

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

FINANCIAL STATEMENTS

DECEMBER 31, 2017

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Fund Net Position	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Supplemental Schedules:	
Statement of Net Position – Rural Microentrepreneur Assistance Program	22
Statement of Revenues, Expenses and Changes in Net Position – Rural Microentrepreneur Assistance Program	23
Industrial Revenue Bonds	24
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	25

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, 2017 and 2016, 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, 2017 and 2016, 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 April 5, 2018, 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 that reads "Cooper Arias LLP".

Mongaup Valley, New York
April 5, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2017

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, 2017. Please read it in conjunction with the Agency's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Total net position increased \$2,178,077 (50%)
 - 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 \$261,092 for the year ended December 31, 2017, are recognized immediately.
- Cash increased \$2,768,254 (120%)
 - The increase in cash was mainly due to the increase in administrative fees as noted above. Additionally, the Agency had an increase of \$880,000 in PILOT payments for 2018 paid before year end.
- Liabilities increased \$801,188 (71%)
 - The increase was mainly due to the increased PILOT payments noted earlier.
- Operating revenues increased \$1,317,098 (118%)
 - The increase in revenues was caused by a substantial increase in administrative fees as noted earlier.
- Operating expenses increased \$16,452 (4%)
 - Expenses were similar to the prior year.
- Operating income increased \$1,300,646 from the prior year.
- Total net income increased \$1,286,766 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, 2017

FINANCIAL ANALYSIS OF THE AGENCY

The following table summarizes the changes in net position between December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Current Assets	\$ 3,985,889	\$ 1,554,042
Non-Current Assets	<u>4,490,301</u>	<u>3,942,883</u>
Total Assets	<u>8,476,190</u>	<u>5,496,925</u>
Current Liabilities	1,598,588	774,457
Long Term Liabilities	<u>332,504</u>	<u>355,447</u>
Total Liabilities	<u>1,931,092</u>	<u>1,129,904</u>
Net Investment In Capital Assets	2,451,205	2,320,035
Restricted	651,567	597,649
Unrestricted	<u>3,442,326</u>	<u>1,449,337</u>
Total Net Position	<u>\$ 6,545,098</u>	<u>\$ 4,367,021</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>2017</u>	<u>2016</u>
Escrow Accounts - Cash	\$ 1,033,484	\$ 611,938
Revolving Loan Accounts – Cash	605,745	598,854
Revolving Loans Outstanding	399,867	373,956
Less: Liabilities Held In Restricted Accounts	<u>(1,387,529)</u>	<u>(987,099)</u>
Restricted Net Position	<u>\$ 651,567</u>	<u>\$ 597,649</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2017

Operating Income. The following table summarizes the changes in operating activity between fiscal years 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Administrative Fees	\$ 2,367,916	\$ 1,070,371
Lease Income	45,548	26,124
Interest on Notes Receivable	13,892	11,869
Reimbursed Expenses	3,377	9,349
Grant Income	<u>4,078</u>	<u>-</u>
Total Operating Revenues	<u>2,434,811</u>	<u>1,117,713</u>
Salaries and Benefits	200,483	200,515
Legal and Professional Fees	28,447	26,501
Consulting Fees	74,373	84,844
Business Promotion	75,000	75,000
Reimbursable Project Expenses	3,377	9,349
Other Expenses	<u>95,579</u>	<u>64,598</u>
Total Operating Expenses	<u>477,259</u>	<u>460,807</u>
Operating Income (Loss)	<u>\$ 1,957,552</u>	<u>\$ 656,906</u>

OPERATIONS AND ACCOMPLISHMENTS

In the spring of 2017, 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 \$3,145,539 in 2008 to \$4,540,459 in 2017.

During 2017 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 2017, 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 food and agriculture-related businesses: Catskill Brewery and Goodness Grainless.

The Agency continues its work to develop the Catskills Food Hub, which 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 administer grants received to date in furtherance of this project.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2017

Additionally, in 2017, the Agency was involved in the following projects:

- The administration of eleven loans through the Agency's Rural Micro-entrepreneur Assistance Program (USDA).
- The administration of six loans to small local businesses through the Agency's Revolving Loan Fund Program, two of which were approved in 2017.
- The administration of five equipment lease agreements.
- The administration of one outstanding Industrial Development Bond, which is related to a not-for profit agency.
- The administration of 57 projects with Agency agreements, including 44 projects that made payments in lieu of taxes to the Agency and seventeen projects that held valid sales tax exemption letters.

CAPITAL ASSETS

The Agency had \$2,451,205 invested in capital assets, net of \$137,994 in accumulated depreciation, as of December 31, 2017. Depreciation expense for the year ended December 31, 2017 was \$36,855.

DEBT

As of December 31, 2017, the Agency had \$354,045 in outstanding long term debt. The Agency paid interest of \$7,328 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>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash	\$ 3,439,232	\$ 1,099,415
Accounts Receivable	194,091	99,885
Due From Related Parties (Note 8)	11,437	10,000
Due From State And Federal	324,078	320,000
Prepaid Expenses	17,051	18,955
Current Portion Of Lease Receivable	<u>-</u>	<u>5,787</u>
Total Current Assets	<u>3,985,889</u>	<u>1,554,042</u>
Non-Current Assets		
Restricted Cash	1,639,229	1,210,792
Notes Receivable - Restricted	<u>399,867</u>	<u>373,956</u>
Restricted Assets	<u>2,039,096</u>	<u>1,584,748</u>
Lease Receivable (Note 9)	<u>-</u>	<u>38,100</u>
Property, Plant and Equipment		
Building And Improvements	1,590,086	1,590,086
Equipment	999,113	831,088
Less: Accumulated Depreciation	<u>(137,994)</u>	<u>(101,139)</u>
Net Property, Plant and Equipment	<u>2,451,205</u>	<u>2,320,035</u>
Total Non-Current Assets	<u>4,490,301</u>	<u>3,942,883</u>
TOTAL ASSETS	<u>8,476,190</u>	<u>5,496,925</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

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

	<u>2017</u>	<u>2016</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 4,342	\$ 13,550
Accrued Liabilities	7,883	6,999
Due To Other Governments	932,826	52,602
Unearned Revenues	245,506	69,596
Escrow Balances	386,490	610,595
Note Payable – Due Within One Year	<u>21,541</u>	<u>21,115</u>
Total Current Liabilities	<u>1,598,588</u>	<u>774,457</u>
Long-Term Liabilities		
Note Payable – Due Beyond One Year	332,504	354,046
Deferred Lease Interest	<u>-</u>	<u>1,401</u>
Total Long-Term Liabilities	<u>332,504</u>	<u>355,447</u>
TOTAL LIABILITIES	<u>1,931,092</u>	<u>1,129,904</u>
NET POSITION		
Net Investment In Capital Assets	2,451,205	2,320,035
Restricted	651,567	597,649
Unrestricted	<u>3,442,326</u>	<u>1,449,337</u>
TOTAL NET POSITION	<u>\$ 6,545,098</u>	<u>\$ 4,367,021</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>2017</u>	<u>2016</u>
OPERATING REVENUES		
Administrative Fees	\$ 2,367,916	\$ 1,070,371
Lease Income	45,548	26,124
Interest on Notes Receivable	13,892	11,869
Reimbursed Expenses	3,377	9,349
Grant Income	<u>4,078</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>2,434,811</u>	<u>1,117,713</u>
OPERATING EXPENSES		
Salaries and Benefits	200,483	200,515
Legal and Professional Fees	28,447	26,501
Accounting Fees	9,200	9,200
Consulting Fees	74,343	84,844
Reimbursable Project Expenses	3,377	9,349
Dues, Conferences and Subscriptions	11,602	10,800
Office Expense	9,022	4,965
Business Promotion	75,000	75,000
Rent	18,244	16,309
Telephone	3,794	2,600
Insurance	18,634	15,026
Miscellaneous	6,010	2,017
Travel	1,227	3,681
Repairs And Maintenance	<u>17,876</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>477,259</u>	<u>460,807</u>
NET OPERATING INCOME (LOSS)	<u>1,957,552</u>	<u>656,906</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	3,616	865
Interest Expense	(7,328)	(7,558)
Depreciation	(36,855)	(23,262)
Capital Grant Income	<u>261,092</u>	<u>264,360</u>
NET NON-OPERATING REVENUES (EXPENSES)	<u>220,525</u>	<u>234,405</u>
NET INCOME (LOSS)	2,178,077	891,311
NET POSITION - Beginning of Year	<u>4,367,021</u>	<u>3,475,710</u>
NET POSITION – End of Year	<u>\$ 6,545,098</u>	<u>\$ 4,367,021</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

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

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 2,260,984	\$ 1,470,196
Cash payments for contractual expenses	(284,080)	(254,650)
Cash payments for personal services and benefits	(199,599)	(229,600)
Net Proceeds (Payments) of PILOT Payments	<u>880,224</u>	<u>(271,197)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,657,529</u>	<u>714,749</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>3,616</u>	<u>865</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>3,616</u>	<u>865</u>
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of Capital Assets	(124,574)	(276,485)
Proceeds of Capital Grants	261,092	264,360
Proceeds of Capital Lease	<u>(965)</u>	<u>965</u>
NET CASH PROVIDED (USED) BY CAPITAL ACTIVITIES	<u>135,553</u>	<u>(11,160)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Notes Payable	(21,116)	(20,887)
Repayment of Loan Payable	-	(100,000)
Interest Payments	<u>(7,328)</u>	<u>(7,558)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(28,444)</u>	<u>(128,445)</u>
NET INCREASE (DECREASE) IN CASH	2,768,254	576,009
CASH- BEGINNING OF YEAR	<u>2,310,207</u>	<u>1,734,198</u>
CASH- END OF YEAR	<u>\$ 5,078,461</u>	<u>\$ 2,310,207</u>
Reconciliation of operating revenue (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$ 1,957,552	\$ 656,906
Increase (Decrease) in PILOT Payable	880,224	(271,197)
Decrease (Increase) in Operating Assets:		
Accounts Receivable	(94,206)	(88,027)
Due From Related Parties	(1,437)	-
Due From State And Federal	(4,078)	-
Pre-Paid Expenses	1,904	(1,261)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(9,208)	6,903
Accrued Liabilities	884	(29,085)
Unearned Revenues	175,910	4,134
Escrow Balances	(224,105)	407,312
Revolving Loans Repaid	60,089	99,064
Revolving Loans Issued	<u>(86,000)</u>	<u>(70,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,657,529</u>	<u>\$ 714,749</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017 and 2016 amounted to \$194,091 and \$99,885, respectively.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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.

Liabilities Paid From Restricted Assets

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

	<u>2017</u>	<u>2016</u>
Due To Other Governments	\$ 660,857	\$ 17,335
Escrow Balances	372,627	594,603
Note Payable	<u>354,045</u>	<u>375,161</u>
	<u>\$ 1,387,529</u>	<u>\$ 987,099</u>

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017 the Agency implemented the following new standards:

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.

GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pensions.

GASB 80 – Blending Requirements for Certain Component Units – an Amendment of GASB 14.

GASB 81 – Irrevocable Split-Interest Agreements.

GASB 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73, 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 that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Future Accounting Standards

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

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

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

GASB 84 – Fiduciary Activities, effective for the year ending December 31, 2019

GASB 85 – Omnibus 2017, effective for the year ending December 31, 2018

GASB 86 – Certain Debt Extinguishment Issues, effective for the year ending December 31, 2018.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB 87 – *Leases*, effective for the year ending December 31, 2020

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.

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, 2017 and 2016.

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.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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:

Uncollateralized	<u>\$ 49,380</u>
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Agency's name.	<u>\$ 3,543,270</u>

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, 2017 and 2016 is as follows:

<u>Borrower</u>	<u>Original Loan</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>BALANCE</u>	
				<u>2017</u>	<u>2016</u>
The Bake House	\$ 20,000	2016	4.00%	\$ 9,200	\$ 11,134
Watt's Cooking	16,000	2020	4.00%	8,398	11,275
David Appel	84,098	2024	4.00%	71,090	78,492
Salt & Pepper Kitchen	50,000	2021	4.00%	50,000	50,000
Jeff Sanitation	50,000	2022	4.00%	42,201	-
Somewhere In Time	36,000	2022	4.00%	<u>36,000</u>	<u>-</u>
IDA Revolving Loans				<u>216,889</u>	<u>150,901</u>
Kranky Pants	40,000	2020	4.00%	15,281	19,548
Malek Furniture	50,000	2017	4.00%	-	6,361
Samba – Working Capital	15,000	2018	4.00%	2,599	5,767
Samba – Equipment	15,000	2023	4.00%	9,380	10,758
Prohibition Distillery	72,077	2022	4.00%	34,478	40,500
ND Pro Media	25,000	2017	4.00%	8,628	12,404
The Shoe Box	40,000	2018	4.00%	28,596	28,596
Riverside Remedies	40,000	2021	4.00%	26,677	32,096
Red Cottage Inc.	30,500	2020	4.00%	17,432	22,299
Catskill Distillery	50,000	2025	4.00%	<u>39,907</u>	<u>44,726</u>
RMAP Revolving Loans				<u>182,978</u>	<u>223,055</u>
Total Notes Receivable				<u>\$ 399,867</u>	<u>\$ 373,956</u>

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017 is as follows:

<u>PROJECT NAME</u>	<u>JANUARY 1, 2017</u>	<u>ISSUED</u>	<u>REDEEMED</u>	<u>DECEMBER 31, 2017</u>
Crystal Run Village	\$ <u>330,000</u>	\$ <u>-</u>	\$ <u>45,000</u>	\$ <u>285,000</u>

NOTE 5 – UNEARNED REVENUE

The Agency had \$245,506 and \$69,596 in unearned revenue at December 31, 2017 and 2016, respectively. The balance in this account is made up of the following items:

	<u>2017</u>	<u>2016</u>
Administrative Fees	\$ 181,500	\$ 29,300
Reimbursed Legal Expenses	<u>64,006</u>	<u>40,296</u>
	<u>\$ 245,506</u>	<u>\$ 69,596</u>

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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>(104,478)</u>	<u>(8,897)</u>	<u>(8,905)</u>	<u>(8,943)</u>
Net Book Value	<u>\$ 190,522</u>	<u>\$ 124,568</u>	<u>\$ 124,683</u>	<u>\$ 125,196</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:

2018	\$ 42,372
2019	42,372
2020	33,372
2021	24,372
2022	24,372
2023-2027	121,860
2028	<u>16,248</u>
	<u>\$ 304,968</u>

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 7 – CAPITAL ASSETS

The Agency's capital assets for the year ended December 31, 2017 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Buildings And Improvements	\$ 1,590,086	\$ -	\$ -	\$ 1,590,086
Equipment	<u>119,452</u>	<u>168,025</u>	<u>-</u>	<u>287,477</u>
Non-Depreciable Historical Cost	<u>1,709,538</u>	<u>168,025</u>	<u>-</u>	<u>1,877,563</u>
Equipment - Leased	696,192	-	-	696,192
Equipment	<u>15,444</u>	<u>-</u>	<u>-</u>	<u>15,444</u>
Depreciable Historical Cost	<u>711,636</u>	<u>-</u>	<u>-</u>	<u>711,636</u>
Accumulated Depreciation:				
Equipment-Leased	96,414	34,810	-	131,224
Equipment	<u>4,725</u>	<u>2,045</u>	<u>-</u>	<u>6,770</u>
Total Accumulated Depreciation	<u>101,139</u>	<u>36,855</u>	<u>-</u>	<u>137,994</u>
Net Cost	<u>\$ 2,320,035</u>	<u>\$ 131,170</u>	<u>\$ -</u>	<u>\$ 2,451,205</u>

Depreciation expense for December 31, 2017 and 2016 was \$36,855 and \$23,262, respectively.

NOTE 8 – RELATED PARTIES

Sullivan County Funding Corporation

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 of the State of New York, which covers local development corporations. Similar to the County of Sullivan Industrial Development Agency, the Sullivan County Funding Corporation is a component unit of the County of Sullivan.

The Sullivan County Funding Corporation reimburses the Agency for bookkeeping and related administrative costs during the year. The Agency received \$40,000 and \$40,000 from the Sullivan County Funding Corporation for administrative costs for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, there was an outstanding receivable owed to the Agency of \$0 and \$10,000, respectively, related to administrative duties performed on behalf of the Sullivan County Funding Corporation.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 8 – RELATED PARTIES (Continued)

The Sullivan County Infrastructure Local Development Corporation

The County of Sullivan, New York formed The Sullivan County Infrastructure Local Development Corporation on February 10, 2016 under Section 1411 of the Not For Profit Corporation Law of the State of New York, which covers local development corporations. Similar to the County of Sullivan Industrial Development Agency, The Sullivan County Infrastructure Local Development Corporation is a component unit of the County of Sullivan.

The Sullivan County Infrastructure Local Development Corporation reimburses the Agency for bookkeeping and related administrative costs during the year. The Agency received \$0 and \$11,437 from The Sullivan County Infrastructure Local Development Corporation for administrative costs for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, there was an outstanding receivable owed to the Agency of \$0 and \$11,437, respectively, related to administrative duties performed on behalf of The Sullivan County Infrastructure Local Development Corporation.

NOTE 9 – LEASE RECEIVABLE

During the year ended December 31, 2016, the Agency entered into an agreement to lease equipment to a company at a rate of \$482 per month over 84 months. The lease matured in October 2023, at which time the company had the option of purchasing the equipment for \$4,345. Since the present value of the minimum lease payments were at least 90% of the value of the equipment, the transaction was being treated as a direct financing lease, which means the Agency is financing the in-substance purchase of the property by the lessee. During the year ended December 31, 2017, the agreement was terminated for non-payment and the leased equipment was returned to the Agency.

NOTE 10 – 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.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 10 – LONG TERM DEBT (Continued)

The changes in the Agency's long term debt during the year ended December 31, 2017 are summarized as follows:

	<u>BALANCE</u> <u>01/01/17</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/17</u>	<u>AMOUNTS</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
RMAP Note Payable	\$ 375,161	\$ -	\$ 21,116	\$ 354,045	\$ 21,541

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

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2018	\$ 21,541	\$ 6,883
2019	21,976	6,447
2020	22,420	6,004
2021	22,872	5,552
2022	23,334	5,090
2023-2027	123,928	18,189
2028-2032	<u>117,974</u>	<u>5,282</u>
TOTAL	\$ 354,045	\$ 53,447

NOTE 11 – EVENTS OCCURRING AFTER REPORTING DATE

The Agency has evaluated events and transactions that occurred between December 31, 2017 and April 5, 2018, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 12 – RESTATED BALANCES

The beginning balance of net position for the year ended December 31, 2017 has been increased by \$77,556 to account for receivables as of December 31, 2016 not accrued in the financial statements. The restatement has the following effects on the December 31, 2016 account balances:

Administrative Fees increases	\$77,556
Accounts Receivable increased	\$77,556
Unrestricted Net Position increased	\$77,556

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

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash – Loan Account	\$ 289,615	\$ 270,507
Cash – Technical Assistance Grant	-	40
Cash – Loan Loss Reserve	22,135	22,125
Notes Receivable (See Note 3)	<u>182,978</u>	<u>223,055</u>
TOTAL ASSETS	<u>494,728</u>	<u>515,727</u>
LIABILITIES		
Due To IDA	1,500	1,500
Note Payable (See Note 10)	<u>354,045</u>	<u>375,161</u>
TOTAL LIABILITIES	<u>355,545</u>	<u>376,661</u>
NET POSITION		
Restricted	<u>139,183</u>	<u>139,066</u>
TOTAL NET POSITION	<u>\$ 139,183</u>	<u>\$ 139,066</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>2017</u>	<u>2016</u>
OPERATING REVENUES		
Interest on Notes Receivable	\$ <u>7,475</u>	\$ <u>9,280</u>
TOTAL OPERATING REVENUES	<u>7,475</u>	<u>9,280</u>
OPERATING EXPENSES		
Technical Assistance Grant Expense	<u>40</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>40</u>	<u>-</u>
NET OPERATING INCOME (LOSS)	7,435	9,280
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	10	52
Interest Expense	<u>(7,328)</u>	<u>(7,558)</u>
NET INCOME (LOSS)	117	1,774
NET POSITION - Beginning of Year	<u>139,066</u>	<u>137,292</u>
NET POSITION – End of Year	<u>\$ 139,183</u>	<u>\$ 139,066</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
INDUSTIAL 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, 2017 and 2016, 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 April 5, 2018.

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
April 5, 2018