

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

FINANCIAL STATEMENTS

DECEMBER 31, 2018

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018 and 2017, 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, 2018 and 2017, 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 26, 2019, 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 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2018

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, 2018. Please read it in conjunction with the Agency's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Total net position increased \$1,521,468 (23%)
 - The increase in net position was mainly due to administrative fees related to several large ongoing projects in the County. Additionally, the expenses related to the purchase of leased equipment are capitalized and depreciated over the estimated useful life of the equipment while the corresponding grant revenues to fund the purchases, totaling \$662,205 for the year ended December 31, 2018, are recognized immediately.
- Operating revenues decreased \$892,679 (37%)
 - The decrease in revenues was caused by a decrease in administrative fees as the large ongoing projects noted above are winding down.
- Operating expenses increased \$82,172 (17%)
 - The increase was mainly attributable to an increase in salaries and benefits.
- Operating income decreased \$974,851 from the prior year.
- Total net income decreased \$656,609 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, 2018

FINANCIAL ANALYSIS OF THE AGENCY

The following table summarizes the changes in net position between December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Current Assets	\$ 4,572,699	\$ 3,985,889
Non-Current Assets	<u>5,239,089</u>	<u>4,490,301</u>
 Total Assets	 <u>9,811,788</u>	 <u>8,476,190</u>
 Current Liabilities	 1,434,694	 1,598,588
Long Term Liabilities	<u>310,528</u>	<u>332,504</u>
 Total Liabilities	 <u>1,745,222</u>	 <u>1,931,092</u>
 Net Investment In Capital Assets	 3,189,000	 2,451,205
Restricted	580,921	651,567
Unrestricted	<u>4,296,645</u>	<u>3,442,326</u>
 Total Net Position	 <u>\$ 8,066,566</u>	 <u>\$ 6,545,098</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>2018</u>	<u>2017</u>
Escrow Accounts - Cash	\$ 1,138,136	\$ 1,033,484
Revolving Loan Accounts – Cash	585,350	605,745
Revolving Loans Outstanding	326,603	399,867
Less: Liabilities Held In Restricted Accounts	<u>(1,469,168)</u>	<u>(1,387,529)</u>
 Restricted Net Position	 <u>\$ 580,921</u>	 <u>\$ 651,567</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2018

Operating Income. The following table summarizes the changes in operating activity between fiscal years 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Administrative Fees	\$ 1,460,883	\$ 2,367,916
Lease Income	59,901	45,548
Interest on Notes Receivable	15,143	13,892
Other Income	2,828	-
Grant Income	<u>-</u>	<u>4,078</u>
Total Operating Revenues	<u>1,538,755</u>	<u>2,431,434</u>
Salaries and Benefits	269,456	200,483
Legal and Professional Fees	11,745	28,447
Consulting Fees	91,132	74,373
Business Promotion	75,000	75,000
Other Expenses	<u>108,721</u>	<u>95,579</u>
Total Operating Expenses	<u>556,054</u>	<u>473,882</u>
Operating Income (Loss)	<u>\$ 982,701</u>	<u>\$ 1,957,552</u>

OPERATIONS AND ACCOMPLISHMENTS

In the spring of 2018, 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 \$3,132,789 in 2009 to \$4,640,722 in 2018.

During 2018 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 2018, 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 Seminary Hill Ciders.

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, 2018

Additionally, in 2018, the Agency was involved in the following projects:

- The administration of nine loans through the Agency's Rural Micro-entrepreneur Assistance Program (USDA).
- The administration of seven loans to small local businesses through the Agency's Revolving Loan Fund Program, one of which was approved in 2018.
- The administration of thirteen equipment lease agreements.
- The administration of one outstanding Industrial Development Bond, which is related to a not-for profit agency.
- The administration of 63 projects with Agency agreements, including 48 projects that made payments in lieu of taxes to the Agency and 29 projects that held valid sales tax exemption letters.

CAPITAL ASSETS

The Agency had \$3,189,000 invested in capital assets, net of \$201,852 in accumulated depreciation, as of December 31, 2018. Depreciation expense for the year ended December 31, 2018 was \$63,858.

DEBT

As of December 31, 2018, the Agency had \$332,504 in outstanding long term debt. The Agency paid interest of \$6,904 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 548 Broadway, Monticello, NY 12701.

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

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 3,648,033	\$ 3,439,232
Accounts Receivable	118,478	194,091
Due From Related Parties (Note 8)	22,000	11,437
Due From State And Federal	772,883	324,078
Prepaid Expenses	<u>11,305</u>	<u>17,051</u>
Total Current Assets	<u>4,572,699</u>	<u>3,985,889</u>
Non-Current Assets		
Restricted Cash	1,723,486	1,639,229
Notes Receivable - Restricted	<u>326,603</u>	<u>399,867</u>
Restricted Assets	<u>2,050,089</u>	<u>2,039,096</u>
Property, Plant and Equipment		
Building And Improvements	1,596,177	1,590,086
Equipment	1,794,675	999,113
Less: Accumulated Depreciation	<u>(201,852)</u>	<u>(137,994)</u>
Net Property, Plant and Equipment	<u>3,189,000</u>	<u>2,451,205</u>
Total Non-Current Assets	<u>5,239,089</u>	<u>4,490,301</u>
TOTAL ASSETS	<u>9,811,788</u>	<u>8,476,190</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

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

	<u>2018</u>	<u>2017</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 9,630	\$ 4,342
Accrued Liabilities	11,022	7,883
Due To Other Governments	-	271,969
Unearned Revenues	199,050	181,500
PILOT Escrows	702,403	660,857
Sales Tax Escrows	447,535	386,490
Project Escrows	43,078	64,006
Note Payable – Due Within One Year	<u>21,976</u>	<u>21,541</u>
Total Current Liabilities	<u>1,434,694</u>	<u>1,598,588</u>
Long-Term Liabilities		
Note Payable – Due Beyond One Year	<u>310,528</u>	<u>332,504</u>
Total Long-Term Liabilities	<u>310,528</u>	<u>332,504</u>
TOTAL LIABILITIES	<u>1,745,222</u>	<u>1,931,092</u>
NET POSITION		
Net Investment In Capital Assets	3,189,000	2,451,205
Restricted	580,921	651,567
Unrestricted	<u>4,296,645</u>	<u>3,442,326</u>
TOTAL NET POSITION	<u>\$ 8,066,566</u>	<u>\$ 6,545,098</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>2018</u>	<u>2017</u>
OPERATING REVENUES		
Administrative Fees	\$ 1,460,883	\$ 2,367,916
Lease Income	59,901	45,548
Interest on Notes Receivable	15,143	13,892
Other Income	2,828	-
Grant Income	<u>-</u>	<u>4,078</u>
 TOTAL OPERATING REVENUES	 <u>1,538,755</u>	 <u>2,431,434</u>
OPERATING EXPENSES		
Salaries and Benefits	269,456	200,483
Legal and Professional Fees	11,745	28,447
Accounting Fees	9,200	9,200
Consulting Fees	91,132	74,343
Dues, Conferences and Subscriptions	8,845	11,602
Office Expense	17,782	9,022
Business Promotion	75,000	75,000
Rent	28,659	18,244
Telephone	2,438	3,794
Insurance	16,682	18,634
Miscellaneous	1,564	6,010
Travel	2,601	1,227
Repairs And Maintenance	<u>20,950</u>	<u>17,876</u>
 TOTAL OPERATING EXPENSES	 <u>556,054</u>	 <u>473,882</u>
 NET OPERATING INCOME (LOSS)	 <u>982,701</u>	 <u>1,957,552</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	10,182	3,616
Interest Expense	(6,904)	(7,328)
Depreciation	(63,858)	(36,855)
Capital Grant Income	662,205	261,092
Loss On Sale Of Equipment	(34,262)	-
Bad Debt Expense	<u>(28,596)</u>	<u>-</u>
 NET NON-OPERATING REVENUES (EXPENSES)	 <u>538,767</u>	 <u>220,525</u>
 NET INCOME (LOSS)	 1,521,468	 2,178,077
 NET POSITION - Beginning of Year	 <u>6,545,098</u>	 <u>4,367,021</u>
 NET POSITION - End of Year	 <u>\$ 8,066,566</u>	 <u>\$ 6,545,098</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

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

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 1,751,764	\$ 2,260,984
Cash payments for contractual expenses	(278,064)	(284,080)
Cash payments for personal services and benefits	(266,317)	(199,599)
Net Proceeds (Payments) of PILOT Payments	<u>(271,969)</u>	<u>880,224</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>935,414</u>	<u>2,657,529</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>10,182</u>	<u>3,616</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>10,182</u>	<u>3,616</u>
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of Capital Assets	(840,737)	(124,574)
Proceeds From Sale of Capital Assets	7,322	-
Proceeds of Capital Grants	209,322	261,092
Proceeds of Capital Lease	<u>-</u>	<u>(965)</u>
NET CASH PROVIDED (USED) BY CAPITAL ACTIVITIES	<u>(624,093)</u>	<u>135,553</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Notes Payable	(21,541)	(21,116)
Interest Payments	<u>(6,904)</u>	<u>(7,328)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(28,445)</u>	<u>(28,444)</u>
NET INCREASE (DECREASE) IN CASH	293,058	2,768,254
CASH- BEGINNING OF YEAR	<u>5,078,461</u>	<u>2,310,207</u>
CASH- END OF YEAR	<u>\$ 5,371,519</u>	<u>\$ 5,078,461</u>
Reconciliation of operating revenue (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$ 982,701	\$ 1,957,552
Revolving Loans Repaid	94,668	60,089
Revolving Loans Issued	(50,000)	(86,000)
Decrease (Increase) in Operating Assets:		
Accounts Receivable	75,613	(94,206)
Due From Related Parties	(10,563)	(1,437)
Due From State And Federal	4,078	(4,078)
Pre-Paid Expenses	5,746	1,904
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	2,788	(9,208)
Accrued Liabilities	3,139	884
Due To Other Governments	(271,969)	880,224
Unearned Revenues	17,550	175,910
Escrow Balances	<u>81,663</u>	<u>(224,105)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 935,414</u>	<u>\$ 2,657,529</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018 and 2017 amounted to \$118,478 and \$194,091, respectively.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 their estimated useful lives. Assets are not depreciated until placed in service. Estimated useful lives are as follows:

Office Equipment	5 Years
Leased Equipment	8-40 Years
Buildings And Improvements	20-40 Years

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>2018</u>	<u>2017</u>
Escrow Balances	\$ 1,136,664	\$ 1,033,484
Note Payable	<u>332,504</u>	<u>354,045</u>
	<u>\$ 1,469,168</u>	<u>\$ 1,387,529</u>

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018 the Agency implemented the following new standards:

GASB 75 – *Accounting and Reporting for Post-Employment Benefits Other Than Pensions.*

GASB 85 – *Omnibus 2017*

GASB 86 – *Certain Debt Extinguishment Issues.*

Future Accounting Standards

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

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

GASB 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for the year ending December 31, 2019.

GASB 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for the year ending December 31, 2020.

GASB 90 – *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, effective for the year ending December 31, 2019.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Order of Use of Net Position:

When an expense is incurred for which both restricted and unrestricted resources are available, the Board will assess the current financial condition of the Agency and then determine which classification of net position will be applied.

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, 2018 and 2017.

Reclassifications

Certain items at December 31, 2017 have been reclassified to conform to the presentation at December 31, 2018. The reclassifications have no effect on the change in net position for the year ended December 31, 2017.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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. \$ 4,031,265

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. During the year ended December 31, 2018, one of the notes, totaling \$28,596, was written off as uncollectable.

A schedule of notes receivable at December 31, 2018 and 2017 is as follows:

<u>Borrower</u>	<u>Original Loan</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>BALANCE</u>	
				<u>2018</u>	<u>2017</u>
The Bake House	\$ 20,000	2016	4.00%	\$ 6,363	\$ 9,200
Watt’s Cooking	16,000	2020	4.00%	295	8,398
David Appel	84,098	2024	4.00%	60,605	71,090
Salt & Pepper Kitchen	50,000	2021	4.00%	36,541	50,000
Jeff Sanitation	50,000	2022	4.00%	33,736	42,201
Somewhere In Time	36,000	2022	4.00%	28,798	36,000
BHFM, Inc.	50,000	2023	4.00%	<u>45,635</u>	<u>-</u>
IDA Revolving Loans				<u>211,973</u>	<u>216,889</u>

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 – NOTES RECEIVABLE (Continued)

<u>Borrower</u>	<u>Original Loan</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>BALANCE</u>	
				<u>2018</u>	<u>2017</u>
Kranky Pants	40,000	2020	4.00%	\$ 8,773	\$ 15,281
Samba – Working Capital	15,000	2018	4.00%	-	2,599
Samba – Equipment	15,000	2023	4.00%	8,242	9,380
Prohibition Distillery	72,077	2022	4.00%	26,833	34,478
ND Pro Media	25,000	2017	4.00%	2,795	8,628
The Shoe Box	40,000	2018	4.00%	-	28,596
Riverside Remedies	40,000	2021	4.00%	21,285	26,677
Red Cottage Inc.	30,500	2020	4.00%	11,867	17,432
Catskill Distillery	50,000	2025	4.00%	<u>34,835</u>	<u>39,907</u>
RMAP Revolving Loans				<u>114,630</u>	<u>182,978</u>
Total Notes Receivable				<u>\$ 326,603</u>	<u>\$ 399,867</u>

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, 2018 is as follows:

<u>PROJECT NAME</u>	<u>JANUARY 1, 2018</u>	<u>ISSUED</u>	<u>REDEEMED</u>	<u>DECEMBER 31, 2018</u>
Crystal Run Village	<u>\$ 285,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 235,000</u>

NOTE 5 – UNEARNED REVENUE

The Agency had \$199,050 and \$181,500 in unearned revenue at December 31, 2018 and 2017, respectively. The balance in this account is made up of the following items:

	<u>2018</u>	<u>2017</u>
Administrative Fees	<u>\$ 199,050</u>	<u>\$ 181,500</u>

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 – EQUIPMENT AND PROPERTY LEASES

Equipment Leases

The Agency has entered into 13 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:

Leased Equipment	\$ 1,266,366
Accumulated Depreciation	<u>(183,023)</u>
Net Book Value	<u>\$ 1,083,343</u>
Lease Terms (months)	84-240
Maturity Dates	2020-2038
Monthly Payments	\$231 - \$1,500
Total Lease Payments	\$32,514 – \$171,000
Purchase Options	\$3,400 – \$146,000

Property Lease

The Agency has entered into a lease agreement for a property constructed by the Agency through various federal, State and local grants. The lease agreement runs from 2018 through 2028 with no payments required during the first year, and escalating rent increases in subsequent years. The leased property has a net book value of \$1,586,163.

The Agency received \$59,901 and \$45,548 in lease income for the years ended December 31, 2018 and 2017, respectively.

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

2019	\$ 88,628
2020	84,877
2021	81,127
2022	86,377
2023	90,315
2024-2028	351,342
2029-2033	26,987
2034-2038	<u>13,422</u>
	<u>\$ 823,075</u>

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7 – CAPITAL ASSETS

The Agency’s capital assets for the year ended December 31, 2018 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>287,477</u>	<u>512,865</u>	<u>287,477</u>	<u>512,865</u>
Non-Depreciable Historical Cost	<u>1,877,563</u>	<u>512,865</u>	<u>1,877,563</u>	<u>512,865</u>
Buildings And Improvements	-	1,596,177	-	1,596,177
Equipment - Leased	696,192	570,174	-	1,266,366
Equipment	<u>15,444</u>	<u>-</u>	<u>-</u>	<u>15,444</u>
Depreciable Historical Cost	<u>711,636</u>	<u>2,166,351</u>	<u>-</u>	<u>2,877,987</u>
Accumulated Depreciation:				
Building And Improvements	-	10,014	-	10,014
Equipment-Leased	131,224	51,799	-	183,023
Equipment	<u>6,770</u>	<u>2,045</u>	<u>-</u>	<u>8,815</u>
Total Accumulated Depreciation	<u>137,994</u>	<u>63,858</u>	<u>-</u>	<u>201,852</u>
Net Cost	<u>\$ 2,451,205</u>	<u>\$ 2,615,358</u>	<u>\$ 1,877,563</u>	<u>\$ 3,189,000</u>

Depreciation expense for December 31, 2018 and 2017 was \$63,858 and \$36,855, 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, 2018 and 2017, respectively. As of December 31, 2018 and 2017, there was an outstanding receivable owed to the Agency of \$10,000 and \$0, 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, 2018

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 \$12,000 and \$11,437 from The Sullivan County Infrastructure Local Development Corporation for administrative costs for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, there was an outstanding receivable owed to the Agency of \$12,000 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, 2018

NOTE 10 – LONG TERM DEBT (Continued)

The changes in the Agency’s long term debt during the year ended December 31, 2018 are summarized as follows:

	<u>BALANCE</u> <u>01/01/18</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/18</u>	<u>AMOUNTS</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
RMAP Note Payable	\$ 354,045	\$ -	\$ 21,541	\$ 332,504	\$ 21,976

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

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2019	\$ 21,976	\$ 6,447
2020	22,420	6,004
2021	22,872	5,552
2022	23,334	5,090
2023	23,805	4,618
2024-2028	126,430	15,688
2029-2032	<u>91,667</u>	<u>3,165</u>
TOTAL	<u>\$ 332,504</u>	<u>\$ 46,564</u>

NOTE 11 – EVENTS OCCURRING AFTER REPORTING DATE

The Agency has evaluated events and transactions that occurred between December 31, 2018 and March 26, 2019, 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>2018</u>	<u>2017</u>
ASSETS		
Cash – Loan Account	\$ 316,158	\$ 289,615
Cash – Loan Loss Reserve	22,157	22,135
Notes Receivable (See Note 3)	<u>114,630</u>	<u>182,978</u>
TOTAL ASSETS	<u>452,945</u>	<u>494,728</u>
LIABILITIES		
Due To IDA	10,204	1,500
Note Payable (See Note 10)	<u>332,504</u>	<u>354,045</u>
TOTAL LIABILITIES	<u>342,708</u>	<u>355,545</u>
NET POSITION		
Restricted	<u>110,237</u>	<u>139,183</u>
TOTAL NET POSITION	<u>\$ 110,237</u>	<u>\$ 139,183</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>2018</u>	<u>2017</u>
OPERATING REVENUES		
Interest on Notes Receivable	\$ <u>6,532</u>	\$ <u>7,475</u>
TOTAL OPERATING REVENUES	<u>6,532</u>	<u>7,475</u>
OPERATING EXPENSES		
Technical Assistance Grant Expense	<u>-</u>	<u>40</u>
TOTAL OPERATING EXPENSES	<u>-</u>	<u>40</u>
NET OPERATING INCOME (LOSS)	6,532	7,435
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	22	10
Interest Expense	(6,904)	(7,328)
Bad Debt Expense	<u>(28,596)</u>	<u>-</u>
NET INCOME (LOSS)	(28,946)	117
NET POSITION - Beginning of Year	<u>139,183</u>	<u>139,066</u>
NET POSITION - End of Year	<u>\$ 110,237</u>	<u>\$ 139,183</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN
 INDUSTRIAL DEVELOPMENT AGENCY
 INDUSTRIAL REVENUE BONDS
 DECEMBER 31, 2018

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

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, 2018 and 2017, 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 26, 2019.

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 26, 2019