

SCHOHARIE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

Years ended June 30, 2014 and 2013

SCHOHARIE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

Schoharie County Industrial
Development Agency
349 Mineral Springs Road
Cobleskill, New York

We have audited the accompanying financial statements of the Schoharie County Industrial Development Agency (the "IDA"), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the IDA's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the IDA'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 IDA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the IDA as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on Pages 4 – 6 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, and 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 method 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the IDA's financial statements as a whole. The supplemental information on Pages 20 and 21 in the other financial information section is presented for purposes of additional analysis and is not a required part of the financial statements. The schedules are the responsibility of management and was derived from and related 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 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.

The schedules of outstanding straight and lease agreements and full-time equivalent (FTE) jobs created and retained are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014 on our consideration of the IDA'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 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 IDA's internal control over financial reporting and compliance.

Mistert, Manzanero & Scott, LLP

Oneonta, New York
September 12, 2014

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2014

As financial management of the Schoharie County Industrial Development Agency (the "IDA"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the IDA for the fiscal year ended June 30, 2014. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. The IDA encourages its readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Financial Highlights

The IDA's net position increased by \$9,961 from last year. This is due primarily to an increase in administration fees accompanied by a reduction in bad debt expense..

The IDA's operating revenues increased by \$52,215 from last year.

The IDA's operating expenses decreased by \$67,844 from last year.

Overview of the Financial Statements

This discussion and analysis accompanies the IDA's financial statements, including notes to the financial statements and the reports on compliance and internal control to help the reader better understand the financials.

Financial Statements

The IDA's financial statements provide readers with a comprehensive reporting of the IDA's fiscal year 2013 – 2014 transactions and balances. The difference between the assets and liabilities are reported as the net position. Increases or decreases in the net position are an indicator of strengthened or weakened financial position.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

Operating revenues for the IDA were \$97,747 for fiscal year 2014. This was an increase of 215% over the prior year. Income net of expenses produced an increase in net position of \$9,961. At the close of fiscal year 2014, the IDA had a net position of \$2,286,848. This is an increase of .44% over the prior year, which is attributable to an increase in administration fees, a reduction in bad debt expense, and collections on loans.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2014

The IDA's prime objective is to provide assistance to existing businesses, business expansions and business startups with professional assistance, educational programs and loans. The loan funds are comprised of grants dedicated to this purpose and matching funds from the IDA's accumulated working capital. The loans in the IDA's statement of net position are the major assets. For the IDA's loans, the financial statement shows a decrease from \$915,125 at year-end 2013, to \$747,426, net of the allowance for uncollectible notes receivable at year-end 2014, a net decrease of \$167,699.

Following is a 2014-2013 comparative summary of the IDA's financial statements, showing the increase in net position:

NET POSITION

	<u>2014</u>	<u>2013</u>
Current assets	\$ 1,387,660	\$ 1,427,300
Non-current assets	<u>948,944</u>	<u>1,049,284</u>
Total assets	<u>2,336,604</u>	<u>2,476,584</u>
Current liabilities	41,267	196,221
Non-current liabilities	<u>8,489</u>	<u>3,476</u>
Total liabilities	<u>49,756</u>	<u>199,697</u>
Total position	<u>\$ 2,286,848</u>	<u>\$ 2,276,887</u>

CHANGES IN NET POSITION

	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 97,747	\$ 45,532
Operating expenses	<u>87,786</u>	<u>155,630</u>
Operating income (loss)	9,961	(110,098)
Net position, beginning of year	<u>2,276,887</u>	<u>2,386,985</u>
Net position, end of year	<u>\$ 2,286,848</u>	<u>\$ 2,276,887</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2014

2015 GOALS

1. Continued administration of the MICRO Economics Loan Program;
2. Continued administration of current lease agreements and payments in-lieu of taxes agreements;
3. Assist private companies and one non-profit in their expansion with possible benefits; and continue to assist the Planning and Economic Development Agency with efforts to attract businesses to Schoharie County.

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Schoharie County Industrial Development Agency, 349 Mineral Springs Road, Cobleskill, New York 12043.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 736,854	\$ 705,906
Certificates of deposit	352,642	352,642
Accounts receivable	3,742	-
Accrued interest receivable	2,392	1,277
Prepaid expenses	1,904	4,778
Notes and capital leases receivable - Current portion	290,126	362,697
Total current assets	<u>1,387,660</u>	<u>1,427,300</u>
Fixed assets:		
Land	82,257	82,257
Buildings and improvements	150,449	150,449
Office equipment	16,077	16,077
Total fixed assets	<u>248,783</u>	<u>248,783</u>
Less: Accumulated depreciation	<u>(98,585)</u>	<u>(92,382)</u>
Total net fixed assets	<u>150,198</u>	<u>156,401</u>
Other assets:		
Land held for resale	341,446	340,455
Notes and capital leases receivable - Long term, net of allowance, 2014: \$20,500 (Micro Enterprise) and \$0 (Revolving Loan), 2013: \$20,500 (Micro Enterprise) and \$68,950 (Revolving Loan)	457,300	552,428
Total other assets	<u>798,746</u>	<u>892,883</u>
Total assets	<u>2,336,604</u>	<u>2,476,584</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accrued expenses	9,921	127
Security deposit	5,000	-
Note payable	25,000	195,585
Unearned revenue - Current portion	1,346	509
Total current liabilities	<u>41,267</u>	<u>196,221</u>
Noncurrent liabilities:		
Unearned revenue - Less: Current portion	8,489	3,476
Total noncurrent liabilities	<u>8,489</u>	<u>3,476</u>
Total liabilities	<u>49,756</u>	<u>199,697</u>
Net position:		
Invested in capital assets, net of related debt	150,198	156,401
Unrestricted	<u>2,136,650</u>	<u>2,120,486</u>
Total net position	<u>\$ 2,286,848</u>	<u>\$ 2,276,887</u>

See accompanying notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

Years ended June 30, 2013 and 2012

	2014	2013
Operating revenues:		
Interest and earnings	\$ 6,097	\$ 6,459
Interest on notes	19,353	23,299
Lease income	5,100	-
Administrative fees	55,000	8,750
Grant income	10,500	-
Miscellaneous	1,697	7,024
	97,747	45,532
Operating expenses:		
Payroll and related expenses	26,701	26,341
Travel	1,064	1,080
Insurance	3,786	5,066
Legal and accounting	13,019	6,679
Bad debts	-	89,450
Maintenance and supplies	14,308	11,209
Miscellaneous	85	58
Depreciation	6,203	6,352
Administrative	22,491	9,373
Fire tax	129	22
	87,786	155,630
Net operating income (loss)	9,961	(110,098)
Net position, beginning of year	2,276,887	2,386,985
NET POSITION, END OF YEAR	\$ 2,286,848	\$ 2,276,887

See accompany notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Net income (loss)	\$ 9,961	\$ (110,098)
Adjustments to reconcile net income (loss) to net cash provided by operating and non-operating activities:		
Depreciation	6,203	6,352
Bad debts	-	89,450
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(1,115)	(1,103)
Decrease in prepaid expenses	2,874	2,936
(Increase) decrease in accounts receivable	(3,742)	-
Increase (decrease) in accounts payable and commitments	14,794	(16)
Increase in unearned revenue	5,850	3,985
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	34,825	(8,494)
Cash flows from investing activities:		
Purchase of land held for resale	(991)	(88,395)
Increase in notes receivable	(56,796)	(209,895)
Principal payments on notes receivable	224,495	293,853
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	166,708	(4,437)
Cash flows from financing activities:		
Decrease in note payable	(170,585)	(4,414)
NET CASH USED IN FINANCING ACTIVITIES	(170,585)	(4,414)
NET INCREASE (DECREASE) IN CASH	30,948	(17,345)
Cash - Beginning of year	705,906	723,251
Cash - End of year	\$ 736,854	\$ 705,906

See accompanying notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2014

NOTE 1 ORGANIZATION

The Schoharie County Industrial Development Agency (the “IDA”) was duly established under Title I of Article 18-A of the General Municipal Law of the State of New York, as amended, and Chapter 114 of the Laws of 1973 of the State and is a public benefit corporation of the State.

The IDA was formed for the purpose of encouraging economic growth in the County of Schoharie. The IDA is exempt from federal, state and local income taxes. The IDA, although established by the Schoharie County Board of Supervisors, is a separate entity and operates independently of the County of Schoharie.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Schoharie County Industrial Development Agency have been prepared in conformity with generally accepted accounting principles (GAAP). Significant accounting policies are as follows:

Method of Accounting

As a result of its organization under municipal law, the IDA uses fund accounting to record transactions. Because a major source of revenue is based on fees and rents, an enterprise fund is used to account for and report the IDA’s financial activity.

All enterprise funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Interest on proceeds used in financing the construction of certain assets is capitalized during the construction period.

Depreciation of exhaustible fixed assets used by enterprise funds is charged as an expense against operations, and accumulated depreciation is reported on the enterprise funds’ balance sheets.

Grant Accounting

Pass-through grants are recorded as receivables, revenues, liabilities and expenses when awarded. All other grants are recorded as receivables and deferred revenues upon award of the contracts; revenues are recognized as the IDA meets performance requirements of the contracts.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, management considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable is carried at its full value. Uncollectible accounts are charged to expenditures when an account is deemed uncollectible by management. At June 30, 2014, all accounts receivable were considered collectible. There was no outstanding balance at June 30, 2013.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Accrued Interest Receivable

Accrued interest receivable consists of interest on certificates of deposits that have been earned but not received. The balance at June 30, 2014 and 2013 was \$2,392 and \$1,277, respectively.

Investments Policy

The IDA's investment policies are governed by State statutes. In addition, the IDA has its own written investment policy. IDA monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The IDA is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities.

Prepaid Expenses

Prepaid expenses consist of insurance coverage for the next fiscal year, which at June 30, 2014 and 2013 was \$1,904 and \$4,778, respectively.

Interfund Receivables and Payables

Interfund receivables and payables were as follows:

	<u>Receivable</u>	<u>Payable</u>
Operating fund	\$ 92,388	\$ -
Micro Enterprise fund	<u>-</u>	<u>92,388</u>
Total	<u>\$ 92,388</u>	<u>\$ 92,388</u>

Fixed Assets

Fixed assets acquired by the IDA are stated at cost (or estimated historical cost), including interest capitalized during construction where applicable. Contributed assets are recorded at fair market value at the date received. Major additions and betterments in excess of \$1,000 are capitalized, while maintenance and repairs, which do not appreciably extend the useful lives of the related assets, are charged to expense as incurred. There are no reversionary interests by the grantor in the assets. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets. Depreciation expense amounted to \$6,203 and \$6,352 in 2014 and 2013, respectively.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Revolving Loans and Fund Balance Restrictions

The IDA offers low-interest loans to area businesses. The loans are approved by the governing board after giving consideration to the major criteria, ie, enhancement of the economic environment, revenue recognition on these loans is limited to the receipt of interest.

Repayment on revolving loan notes receivable is restricted in their use. While a portion may be used to defer administrative costs, the majority must be used to further economic development in Schoharie County.

Allowance for Uncollectible Notes Receivable

Notes receivable are recorded net of the allowance for uncollectible notes. Uncollectible notes are charged to expenditures using the reserving method. The allowance for uncollectible accounts were \$20,500 and \$-0- for Micro Enterprise Fund and Revolving Loan Fund, respectively, as of June 30, 2014. The allowance for uncollectible accounts were \$20,500 and \$68,950 for Micro Enterprise Fund and Revolving Loan Fund, respectively, as of June 30, 2013.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

Events Occurring After Reporting Date

The IDA has evaluated subsequent events through September 12, 2014, which is the date the financial statements were available to be issued.

NOTE 3 CERTIFICATES OF DEPOSIT

Certificates of deposit consist of four separate accounts. For both years ended June 30, 2014 and 2013, certificates of deposit totaled \$352,642. The certificates of deposit have terms of four to five years, and bear interest ranging from 1% to 2%. The certificates are maintained in two separate banks that are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2014

NOTE 4 NOTES AND CAPITAL LEASES RECEIVABLE

The following table summarizes the IDA's notes receivable:

	2014	2013
<u>Operating Fund</u>		
\$80,000 note receivable with monthly payments of \$715 including interest at 6.9% from October 19, 2001 through October 19, 2016; collateralized by a mortgage. This note was paid in full on December 16, 2013.	\$ -	\$ 25,483
\$343,000 capital lease receivable, with monthly payments of principal only of \$600, and yearly payments of a principal of \$15,667, from September 6, 2002 through September 6, 2016; collateralized by a mortgage. The IDA holds the title to the property until all principal payments have been made.	70,401	93,267
\$37,765 note receivable with monthly payments of \$419 including interest at 6% from December 21, 2004 through November 21, 2014; collateralized by equipment.	7,877	11,291
\$100,000 note receivable with monthly payments of \$3,475 including interest at 3.25% with payments from July 2011 through January 2014; collateralized by a mortgage. This note was paid in full on January 16, 2014.	-	24,028
\$35,000 note receivable including interest at 3.25% with interest only payments of \$284 due on March 9, June 9, and September 9. The unpaid principal was due in full on December 9, 2013. This note is currently in default.	35,000	35,000
\$35,000 capital lease receivable with monthly payments of \$315 including interest at 7%, from July 25, 2001 through August 25, 2016. The IDA holds the title to the property until all principal payments have been made. This lease was paid in full on December 16, 2013.	-	10,442
Subtotal – Operating Fund	113,278	199,511
<u>Micro Enterprise Fund</u>		
\$35,000 note receivable with monthly payments of \$338 including interest at 3% from December 6, 2003 through December 6, 2008 with a balloon payment due January 6, 2009; collateralized by a mortgage. This note was paid in full on March 21, 2014.	-	4,397

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2014

NOTE 4 NOTES AND CAPITAL LEASES RECEIVABLE (Cont'd.)

	2014	2013
<p>\$40,000 note receivable with monthly payments of \$424 including interest at 5% from October 14, 2004 through September 14, 2016. This note was renegotiated on December 16, 2013 to \$34,480 note receivable with monthly payments of \$426 including interest at 5% ending February 22, 2022. Collateralized by equipment.</p>	\$ 32,480	\$ 28,509
<p>\$10,000 note receivable with monthly payments of \$107 including interest at 5.25% from October 27, 2005 to October 27, 2015; collateralized by a mortgage.</p>	1,853	3,010
<p>\$35,000 note receivable with monthly payments of \$371 including interest at 5.00% from December 28, 2005 to November 28, 2010 with a balloon payment due December 28, 2011. This note was renegotiated to \$16,157 note receivable with monthly payments of \$371 including interest at 5.00% ending September 28, 2016. Collateralized by equipment.</p>	9,471	13,352
<p>\$30,550 note receivable with monthly payments of \$407 including interest at 3.25% from January 1, 2010 to December 1, 2016; collateralized by a mortgage.</p>	11,715	16,142
<p>\$100,000 note receivable with monthly payments \$1,085 including interest at 5.50% from June 28, 2006 to July 28, 2013 with a balloon payment due June 28, 2013. This note was renegotiated to \$88,942 note receivable with monthly payments of \$1,086 including interest at 5.50% from January 31, 2009 to August 31, 2015 with a balloon payment due August 31, 2015; collateralized by a mortgage. No payments have been received since the inception of the note and the note is in default.</p>	88,942	88,942
<p>\$20,000 note receivable with monthly payments of \$362 including interest at 3.25% from May 15, 2010 to April 15, 2015; collateralized by a mortgage.</p>	3,899	8,038

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2014

NOTE 4 NOTES AND CAPITAL LEASES RECEIVABLE (Cont'd.)

	2014	2013
<p>\$100,000 note receivable with monthly payments of \$1,123 including interest at 6.25% from January 1, 2008 through January 1, 2018. This note was renegotiated on June 30, 2011 to \$99,553 note receivable with monthly payments of \$1,020 including interest at 3% ending November 1, 2019; collateralized by two second mortgages. Due to economic hardship, the IDA agreed to accept interest only payments for the fiscal years ending June 30, 2014 and 2013.</p>	\$ 99,553	\$ 99,553
<p>\$35,000 note receivable with monthly payments of \$1,022 including interest at 3.25% from April 3, 2008 through April 3, 2011. The note was renegotiated on December 9, 2009 to \$23,620 note receivable with monthly payments of \$500 including interest at 5.25% ending September 8, 2014; then a payment of \$433 on October 8, 2014; collateralized by equipment. This note is currently in default.</p>	13,866	15,703
<p>\$100,000 note receivable with monthly payments of \$977 including interest at 3.25% from November 7, 2008 through November 7, 2018. The note was renegotiated on October 11, 2013 to \$67,766 note receivable with monthly payments of \$976 including interest at 3.25% ending July 11, 2019; collateralized by land and building.</p>	55,648	63,757
<p>\$100,000 note receivable with monthly payments of \$966 including interest at 3.00% from November 30, 2008 through November 30, 2018. This note was renegotiated on September 19, 2012 to monthly payments of \$966 including interest at 3% ending March 19, 2021; collateralized by land and building.</p>	72,914	80,640
<p>\$17,500 note receivable with monthly payments of \$177 including interest at 4.00% from November 3, 2008 through November 3, 2018; collateralized by land and building.</p>	8,297	10,196
<p>\$37,571 note receivable with monthly payments of \$501 including interest at 3.25% from June 22, 2013 through May 22, 2020; collateralized by land and equipment.</p>	32,300	37,172
<p>\$50,000 note receivable with monthly payments of \$489 including interest at 3.25% from December 8, 2012 through November 8, 2022; collateralized by a second mortgage.</p>	43,123	47,508

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2014

NOTE 4 NOTES AND CAPITAL LEASES RECEIVABLE (Cont'd.)

	2014	2013
\$20,000 note receivable with monthly payments of \$267 including interest at 3.25% from November 18, 2012 through October 18, 2019.	\$ 15,189	\$ 18,042
\$30,000 note receivable with monthly payments of \$542 including interest at 3.25% from September 1, 2012 through August 1, 2017; collateralized by a second mortgage.	20,050	25,332
\$50,000 note receivable with monthly payments of \$489 including interest at 3.25% from September 1, 2013 through August 1, 2023; collateralized by a mortgage and two personal guarantees.	46,425	-
Subtotal – Micro Enterprise Fund	555,725	560,293
<u>Revolving Loan Fund</u>		
\$20,000 note receivable with monthly payments of interest only at 6.25% from March 1, 2007 to October 1, 2009. This note was renegotiated on June 28, 2010 to monthly payments of \$334 including interest at 3.25% ending June 28, 2015. The loan is secured with a personal guarantee.	\$ 2,700	\$ 6,695
\$49,750 note receivable with monthly payments of \$480 including interest at 3% from March 5, 2004 through March 5, 2009 with a balloon payment due April 5, 2009; collateralized by a mortgage. This loan is currently in default.	3,329	7,525
\$155,000 note receivable with monthly payments of \$1,497 including interest of 3.00% from June 30, 2010 to July 1, 2020; collateralized by a mortgage. On September 17, 2013, the IDA received payment of \$49,162. The remaining \$68,933 was written off against the allowance for uncollectible notes receivable.	-	118,095
\$80,000 note receivable with monthly payments of \$562 including interest at 3.25% from June 24, 2009 through June 24, 2024; collateralized by a mortgage.	63,880	66,956
\$18,000 note receivable with no interest from July 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage.	4,014	8,000

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2014

NOTE 4 NOTES AND CAPITAL LEASES RECEIVABLE (Cont'd.)

	2014	2013
\$25,000 note receivable with no interest from July 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage. This note is currently in default.	25,000	25,000
\$25,000 note receivable with no interest from November 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage. This note was paid in full on August 26, 2013.	\$ -	12,500
Subtotal – Revolving Loan Fund	98,923	244,771
Total all funds	767,926	1,004,575
Current	(290,126)	(362,697)
Total long-term notes and capital leases receivable	477,800	641,878
Allowance	(20,500)	(89,450)
	\$ 457,300	\$ 552,428

The aggregate maturities of long-term receivables mature as follows:

Years ending June 30	Amount
2015	\$ 290,396
2016	135,786
2017	93,911
2018	66,109
2019	64,096
Thereafter	117,628
Total	\$ 767,926

NOTE 5 LAND HELD FOR RESALE

The IDA has entered into a verbal agreement with the Schoharie County Rural Preservation Corp (“SCRPC”) regarding land purchased during prior fiscal years. The land valued at \$169,313 is to be resold to SCRPC in the fiscal year ended June 30, 2015.

In the fiscal year ending June 30, 2013, the IDA initiated foreclosure proceedings and through public auction, took possession of property located on Route 20 in the Village of Sharon Springs, New York. The amount invested in the property is \$172,133. The property is currently under a one year operating lease with the intent to be sold on or before December 31, 2014.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2014

NOTE 6 LIABILITIES

Security Deposits

Security deposits represent amounts held by the IDA with respect to the one year operating lease of the Route 20 Property (See Note 5).

Note Payable

At June 30, 2014 and 2013, the IDA's note payable consisted of a zero percent interest promissory note from National Grid. The funds were to be loaned to eligible applicants pursuant to the National Grid Emergency Economic Development Bridge Loan Program. The funds were to be repaid without interest on or before December 31, 2013 or if and to the extent that the applicants have not repaid the IDA by such date, the earlier of the repayment of such funds or June 30, 2014. At year end, one note remains outstanding. National Grid has extended the repayment date until such times as the note has been collected.

Unearned Revenue

Unearned revenue in the Micro Enterprises Fund consists of interest accrued and capitalized during the renegotiation of delinquent notes receivable. The unearned revenue is being amortized over the remaining life of the notes.

NOTE 7 RELATED PARTIES

The IDA and SCRPC are related through common board members.

For fiscal year ending June 30, 2014, the IDA received \$40,000 from the Schoharie County Capital Resource Corporation ("SCCRC") for services provided to SCCRC in connection to a bond issue. At June 30, 2014 and 2013, the IDA had entered into a verbal agreement to purchase land for the purpose of reselling it to SCRPC (see Note 5).

NOTE 8 INDUSTRIAL DEVELOPMENT REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes issued by the IDA are secured by property, which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the IDA or the State. The IDA does not record the assets or liabilities resulting from completed bond and note issues in the accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders and funds arising there from are controlled by trustees or banks acting as fiscal agents. For providing this service, the IDA receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. The original balance of the Bassett Hospital Project was in the amount of \$2,400,000 and was issued on February 1, 2001. The bond was completely retired in the fiscal year ending June 30, 2014. The outstanding bond issuance of the Bassett Hospital Project at June 30, 2013 was \$1,405,000.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2014

NOTE 9 CREDIT RISK

Cash

State statutes require that collateral be pledged for demand deposits, time deposits, and certificates of deposit at 100% of deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Obligations that may be pledged as collateral are obligations of the U.S. Treasury and its agencies, obligations of the state and its municipalities, school district debt, irrevocable letters of credit and surety bonds issued by State authorized insurance companies. At June 30, 2014, \$69,757 was uncollateralized as the bank does not provide for collateralization. The IDA has since reduced the amount held with said bank to a level below the collateralization threshold. All IDA funds were insured with the FDIC as of June 30, 2013.

Accounts Receivable

Accounts receivable consist of amounts due for the National Grid Cooperative Business Recruitment Program Matching Grant and for reimbursement of utilities paid on behalf of a third party. At June 30, 2014, all accounts receivable were considered collectible.

Notes Receivable

Notes receivable consist of numerous notes with businesses in Schoharie County. The IDA has collateralized its interest in these notes by retaining the reversionary rights to the property or by additional liens and mortgages on the property.

* * * * *

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINING SCHEDULE OF NET POSITION

June 30, 2014 with comparative totals for 2013

<u>ASSETS</u>	Operating Fund	Micro Enterprise Fund	Revolving Loan Fund
Current assets:			
Cash and cash equivalents	\$ 492,489	\$ 95,092	\$ 149,273
Certificates of deposit	352,642	-	-
Accounts receivable	3,742	-	-
Accrued interest receivable	2,392	-	-
Prepaid expenses	1,904	-	-
Due from other funds	92,388	-	-
Notes and capital leases receivable - Current portion	65,744	178,035	46,347
Total current assets	<u>1,011,301</u>	<u>273,127</u>	<u>195,620</u>
Fixed assets:			
Land	82,257	-	-
Buildings and improvements	150,449	-	-
Office equipment	8,092	7,985	-
Total fixed assets	<u>240,798</u>	<u>7,985</u>	<u>-</u>
Less: Accumulated depreciation	(90,600)	(7,985)	-
Total net fixed assets	<u>150,198</u>	<u>-</u>	<u>-</u>
Other assets:			
Land held for resale	169,313	172,133	-
Notes and capital leases receivable - Long term, net of allowance, 2014: \$20,500 (Micro Enterprise), 2013: \$20,500 (Micro Enterprise) and \$68,950 (Revolving Loan)	47,534	357,190	52,576
Total other assets	<u>216,847</u>	<u>529,323</u>	<u>52,576</u>
Total assets	<u>1,378,346</u>	<u>802,450</u>	<u>248,196</u>
<u>LIABILITIES AND NET POSITION</u>			
Current liabilities:			
Accrued expenses	9,921	-	-
Security deposit	5,000	-	-
Due to other funds	-	92,388	-
Note payable	-	-	25,000
Unearned revenue, current portion	-	1,346	-
Total current liabilities	<u>14,921</u>	<u>93,734</u>	<u>25,000</u>
Noncurrent liabilities:			
Unearned revenue, less current portion	-	8,489	-
Total noncurrent liabilities	<u>-</u>	<u>8,489</u>	<u>-</u>
Total liabilities	<u>14,921</u>	<u>102,223</u>	<u>25,000</u>
Net position:			
Invested in capital assets, net of related debt	150,198	-	-
Unrestricted	1,213,227	700,227	223,196
Total net position	<u>\$ 1,363,425</u>	<u>\$ 700,227</u>	<u>\$ 223,196</u>

See auditors' report.

Eliminations	Totals	
	2014	2013
\$ -	\$ 736,854	\$ 705,906
-	352,642	352,642
-	3,742	-
-	2,392	1,277
-	1,904	4,778
(92,388)	-	-
-	290,126	362,697
<u>(92,388)</u>	<u>1,387,660</u>	<u>1,427,300</u>
-	82,257	82,257
-	150,449	150,449
-	16,077	16,077
<u>-</u>	<u>248,783</u>	<u>248,783</u>
-	(98,585)	(92,382)
<u>-</u>	<u>150,198</u>	<u>156,401</u>
-	341,446	340,455
-	457,300	552,428
<u>-</u>	<u>798,746</u>	<u>892,883</u>
<u>(92,388)</u>	<u>2,336,604</u>	<u>2,476,584</u>
-	9,921	127
-	5,000	-
(92,388)	-	-
-	25,000	195,585
-	1,346	509
<u>(92,388)</u>	<u>41,267</u>	<u>196,221</u>
-	8,489	3,476
<u>-</u>	<u>8,489</u>	<u>3,476</u>
<u>(92,388)</u>	<u>49,756</u>	<u>199,697</u>
-	150,198	156,401
<u>-</u>	<u>2,136,650</u>	<u>2,120,486</u>
<u>\$ -</u>	<u>\$ 2,286,848</u>	<u>\$ 2,276,887</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

Year ended June 30, 2014
With comparative totals for 2013

	Operating Fund	Micro Enterprise Fund	Revolving Loan Fund	Totals	
				2014	2013
Operating revenues:					
Interest and earnings	\$ 6,097	\$ -	\$ -	\$ 6,097	\$ 6,459
Interest on notes	1,807	15,850	1,696	19,353	23,299
Lease income	5,100	-	-	5,100	-
Administrative fees	55,000	-	-	55,000	8,750
Grant income	10,500	-	-	10,500	-
Miscellaneous	27	1,670	-	1,697	7,024
Total operating revenues	<u>78,531</u>	<u>17,520</u>	<u>1,696</u>	<u>97,747</u>	<u>45,532</u>
Operating expenses:					
Payroll and related expenses	26,701	-	-	26,701	26,341
Travel	1,064	-	-	1,064	1,080
Insurance	3,786	-	-	3,786	5,066
Legal and accounting	11,219	1,800	-	13,019	6,679
Bad debts	-	-	-	-	89,450
Maintenance and supplies	14,308	-	-	14,308	11,209
Miscellaneous	45	-	40	85	58
Depreciation	6,203	-	-	6,203	6,352
Administrative	16,032	6,459	-	22,491	9,373
Fire tax	129	-	-	129	22
Total operating expenses	<u>79,487</u>	<u>8,259</u>	<u>40</u>	<u>87,786</u>	<u>155,630</u>
Net operating income (loss)	(956)	9,261	1,656	9,961	(110,098)
Net position, beginning of year	<u>1,364,381</u>	<u>690,966</u>	<u>221,540</u>	<u>2,276,887</u>	<u>2,386,985</u>
NET POSITION, END OF YEAR	<u>\$ 1,363,425</u>	<u>\$ 700,227</u>	<u>\$ 223,196</u>	<u>\$ 2,286,848</u>	<u>\$ 2,276,887</u>

See auditors' report.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF OUTSTANDING STRAIGHT LEASE AGREEMENTS

Year ended June 30, 2014

Project Owner Project Owner Address	Purpose	Issue Date	Due Date	Tax		
				Sales Tax Exemption State	Local	Real County
Wal-Mart Distribution Center 1301 Southeast 10th Street Bentonville, AR 72716-8013	Retail Trade and Other	1995	2015	\$ -	\$ -	\$ 621,785
Cobleskill Stone Products P.O. Box 220 Cobleskill, NY 12043	Construction	2002	2013	-	-	8,709
Tennessee Gas Pipeline 1001 Louisiana Street Houston, Texas 77002	Gas Line	2007	2016	-	-	517,605
Schoharie Business Park, Inc. USDA Service Center 199 Morning Sun Drive Schoharie, NY 12157	Services	2010	2021	-	-	6,867
Actes, LLC 197 Elm Street Cobleskill, NY 12043	Services	2011	2023	-	-	27,827
				\$ -	\$ -	\$ 1,182,793

See auditors' report.

Exemptions			Payment in Lieu of Taxes			
Property Taxes		Total	County	Payment in Lieu of Taxes		
Local	School	Exemptions		Local	School	Total
\$ 787,598	\$ 1,566,082	\$ 2,975,465	\$ 10,800	\$ 72,800	\$ 36,400	\$ 120,000
3,891	20,333	32,933	8,709	3,891	20,333	32,933
310,150	1,278,607	2,106,362	565,356	337,430	1,178,643	2,081,429
2,958	17,935	27,760	434	187	1,127	1,748
21,149	64,525	113,501	-	-	-	-
<u>\$ 1,125,746</u>	<u>\$ 2,947,482</u>	<u>\$ 5,256,021</u>	<u>\$ 585,299</u>	<u>\$ 414,308</u>	<u>\$ 1,236,503</u>	<u>\$ 2,236,110</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FULL-TIME EQUIVALENT (FTE)
JOBS CREATED AND RETAINED

Year ended June 30, 2014

	<u># of FTE Employees at Project Location before IDA Status</u>	<u>Original Estimate of Jobs to be Created</u>	<u>Original Estimate of Jobs to be Retained</u>	<u># of Current FTE Employees</u>	<u># of FTE Construction Jobs Created During Fiscal Year</u>
Project Owner:					
Wal-Mart Distribution Center	0	360	0	494	0
Cobleskill Stone Products	0	10	3	19	1
Schoharie Business Park (USDA Service Center)	14	9	14	18.5	0
ACTES	<u>4</u>	<u>22</u>	<u>4</u>	<u>0</u>	<u>0</u>
	<u>18</u>	<u>401</u>	<u>21</u>	<u>531.5</u>	<u>1</u>

See auditors' report.

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Deborah L. Mostert, CPA
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**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 Board of Directors
Schoharie County Industrial Development Agency

We have audited in accordance with the 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 Schoharie County Industrial Development Agency (the "IDA") which comprise of the statement of net position as of and for the year ended June 30, 2014, and the related statements of revenues, expenditures and changes in net position, and statement cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the IDA'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 IDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the IDA'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 IDA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

MEMBERS: American Institute of Certified Public Accountants,
New York State Society of Certified Public Accountants, National Conference of CPA Practitioners

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IDA's financial statements are free from 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*.

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 results of that testing, and not to provide an opinion on the effectiveness of the IDA'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 IDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Schoharie County Industrial Development Agency audit committee, management, the State of New York and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mostert, Manzanero & Scott, LLP". The signature is written in a cursive style and is located in the lower right quadrant of the page.

Oneonta, New York
September 12, 2014