Appel	84,098	2024	4.00%	78,492	-
Salt & Pepper Kitchen	50,000	2021	4.00%	<u>50,000</u>	<u>-</u>
IDA Revolving Loans				<u>150,901</u>	<u>111,594</u>
Kranky Pants	40,000	2020	4.00%	19,548	25,854
Malek Furniture	50,000	2017	4.00%	6,361	17,904
Samba	30,000	2017	4.00%	16,525	20,549
Prohibition Distillery	72,077	2022	4.00%	40,500	47,102
ND Pro Media	25,000	2017	4.00%	12,404	12,982
Callicoon Health Food	37,000	2018	4.00%	-	26,419
The Shoe Box	40,000	2018	4.00%	28,596	28,506
Riverside Remedies	40,000	2021	4.00%	32,096	35,921
Red Cottage Inc.	30,500	2020	4.00%	22,299	28,083
Catskill Distillery	50,000	2025	4.00%	<u>44,726</u>	<u>48,106</u>
RMAP Revolving Loans				<u>223,055</u>	<u>291,426</u>
Total Notes Receivable				<u>\$ 373,956</u>	<u>\$ 403,020</u>

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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, 2016 is as follows:

<u>PROJECT NAME</u>	<u>JANUARY 1, 2016</u>	<u>ISSUED</u>	<u>REDEEMED</u>	<u>DECEMBER 31, 2016</u>
Crystal Run Village	\$ <u>395,000</u>	\$ <u>      -      </u>	\$ <u>65,000</u>	\$ <u>330,000</u>

NOTE 5 – UNEARNED REVENUE

The Agency had \$69,596 and \$65,462 in unearned revenue at December 31, 2016 and 2015, respectively. The balance in this account is made up of the following items:

	<u>2016</u>	<u>2015</u>
Administrative Fees	\$ 29,300	\$ 25,300
Reimbursed Legal Expenses	<u>40,296</u>	<u>40,162</u>
	<u>\$ 69,596</u>	<u>\$ 65,462</u>

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 6 – EQUIPMENT LEASES

The Agency has entered into lease agreements with several companies in which the Agency purchased equipment to be used by the lessee. The lessees will pay monthly payments in various amounts over the course of the leases. Upon expiration of the lease terms, the lessees have the option to purchase the equipment for various amounts. Details of the transactions, which are being treated by the Agency as operating leases, are as follows:

	<u>Catskill Distilling</u>	<u>Catskill Distilling</u>	<u>Roscoe NY Beer</u>	<u>Prohibition Distillery</u>
Leased Equipment	\$ 295,000	\$ 133,465	\$ 133,588	\$ 134,139
Accumulated Depreciation	<u>(89,728)</u>	<u>(2,224)</u>	<u>(2,226)</u>	<u>(2,236)</u>
Net Book Value	<u>\$ 205,272</u>	<u>\$ 131,241</u>	<u>\$ 131,362</u>	<u>\$ 131,903</u>
Lease Term (months)	114	144	144	144
Maturity Date	2020	2028	2028	2028
Monthly Payment	\$ 1,500	\$ 676	\$ 676	\$ 679
Total Lease Payments	\$ 171,000	\$ 97,344	\$ 97,344	\$ 97,776
Purchase Option	\$ 146,000	\$ 54,418	\$ 54,467	\$ 54,688

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

2017	\$ 42,372
2018	42,372
2019	42,372
2020	33,372
2021	24,372
2022-2026	121,860
2027-2028	<u>40,620</u>
	<u>\$ 347,340</u>

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 7 – CAPITAL ASSETS

The Agency's capital assets for the year ended December 31, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Construction In Progress	\$ 1,721,857	\$ 31,132	\$ 1,752,989	\$ -
Buildings And Improvements	-	1,590,086	-	1,590,086
Equipment	<u>-</u>	<u>162,903</u>	<u>43,451</u>	<u>119,452</u>
Non-Depreciable Historical Cost	<u>1,721,857</u>	<u>1,784,121</u>	<u>1,796,440</u>	<u>1,709,538</u>
Equipment - Leased	459,086	237,106	-	696,192
Equipment	<u>7,197</u>	<u>8,247</u>	<u>-</u>	<u>15,444</u>
Depreciable Historical Cost	<u>466,283</u>	<u>245,353</u>	<u>-</u>	<u>711,636</u>
Accumulated Depreciation:				
Equipment-Leased	74,978	21,436	-	96,414
Equipment	<u>2,899</u>	<u>1,826</u>	<u>-</u>	<u>4,725</u>
Total Accumulated Depreciation	<u>77,877</u>	<u>23,262</u>	<u>-</u>	<u>101,139</u>
Net Cost	<u>\$ 2,110,263</u>	<u>\$ 2,006,212</u>	<u>\$ 1,796,440</u>	<u>\$ 2,320,035</u>

Depreciation expense for December 31, 2016 and 2015 was \$23,262 and \$16,067, respectively.

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.

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 8 – RELATED PARTIES (Continued)

The Agency received \$40,000 and \$40,000 from the Sullivan County Funding Corporation for administrative costs for the years ended December 31, 2016 and 2015, 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. The loan was fully repaid during the year ended December 31, 2016.

As of December 31, 2016 and 2015, there was an outstanding receivable of \$10,000 related to administrative duties performed on behalf of the Sullivan County Funding Corporation.

NOTE 9 – LONG TERM DEBT

The Agency 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 balance accrues interest at 2% per annum and must be repaid 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.

The changes in the Agency's long term debt during the year ended December 31, 2016 are summarized as follows:

	<u>BALANCE</u> <u>01/01/16</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/16</u>	<u>AMOUNTS</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
RMAP Note Payable	\$ 396,048	\$ -	\$ 20,887	\$ 375,161	\$ 21,115

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

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2017	\$ 21,115	\$ 7,308
2018	21,541	6,883
2019	21,976	6,447
2020	22,420	6,004
2021	22,872	5,552
2022-2026	121,476	20,642
2027-2031	134,240	7,878
2032	<u>9,521</u>	<u>41</u>
TOTAL	<u>\$ 375,161</u>	<u>\$ 60,755</u>

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 10 – LEASE RECEIVABLE

The Agency entered into an agreement to lease equipment to a company at a rate of \$482 per month over 84 months. The lease matures in October 2023, at which time the company has the option of purchasing the equipment for \$4,345. Since the present value of the minimum lease payments are at least 90% of the value of the equipment, the transaction is being treated as a direct financing lease, which means the Agency is financing the in-substance purchase of the property by the lessee. The interest portion of the transaction of \$1,401 has been deferred and will be recognized as interest income over the term of the lease on a straight line basis.

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

2017	\$ 5,787
2018	5,787
2019	5,787
2020	5,787
2021	5,787
2022-2023	<u>10,607</u>
Minimum Lease Payments	39,542
Purchase Option	<u>4,345</u>
Lease Receivable	<u>\$ 43,887</u>

NOTE 11 – EQUIPMENT DEPOSIT

As of December 31, 2015, the Agency had placed deposits, totaling \$164,086, on various pieces of equipment that were to be funded with USDA grant proceeds. Once the equipment was delivered and all grant requirements were met, the Agency would be reimbursed for their portion of the final equipment costs. The equipment was received during the year ended December 31, 2016, and the Agency received its share of the USDA grant proceeds. The Agency has entered into agreements to lease the equipment to various entities as detailed in Note 6 to the financial statements.

NOTE 12 – EVENTS OCCURRING AFTER REPORTING DATE

The Agency has evaluated events and transactions that occurred between December 31, 2016 and March 31, 2017, 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  
 USDA RURAL MICROENTREPRENEUR ASSISTANCE PROGRAM  
 STATEMENT OF NET POSITION  
 DECEMBER 31,

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash – Loan Account	\$ 270,507	\$ 217,633
Cash – Technical Assistance Grant	40	40
Cash – Loan Loss Reserve	22,125	24,241
Notes Receivable (See Note 3)	<u>223,055</u>	<u>291,426</u>
 TOTAL ASSETS	 <u>515,727</u>	 <u>533,340</u>
LIABILITIES		
Due To IDA	1,500	-
Note Payable (See Note 9)	<u>375,161</u>	<u>396,048</u>
 TOTAL LIABILITIES	 <u>376,661</u>	 <u>396,048</u>
NET POSITION		
Restricted	<u>139,066</u>	<u>137,292</u>
 TOTAL NET POSITION	 <u>\$ 139,066</u>	 <u>\$ 137,292</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>2016</u>	<u>2015</u>
OPERATING REVENUES		
Interest on Notes Receivable	\$ 9,280	\$ 5,747
Technical Assistance Grant Income	<u>          -</u>	<u>  55,822</u>
TOTAL OPERATING REVENUES	<u>  9,280</u>	<u> 61,569</u>
OPERATING EXPENSES		
Technical Assistance Grant Expense	<u>          -</u>	<u>  64,790</u>
TOTAL OPERATING EXPENSES	<u>          -</u>	<u>  64,790</u>
NET OPERATING INCOME (LOSS)	9,280	(3,221)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	52	51
Interest Expense	(7,558)	(7,875)
Funding of Loan Loss Reserve	<u>          -</u>	<u>  5,627</u>
NET INCOME (LOSS)	1,774	(5,418)
NET POSITION - Beginning of Year	<u> 137,292</u>	<u> 142,710</u>
NET POSITION – End of Year	<u>\$ 139,066</u>	<u>\$ 137,292</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN  
 INDUSTRIAL DEVELOPMENT AGENCY  
 INDUSTRIAL REVENUE BONDS  
 DECEMBER 31, 2016

<u>PROJECT NAME</u>	<u>TAX STATUS</u>	<u>ISSUE DATE</u>	<u>INTEREST RATE</u>	<u>ISSUE AMOUNT</u>	<u>COUNTY</u>	<u>TAX EXEMPTIONS</u>	
						<u>LOCAL</u>	<u>SCHOOL</u>
Crystal Run Village Middletown, NY 10941	Not-For-Profit	6/06	4.15%	\$ 1,980,000	\$ -	\$ -	\$ -

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, 2016 and 2015, 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 31, 2017.

**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.

  
Mongaup Valley, New York  
March 31, 2017