

SCHOHARIE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

Years ended June 30, 2017 and 2016

SCHOHARIE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Schoharie County Industrial Development Agency (the "IDA"), which comprise of the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenditures and changes in 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.

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 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the IDA as of June 30, 2017 and 2016, and the changes in net position 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's 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 19 and 20 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 relates 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 basic financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the IDA's financial statements as a whole. The schedules of outstanding straight lease agreements and full-time equivalent (FTE) jobs created and retained in the other financial information section is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplemental information that is required by the Office of New York State Comptroller. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2017 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 15, 2017

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2017

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, 2017. 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 \$69,284 from last year. This is due primarily to an increase in administrative fee revenue.

The IDA's operating revenues increased by \$67,923 from last year, primarily as a result of the following:

- Lease income increased by \$1,975;
- Administrative fees increased by \$66,913; and
- Interest income on notes increased by \$2,995.

The IDA's operating expenses decreased by \$32,446 from last year, primarily as a result of the following:

- Bad debt expense decreased by \$25,900;
- Administrative expenses decreased by \$5,538.

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 2016 – 2017 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.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2017

Financial Analysis

Operating revenues for the IDA were \$133,408 for fiscal year 2017. This was an increase of 200% over the prior year. Income net of expenses produced an increase in net position of \$69,284. At the close of fiscal year 2017, the IDA had a net position of \$2,163,541. This is an increase of 3.3% over the prior year, which is attributable to an overall increase in operating revenues and decrease in operating expenses, explained under the “financial highlights” section (See page 4).

The IDA’s primary 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 statements of net position are the major assets. For the IDA’s loans, the financial statement shows an increase from \$544,359 at year-end 2016, to \$625,069, net of the allowance for uncollectible notes receivable at year-end 2017, a net increase of \$80,710.

Following is a 2017-2015 comparative summary of the IDA’s financial statements, showing the increase in net position:

NET POSITION

	2017	2016	2015
Current assets	\$ 1,218,961	\$ 1,241,120	\$ 1,291,021
Non-current assets	945,819	873,562	907,192
Total assets	2,164,780	2,114,682	2,198,213
Current liabilities	1,239	20,425	34,563
Non-current liabilities	-	-	-
Total liabilities	1,239	20,425	34,563
Total net position	\$ 2,163,541	\$ 2,094,257	\$ 2,163,650

CHANGES IN NET POSITION

	2017	2016	2015
Operating revenues	\$ 133,408	\$ 65,485	\$ 56,953
Operating expenses	67,895	100,341	186,663
Operating income (loss)	65,513	(34,856)	(129,710)
Non-operating revenue (expense)	3,771	(34,537)	6,512
Changes in net position	69,284	(69,393)	(123,198)
Net position, beginning of year	2,094,257	2,163,650	2,286,848
Net position, end of year	\$ 2,163,541	\$ 2,094,257	\$ 2,163,650

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2017

2017 GOALS

Continued administration of the MICRO Enterprise Loan Program.

Continued administration of current lease agreements and payments in-lieu of taxes agreements.

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, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 398,817	\$ 341,721
Certificates of deposit	651,910	775,042
Accounts receivable	43,028	757
Prepaid expenses	1,674	1,645
Notes and capital leases receivable - Current portion	123,532	121,955
Total current assets	<u>1,218,961</u>	<u>1,241,120</u>
Capital assets:		
Land	82,257	82,257
Buildings and improvements	165,682	165,682
Office equipment	1,652	9,637
Total capital assets	<u>249,591</u>	<u>257,576</u>
Less: Accumulated depreciation	<u>(105,666)</u>	<u>(106,775)</u>
Total capital assets, net	<u>143,925</u>	<u>150,801</u>
Other assets:		
Real estate held for resale	300,357	300,357
Notes and capital leases receivable - Long term, net of allowance, 2017 and 2016: \$46,400 (Micro Enterprise)	501,537	422,404
Total other assets	<u>801,894</u>	<u>722,761</u>
 Total assets	 <u>2,164,780</u>	 <u>2,114,682</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accrued expenses	739	713
Security deposit	500	5,000
Note payable	-	14,712
Total current liabilities	<u>1,239</u>	<u>20,425</u>
Net position:		
Invested in capital assets, net of related debt	143,925	150,801
Unrestricted	<u>2,019,616</u>	<u>1,943,456</u>
 Total net position	 <u>\$ 2,163,541</u>	 <u>\$ 2,094,257</u>

See accompanying notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

Years ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Interest on notes	\$ 20,970	\$ 17,975
Lease income	17,225	19,200
Administrative fees	95,213	28,300
Miscellaneous	-	10
	133,408	65,485
Operating expenses:		
Administrative expense	25,274	30,812
Travel	901	2,160
Insurance	2,916	2,950
Legal and accounting	12,610	14,535
Bad debts	-	25,900
Maintenance and supplies	10,492	13,001
Miscellaneous	3,825	321
Depreciation	6,876	7,209
Office expense	3,800	2,380
Property taxes	1,201	1,073
	67,895	100,341
Net operating income (loss)	65,513	(34,856)
Non-operating revenue (expense):		
Impairment loss capital asset	-	(42,133)
Loss on disposal of capital asset	-	(640)
Interest and earnings	3,771	8,236
Total non-operating revenue (expense)	3,771	(34,537)
Change in net position	69,284	(69,393)
Net position, beginning of year	2,094,257	2,163,650
NET POSITION, END OF YEAR	\$ 2,163,541	\$ 2,094,257

See accompany notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Interest on notes	\$ 20,970	\$ 15,821
Payments received on notes receivable	119,627	103,681
Issuance of notes receivable	(203,336)	(88,000)
Lease income	17,225	19,200
Net change in security deposits	(4,500)	-
Administrative fees	53,475	28,300
Miscellaneous	-	10
Administrative expense	(25,274)	(30,812)
Travel	(901)	(2,160)
Insurance	(2,945)	(2,971)
Legal and accounting	(12,610)	(18,933)
Maintenance and supplies	(10,492)	(10,937)
Miscellaneous	(4,332)	(321)
Office expense	(3,800)	(2,380)
Property tax	(1,201)	(1,073)
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	(58,094)	9,425
Cash flows from noncapital financing activities:		
Payments on notes	(11,713)	-
NET CASH USED IN		
NONCAPITAL FINANCING ACTIVITIES	(11,713)	-
Cash flows from investing activities:		
Interest and earnings	3,771	8,236
Net activity certificates of deposit	123,132	(178,623)
NET CASH PROVIDED BY (USED IN)		
INVESTING ACTIVITIES	126,903	(170,387)
NET INCREASE (DECREASE) IN CASH	57,096	(160,962)
Cash - Beginning of year	341,721	502,683
Cash - End of year	\$ 398,817	\$ 341,721

See accompanying notes.

	<u>2017</u>	<u>2016</u>
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities:		
Net income (loss)	\$ 65,513	\$ (34,856)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	6,876	7,209
Bad debts	-	25,900
(Increase) decrease in prepaid expenses	(29)	(21)
(Increase) decrease in accounts receivable	(42,271)	1,516
Increase (decrease) in accounts payable and commitments	26	(3,850)
Increase (decrease) in notes receivable	(83,709)	15,681
(Increase) in note receivable - Accrued interest	-	(2,154)
Increase (decrease) in security deposits	<u>(4,500)</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	<u>\$ (58,094)</u>	<u>\$ 9,425</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2017

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 accounting principles generally accepted in the United States of America (U.S. GAAP). Significant accounting policies are as follows:

Measurement Focus and Basis of Accounting

The IDA uses the measurement focus and basis of accounting as appropriate for proprietary funds. Measurement focus refers to what is measured and reported in the financial statements, while the basis of accounting determines when a transaction or economic event is recognized.

The IDA is similar to a business enterprise, and utilizes a measurement focus based on the flow of economic resources. This includes the capitalization of fixed assets, charging depreciation expense and recording long-term debt as a liability. Accordingly, the IDA uses an accrual basis of accounting which recognizes revenues and expenses when they occur, regardless of cash flow.

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 statements 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. All accounts receivable were considered collectible.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2017

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

Notes Receivable

Notes receivable are shown net of the allowance for uncollectible accounts in accordance with U.S. GAAP. Receivables for loans and mortgages are reviewed periodically by management to update the allowance for uncollectible amounts.

Investments Policy

The IDA's investments policy is 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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets are recorded at acquisition cost and depreciated over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives range from five to forty years, depending on the assets. The cost of repairs, maintenance and minor replacement is expensed as incurred, whereas expenditures that materially extend property lives are capitalized. When depreciable property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in income. Capital assets with an acquisition cost of \$1,000 or more are capitalized. Depreciation expense amounted to \$6,876 and \$7,209 in 2017 and 2016, respectively.

Revolving Loans

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. Repayments of revolving loan notes receivable can be used for administrative costs and 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 reserve method. The allowance for uncollectible accounts was \$46,400 for the Micro Enterprise Fund as of June 30, 2017 and 2016.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2017

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

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 reporting period. Actual results could differ from those estimates.

Net Position

Equity is classified as net position and displayed in three components:

- a. Investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Unrestricted – all other assets that do not meet the definition of “invested in capital assets” or “restricted.”
- c. Restricted – consists of net assets with constraints on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.

Eliminations

Fees charged to various programs for administration are included in these programs as expenses and revenues in different funds. These amounts are eliminated when the funds are combined to prevent duplication.

Events Occurring After Reporting Date

The IDA has evaluated subsequent events through September 15, 2017, which is the date the financial statements were available to be issued.

NOTE 3 CERTIFICATES OF DEPOSIT

Certificates of deposit consist of six separate accounts for June 30, 2017 and 2016. For the years ended June 30, 2017 and 2016, certificates of deposit totaled \$651,909 and \$775,042, respectively. The certificates of deposit have terms of six months to fifteen months, and bear interest ranging from .25% to .55%. The certificates are maintained in three financial institutions in 2017 and four financial institutions in 2016 and 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, 2017

NOTE 4 NOTES AND CAPITAL LEASES RECEIVABLE

The following summarizes the IDA's notes receivable:

	2017	2016
<u>Operating Fund</u>		
\$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 1, 2017; collateralized by a mortgage. The IDA holds the title to the property until all principal payments have been made.	\$ 1,801	\$ 24,667
Subtotal – Operating Fund	1,801	24,667
<u>Micro-Enterprise Fund</u>		
\$25,000 note receivable with interest only at 3.5% for one year and entire principal due July 2017. Secured by a grant from the NYS Housing Trust Fund.	\$ 25,000	\$ 25,000
\$50,000 note receivable with interest only at 3.5% for one year and, thereafter, monthly payments of principal and interest of \$1,118 for 48 months. Collateralized by brokerage account.	50,000	50,000
\$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, 2014 to \$34,480 note receivable with monthly payments of \$426 including interest at 5% ending February 22, 2022. Collateralized by equipment.	21,562	25,166
\$35,000 note receivable with monthly payments of \$403 including interest at 3.5% for 84 months; collateralized by a second mortgage and personal guarantee.	29,684	-
\$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. This note was paid in full in 2017.	-	1,534

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2017

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

	2017	2016
<p>\$100,000 note receivable with monthly payments of \$977 including interest at 3.25% for 84 months; collateralized by a mortgage and personal guarantee.</p>	\$ 95,015	\$ -
<p>\$100,000 note receivable with monthly payments of \$1,122 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 reduced principal and interest payments of \$400.</p>	94,461	96,398
<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%. Currently receiving monthly payments of \$250 until note is repaid in full; collateralized by equipment.</p>	8,457	9,807
<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 in May 2016 with new terms of weekly payments of \$175, including interest at 3.25%. A payment of \$30,000 was received on this note in April 2017. The weekly payment will continue until December 2019; collateralized by land and building.</p>	22,100	51,693
<p>\$60,000 note receivable with monthly payments of \$504 including interest at 3.25% from April 2015 through March 2027; collateralized by a mortgage.</p>	50,822	55,138
<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>	40,944	58,372
<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>	2,771	4,744

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2017

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

	2017	2016
\$37,571 note receivable with monthly payments of \$501 including interest at 3.25% from June 22, 2014 through May 22, 2020; collateralized by land and equipment.	\$ 16,696	\$ 22,067
\$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.	29,084	33,916
\$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. This note was paid in full during 2017.	-	5,344
\$50,000 note receivable with monthly payments of \$489 including interest at 3.25%. An additional \$13,336 was advanced on this note in August 2016 to bring the principal balance to \$50,000. Terms of the note remain the same with 120 monthly payments through August 2016; collateralized by a mortgage and two personal guarantees.	46,425	37,440
Subtotal – Micro Enterprise Fund	533,021	476,619
 <u>Revolving Loan Fund</u>		
\$3,000 note receivable with no interest from August 2015 through November 2015, with total principal due at that time. This note is in default. This note was written off against a bridge loan with National Grid in 2017.	-	3,000
\$10,000 note receivable with monthly payments of \$292 including interest at 3.25% from December 2015 through November 2018. Collateralized by equipment.	4,844	8,131
\$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. This note was renegotiated for \$82,274 in July 2014; monthly payments are \$613 including interest at 3.25% from August 2014 through July 2029.	73,457	78,342
\$35,000 note receivable with monthly payments of \$470 including interest at 3.5% from August 2016 through July 2023; collateralized by a second mortgage and personal guarantee.	33,520	-

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2017

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

	2017	2016
\$25,000 note receivable with monthly payments of \$247 including interest at 3.5% from June 2017 through May 2027; collateralized by a second mortgage and personal guarantee.	\$ 24,826	\$ -
Subtotal – Revolving Loan Fund	136,647	89,473
Total all funds	671,469	590,759
Current	(123,532)	(121,955)
Total long-term notes and capital leases receivable	547,937	468,804
Allowance	(46,400)	(46,400)
Total	\$ 501,537	\$ 422,404

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

2019	\$ 89,156
2020	82,442
2021	69,922
2022	48,927
Thereafter	257,490
Total	\$ 547,937

The allowance for bad debts remained the same during the year ended June 30, 2017.

NOTE 5 REAL ESTATE HELD FOR RESALE

The IDA currently holds the following properties for sale:

- a. Land located at Grove Street, Cobleskill, New York; currently recorded at \$170,357.
- b. In the fiscal year ended 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 lease agreement. The building was appraised in the current year for \$130,000. The property's value was adjusted for an impairment loss of \$42,133 during the year ending June 30, 2016.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2017

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, Sharon Springs, New York property (See Note 5). The security deposits were \$500 and \$5,000 at June 30, 2017 and 2016, respectively.

Note Payable

At June 30, 2017 and 2016, 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. At year end, one note remains outstanding. The note payable was reduced by \$3,000 and \$10,288 for the years ending June 30, 2017 and 2016, respectively, for notes receivable that was deemed uncollectible by the IDA.

NOTE 7 RELATED PARTIES

The IDA and the Schoharie County Rural Preservation Corporation (SCRPC) are related through common board members. The IDA provides office space rent-free to the SCRPC.

For fiscal year ended June 30, 2016, the IDA received \$2,000 from the Schoharie County Capital Resource Corporation (SCCRC) for services provided to SCCRC in connection to a project.

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 therefrom 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.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2017

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. The IDA had \$43,069 and \$101,421 of uncollateralized funds with one institution as of June 30, 2017 and 2016, respectively.

Accounts Receivable

At June 30, 2017 and 2016, 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.

NOTE 10 LEASES

The IDA is a lessor in a one year operating lease agreement for property located on Route 20, Sharon Springs, New York. The monthly lease payment is \$850 for the lease term of January – December. This lease was renewed for the calendar year but the lessor vacated the property in August 2016. A new lessor was in place for September 2016 – August 2017, with the month of September’s rent being prorated to \$425, and thereafter monthly payments of \$850. The IDA received rental income under this lease in the amount of \$8,075 and \$10,200 for the years ended June 30, 2017 and 2016.

The IDA is a lessor in a lease agreement for office space for the period of January – December. Under the lease agreement, the monthly lease payments were \$750 for 2016 and \$775 for 2017. The IDA received rental income of \$9,150 and \$9,000 for the year ended June 30, 2017 and 2016, respectively.

NOTE 11 INTERFUND RECEIVABLES AND PAYABLES

As of June 30, interfund receivables and payables were as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Receivable</u>	<u>Payable</u>
Operating fund	\$ 92,388	\$ -	\$ 87,388	\$ -
Micro Enterprise fund	<u>-</u>	<u>92,388</u>	<u>-</u>	<u>87,388</u>
Total	<u>\$ 92,388</u>	<u>\$ 92,388</u>	<u>\$ 87,388</u>	<u>\$ 87,388</u>

* * * * *

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINING SCHEDULE OF NET POSITION

June 30, 2017

With comparative totals for 2016

<u>ASSETS</u>	Operating Fund	Micro Enterprise Fund	Revolving Loan Fund
Current assets:			
Cash and cash equivalents	\$ 250,901	\$ 49,899	\$ 98,017
Certificates of deposit	651,910	-	-
Accounts receivable	43,028	-	-
Prepaid expenses	1,674	-	-
Due from other funds	92,388	-	-
Notes and capital leases receivable - Current portion	1,801	103,888	17,843
Total current assets	<u>1,041,702</u>	<u>153,787</u>	<u>115,860</u>
Capital assets:			
Land	82,257	-	-
Buildings and improvements	165,682	-	-
Office equipment	1,652	-	-
Total capital assets	<u>249,591</u>	<u>-</u>	<u>-</u>
Less: Accumulated depreciation	(105,666)	-	-
Total net capital assets	<u>143,925</u>	<u>-</u>	<u>-</u>
Other assets:			
Land & building held for resale	170,357	130,000	-
Notes and capital leases receivable - Long term, net of allowance, 2017 and 2016: \$46,400 (Micro Enterprise)	-	382,733	118,804
Total other assets	<u>170,357</u>	<u>512,733</u>	<u>118,804</u>
Total assets	<u>1,355,984</u>	<u>666,520</u>	<u>234,664</u>
<u>LIABILITIES AND NET POSITION</u>			
Current liabilities:			
Accrued expenses	536	203	-
Security deposit	500	-	-
Due to other funds	-	92,388	-
Note payable	-	-	-
Total current liabilities	<u>1,036</u>	<u>92,591</u>	<u>-</u>
Net position:			
Invested in capital assets, net of related debt	143,925	-	-
Unrestricted	1,211,023	573,929	234,664
Total net position	<u>\$ 1,354,948</u>	<u>\$ 573,929</u>	<u>\$ 234,664</u>

See auditors' report.

Eliminations	Totals	
	2017	2016
\$ -	\$ 398,817	\$ 341,721
-	651,910	775,042
-	43,028	757
-	1,674	1,645
(92,388)	-	-
-	123,532	121,955
<u>(92,388)</u>	<u>1,218,961</u>	<u>1,241,120</u>
-	82,257	82,257
-	165,682	165,682
-	1,652	9,637
-	249,591	257,576
-	(105,666)	(106,775)
-	<u>143,925</u>	<u>150,801</u>
-	300,357	300,357
-	501,537	422,404
-	<u>801,894</u>	<u>722,761</u>
<u>(92,388)</u>	<u>2,164,780</u>	<u>2,114,682</u>
-	739	713
-	500	5,000
(92,388)	-	-
-	-	14,712
<u>(92,388)</u>	<u>1,239</u>	<u>20,425</u>
-	143,925	150,801
-	2,019,616	1,943,456
<u>\$ -</u>	<u>\$ 2,163,541</u>	<u>\$ 2,094,257</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

Year ended June 30, 2017
With comparative totals for 2016

	Operating Fund	Micro Enterprise Fund	Revolving Loan Fund	Eliminations	Totals	
					2017	2016
Operating revenues:						
Interest on notes	\$ -	\$ 17,806	\$ 3,164	\$ -	\$ 20,970	\$ 17,975
Lease income	17,225	-	-	-	17,225	19,200
Administrative fees	100,213	-	-	(5,000)	95,213	28,300
Miscellaneous	-	-	-	-	-	10
Total operating revenues	<u>117,438</u>	<u>17,806</u>	<u>3,164</u>	<u>(5,000)</u>	<u>133,408</u>	<u>65,485</u>
Operating expenses:						
Administrative expense	23,875	6,399	-	(5,000)	25,274	30,812
Travel	901	-	-	-	901	2,160
Insurance	2,916	-	-	-	2,916	2,950
Legal and accounting	10,475	2,135	-	-	12,610	14,535
Bad debts	-	-	-	-	-	25,900
Maintenance and supplies	10,492	-	-	-	10,492	13,001
Miscellaneous	3,825	-	-	-	3,825	321
Depreciation	6,876	-	-	-	6,876	7,209
Office expense	3,621	179	-	-	3,800	2,380
Property taxes	1,201	-	-	-	1,201	1,073
Total operating expenses	<u>64,182</u>	<u>8,713</u>	<u>-</u>	<u>(5,000)</u>	<u>67,895</u>	<u>100,341</u>
Net operating income (loss)	<u>53,256</u>	<u>9,093</u>	<u>3,164</u>	<u>-</u>	<u>65,513</u>	<u>(34,856)</u>
Non-operating revenue (expense):						
Impairment loss capital asset	-	-	-	-	-	(42,133)
Loss on disposal of capital asset	-	-	-	-	-	(640)
Interest and earnings	3,771	-	-	-	3,771	8,236
Total non-operating revenue (expense)	<u>3,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,771</u>	<u>(34,537)</u>
Change in net position	57,027	9,093	3,164	-	69,284	(69,393)
Net position, beginning of year	<u>1,297,921</u>	<u>564,836</u>	<u>231,500</u>	<u>-</u>	<u>2,094,257</u>	<u>2,163,650</u>
NET POSITION, END OF YEAR	<u>\$ 1,354,948</u>	<u>\$ 573,929</u>	<u>\$ 234,664</u>	<u>\$ -</u>	<u>\$ 2,163,541</u>	<u>\$ 2,094,257</u>

See auditors' report.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF OUTSTANDING STRAIGHT LEASE AGREEMENTS

Year ended June 30, 2017

Project Owner Project Owner Address	Purpose	Issue Date	Due Date	Tax		
				Sales Tax Exemption		Real
				State	Local	County
Wal-Mart Distribution Center 1301 Southeast 10th Street Bentonville, AR 72716-8013	Retail Trade and Other	2015	2025	\$ -	\$ -	\$ 709,362
Cobleskill Stone Products P.O. Box 220 Cobleskill, NY 12043	Construction	2002	2013	-	-	10,285
Tennessee Gas Pipeline 1001 Louisiana Street Houston, Texas 77002	Gas Line	2016	2032	-	-	1,606,631
Schoharie Business Park, Inc. USDA Service Center 199 Morning Sun Drive Schoharie, NY 12157	Services	2010	2021	-	-	5,875
Iroquois Gas Transmission L.P. 1 Corporate Drive, Suite 600 Shelton, CT 06484	Gas Line	2016	2030	-	-	469,291
Sharon Springs, Inc. 1246 Anderson Ave. Fort Lee, NJ 07024	Tourism	2016	2030	16,292	16,292	-
Middleburgh Meadows, LLC 494 Western Turnpike Altmont, NY 12009	Retail Trade	2017	2031	-	-	-
				\$ 16,292	\$ 16,292	\$ 2,801,444

See auditors' report.

Exemptions			Payment in Lieu of Taxes			
Property Taxes		Total	County	Payment in Lieu of Taxes		
Local	School	Exemptions		Local	School	Total
\$ 681,094	\$ 1,419,048	\$ 2,809,504	\$ 195,000	\$ 390,000	\$ 390,000	\$ 975,000
3,919	21,706	35,910	10,285	3,919	21,706	35,910
-	2,278,991	3,885,622	958,043	-	1,250,785	2,208,828
2,503	14,106	22,484	2,742	1,168	6,583	10,493
261,784	1,127,925	1,859,000	404,276	206,824	1,091,215	1,702,315
984	-	33,568	-	1,284	-	1,284
1,663	-	1,663	-	2,280	-	2,280
<u>\$ 951,947</u>	<u>\$ 4,861,776</u>	<u>\$ 8,647,751</u>	<u>\$ 1,570,346</u>	<u>\$ 605,475</u>	<u>\$ 2,760,289</u>	<u>\$ 4,936,110</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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

Year ended June 30, 2017

	<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 Jobs Created During Fiscal Year</u>	<u># of FTE Jobs Retained During Fiscal Year</u>
Project Owner:						
Wal-Mart Distribution Center	0	360	0	657	135	0
Cobleskill Stone Products	3	10	3	22	3	3
Tennessee Gas Pipeline	2	0	2	2	0	0
Schoharie Business Park (USDA Service Center)	14	9	14	11	0	0
Iroquois Gas	2	0	2	3	1	2
Middleburgh Meadows*	0	25	0	0	0	0
Sharon Springs, Inc.*	<u>2</u>	<u>40</u>	<u>0</u>	<u>4</u>	<u>2</u>	<u>0</u>
	<u>23</u>	<u>444</u>	<u>21</u>	<u>699</u>	<u>141</u>	<u>5</u>

* These projects are under construction. The full-time positions are expected to begin in the next fiscal year.

See auditors' report.

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MOSTERT, MANZANERO & SCOTT, LLP
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Deborah L. Mostert, CPA
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Dennis J. Scott, CPA

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
Cobleskill, New York

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, 2017, and the related statements of revenues, expenditures and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2017.

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 opinion 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

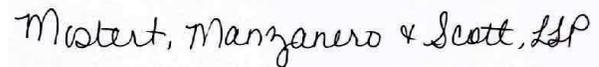
Compliance and Other Matters

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 on a light blue rectangular background.

Oneonta, New York
September 15, 2017

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH INVESTMENT GUIDELINES FOR PUBLIC AUTHORITIES**

To the Board of Directors
Schoharie County Industrial Development Agency
Cobleskill, New York

We have examined the Schoharie County Industrial Development Agency's (the "IDA"), compliance with Section 2925(3) of the New York State Public Authorities Law and Part 201 of Title Two of the New York Code of Rules and Regulations during the year ended June 30, 2017. Management is responsible for the IDA's compliance with those requirements. Our responsibility is to express an opinion on the IDA's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagement contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the IDA's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the IDA's compliance with specific requirements.

In our opinion, the IDA has not complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2017. During our audit, we noted that the IDA had not recorded all of the interest income on certificates of deposit with various financial institutions.

This report is intended solely for the information and use of the Board of Directors, management, and certain New York State Departments and Agencies. It is not intended to be and should not be used by anyone other than those specified parties.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
September 15, 2017