

SCHOHARIE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

Years ended June 30, 2016 and 2015

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"), as of and for the years ended June 30, 2016 and 2015, 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 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 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.

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 respective financial position of the IDA as of June 30, 2016 and 2015, and the respective changes in financial 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.

The schedules of outstanding straight 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 and, accordingly, we do not express an opinion 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 20, 2016 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 20, 2016

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2016

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, 2016. 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 decreased by \$69,393 from last year. This is due primarily to an increase in bad debt expense in the amount of \$25,900, and an impairment loss of \$42,133 on the property in Sharon Springs, New York.

The IDA's operating revenues increased by \$8,500 from last year, primarily as a result of the following:

- Lease income increased approximately \$5,200;
- Administrative fees increased approximately \$18,000; and
- Offset of a decrease in miscellaneous income of \$3,500 and interest income on notes of \$11,200.

The IDA's operating expenses decreased by \$86,400 from last year, primarily as a result of the following:

- Bad debt expense decreased by approximately \$98,000;
- Offset with an increase in administrative expenses by \$5,600, increase in travel expenses of \$1,200, and an increase in professional fees in the amount of \$4,800.

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 2015 – 2016 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, 2016

Financial Analysis

Operating revenues for the IDA were \$65,485 for fiscal year 2016. This was a decrease of 15% over the prior year. Income net of expenses produced a decrease in net position of \$69,393. At the close of fiscal year 2016, the IDA had a net position of \$2,094,257. This is a decrease of 3.2% 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 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 increase from \$406,050 at year-end 2015, to \$422,404, net of the allowance for uncollectible notes receivable at year-end 2016, a net increase of \$16,354.

Following is a 2016-2014 comparative summary of the IDA’s financial statements, showing the increase in net position:

NET POSITION

	2016	2015	2014
Current assets	\$ 1,241,120	\$ 1,291,021	\$ 1,387,660
Non-current assets	873,562	907,192	948,944
Total assets	2,114,682	2,198,213	2,336,604
Current liabilities	20,425	34,563	41,267
Non-current liabilities	-	-	8,489
Total liabilities	20,425	34,563	49,756
Total net position	\$ 2,094,257	\$ 2,163,650	\$ 2,286,848

CHANGES IN NET POSITION

	2016	2015	2014
Operating revenues	\$ 65,485	\$ 56,953	\$ 91,650
Operating expenses	100,341	186,663	87,786
Operating income (loss)	(34,856)	(129,710)	3,864
Non-operating revenue (expense)	(34,537)	6,512	6,097
Changes in net position	(69,393)	(123,198)	9,961
Net position, beginning of year	2,163,650	2,286,848	2,276,887
Net position, end of year	\$ 2,094,257	\$ 2,163,650	\$ 2,286,848

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2016

2017 GOALS

1. Continued administration of the MICRO Enterprise 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, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 341,721	\$ 502,683
Certificates of deposit	775,042	596,419
Accounts receivable	757	2,273
Prepaid expenses	1,645	1,624
Notes and capital leases receivable - Current portion	121,955	188,022
Total current assets	<u>1,241,120</u>	<u>1,291,021</u>
Fixed assets:		
Land	82,257	82,257
Buildings and improvements	165,682	165,684
Office equipment	9,637	16,077
Total fixed assets	<u>257,576</u>	<u>264,018</u>
Less: Accumulated depreciation	(106,775)	(105,366)
Total net fixed assets	<u>150,801</u>	<u>158,652</u>
Other assets:		
Real estate held for resale	300,357	342,490
Notes and capital leases receivable - Long term, net of allowance, 2016 & 2015: \$46,400 & \$20,500 (Micro Enterprise)	422,404	406,050
Total other assets	<u>722,761</u>	<u>748,540</u>
Total assets	<u>2,114,682</u>	<u>2,198,213</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accrued expenses	713	4,563
Security deposit	5,000	5,000
Note payable	14,712	25,000
Total current liabilities	<u>20,425</u>	<u>34,563</u>
Net position:		
Invested in capital assets, net of related debt	150,801	158,652
Unrestricted	1,943,456	2,004,998
Total net position	<u>\$ 2,094,257</u>	<u>\$ 2,163,650</u>

See accompanying notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

Years ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Interest on notes	\$ 17,975	\$ 29,207
Lease income	19,200	13,950
Administrative fees	28,300	10,250
Miscellaneous	10	3,546
	65,485	56,953
Operating expenses:		
Administrative expense	30,812	25,202
Travel	2,160	931
Insurance	2,950	3,243
Legal and accounting	14,535	9,685
Bad debts	25,900	123,942
Maintenance and supplies	13,001	11,627
Miscellaneous	321	276
Depreciation	7,209	6,781
Office expense	2,380	4,953
Property taxes	1,073	23
	100,341	186,663
Net operating income (loss)	(34,856)	(129,710)
Non-operating revenue (expense):		
Impairment loss capital asset	(42,133)	-
Loss on disposal of capital asset	(640)	-
Interest and earnings	8,236	6,512
Total non-operating revenue (expense)	(34,537)	6,512
Change in net position	(69,393)	(123,198)
Net position, beginning of year	2,163,650	2,286,848
NET POSITION, END OF YEAR	\$ 2,094,257	\$ 2,163,650

See accompany notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Interest on notes	\$ 15,821	\$ 19,372
Lease income	19,200	13,950
Administrative fees	28,300	10,250
Miscellaneous	10	3,546
Administrative expense	(30,812)	(25,202)
Travel	(2,160)	(931)
Insurance	(2,971)	(2,963)
Legal and accounting	(18,933)	(12,199)
Maintenance and supplies	(10,937)	(9,502)
Miscellaneous	(321)	(276)
Office expense	(2,380)	(8,453)
Property tax	(1,073)	(23)
NET CASH USED IN OPERATING ACTIVITIES	(6,256)	(12,431)
Cash flows from noncapital financing activities:		
Increase in notes receivable	(88,000)	(83,394)
Principal payments on notes receivable	103,681	112,806
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	15,681	29,412
Cash flows from capital and related financing activities:		
Expense related to land held for resale	-	(1,044)
Purchase of capital assets	-	(15,235)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	-	(16,279)
Cash flows from investing activities:		
Interest and earnings	8,236	8,904
Net activity certificates of deposit	(178,623)	(243,777)
NET CASH USED IN INVESTING ACTIVITIES	(170,387)	(234,873)
NET DECREASE IN CASH	(160,962)	(234,171)
Cash - Beginning of year	502,683	736,854
Cash - End of year	\$ 341,721	\$ 502,683

See accompanying notes.

Reconciliation of net operating loss to net cash provided by (used in) operation activities:		
Net income (loss)	\$ (34,856)	\$ (129,710)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	7,209	6,781
Bad debts	25,900	123,942
Increase (decrease) in prepaid expenses	(21)	280
(Increase) decrease in accounts receivable	1,516	1,469
Increase (decrease) in accounts payable and commitments	(3,850)	(5,358)
(Increase) in note receivable - accrued interest	(2,154)	-
Increase (decrease) in unearned revenue	-	(9,835)
NET CASH USED IN		
OPERATING ACTIVITIES	<u>\$ (6,256)</u>	<u>\$ (12,431)</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2016

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:

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

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2016

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

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. The balance at June 30, 2016 and 2015 was \$757 and \$2,273, respectively.

Notes Receivable

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

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, 2016 and 2015 was \$1,645 and \$1,624, respectively.

Interfund Receivables and Payables

Interfund receivables and payables were as follows:

	<u>Receivable</u>	<u>Payable</u>
Operating fund	\$ 87,388	\$ -
Micro Enterprise fund	<u>-</u>	<u>87,388</u>
Total	<u>\$ 87,388</u>	<u>\$ 87,388</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 \$7,209 and \$6,781 in 2016 and 2015, respectively.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2016

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 was \$46,400 and \$20,500 for the Micro Enterprise Fund as of June 30, 2016 and 2015, respectively.

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 report period. Actual results could differ from those estimates.

Events Occurring After Reporting Date

The IDA has evaluated subsequent events through September 20, 2016, 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 as of June 30, 2016 and four separate accounts as of June 30, 2015. For the years ended June 30, 2016 and 2015, certificates of deposit totaled \$775,042 and \$596,419, respectively. The certificates of deposit have terms of one to five years, and bear interest ranging from .4% to 2%. The certificates are maintained in four separate banks in 2016 and three in 2015 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, 2016

NOTE 4 NOTES AND CAPITAL LEASES RECEIVABLE

The following table summarizes the IDA's notes receivable:

	2016	2015
<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 6, 2016; collateralized by a mortgage. The IDA holds the title to the property until all principal payments have been made.	\$ 24,667	\$ 47,534
Subtotal – Operating Fund	24,667	47,534
<u>Micro-Enterprise Fund</u>		
\$25,000 note receivable with interest only at 3.5% for one year and entire principal due June 2017. Secured by a grant from the NYS Housing Trust Fund.	\$ 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	-
\$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.	25,166	29,218
\$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.	-	634
\$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.	1,534	5,761
\$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. This note was paid in full as of June 30, 2016.	-	7,142

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2016

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

	2016	2015
<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 a month until October 2016, when it reverts back to original monthly payment of \$1,122.</p>	\$ 96,398	\$ 98,279
<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, 2015; then a payment of \$433 on October 8, 2015; collateralized by equipment.</p>	9,807	11,791
<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 to \$51,978 (principal and accrued interest), with new terms of weekly payments, including interest at 3.25% ending September 22, 2022; collateralized by land and building.</p>	51,693	51,498
<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>	55,138	59,317
<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>	58,372	64,682
<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>	4,744	6,640
<p>\$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.</p>	22,067	27,267

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2016

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

	2016	2015
\$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.	\$ 33,916	\$ 38,595
\$20,000 note receivable with monthly payments of \$267 including interest at 3.25% from November 18, 2012 through October 18, 2019. This note was paid in full as of June 30, 2016.	-	13,106
\$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.	5,344	14,104
\$50,000 note receivable with monthly payments of \$489 including interest at 3.25% from September 1, 2014 through August 1, 2023; collateralized by a mortgage and two personal guarantees.	37,440	41,631
Subtotal – Micro Enterprise Fund	476,619	469,665
<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.	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.	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.	78,342	83,071
\$18,000 note receivable with no interest from July 2012 through December 2014, with a balloon payment due on December 31, 2014; collateralized by a mortgage. This note was in default in 2015. This note was paid in full as of June 30, 2016.	-	4,014

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2016

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

	2016	2015
\$25,000 note receivable with no interest from July 2012 through December 2014, with a balloon payment due on December 31, 2014; collateralized by a mortgage. This note was written off against bridge loan in 2016.	\$ -	\$ 10,288
Subtotal – Revolving Loan Fund	89,473	97,373
Total all funds	590,759	614,572
Current	(121,955)	(188,022)
Total long-term notes and capital leases receivable	468,804	426,550
Allowance	(46,400)	(20,500)
TOTAL	\$ 422,404	\$ 406,050

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

2017	\$ 70,992
2018	68,885
2019	66,686
2020	57,586
Thereafter	204,655
Total	\$ 468,804

The allowance for bad debts was increased to \$46,400 during the year ended June 30, 2016 from \$20,500 during the year ended June 30, 2015.

Two notes receivable were written off in 2015 as bad debt expense for a total of \$123,942. A note for \$35,000 was written off due to the borrower filing bankruptcy. The IDA had not received any payments since 2007 on the other note receivable for \$88,942 and has second position on collateral. In the future, if the IDA collects any amount on either of these notes it will be reported as recovery of bad debt.

NOTE 5 REAL ESTATE HELD FOR RESALE

The IDA currently holds the following properties for sale:

- a. Land – 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 new lessors are interested in purchasing the building. 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, 2016

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).

Note Payable

At June 30, 2016 and 2015, 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. National Grid has extended the repayment date until the note has been collected. The note payable was reduced by \$10,288 for a note receivable that was deemed uncollectible by the IDA due to the borrower filing bankruptcy.

NOTE 7 RELATED PARTIES

The IDA and SCRPC are related through common board members.

For fiscal years ended June 30, 2016 and 2015, the IDA received \$2,000 and \$-0-, respectively 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 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.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2016

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. All IDA funds were insured with the FDIC as of June 30, 2015. The IDA had \$101,421 of uncollateralized funds with one institution as of June 30, 2016.

Accounts Receivable

Accounts receivable consist of amounts due for reimbursement of utilities paid on behalf of a third party. At June 30, 2016 and 2015, 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 \$10,200 for the years ended June 30, 2016 and 2015.

The IDA is a lessor in a lease agreement for office space for the period of February 1st – December 31, 2015. The monthly lease payment is \$750 per month. The IDA received rental income of \$9,000 and \$3,750 for the year ended June 30, 2016 and 2015, respectively.

* * * * *

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINING SCHEDULE OF NET POSITION

June 30, 2016

With comparative totals for 2015

<u>ASSETS</u>	<u>Operating Fund</u>	<u>Micro Enterprise Fund</u>	<u>Revolving Loan Fund</u>
Current assets:			
Cash and cash equivalents	\$ 92,977	\$ 92,005	\$ 156,739
Certificates of deposit	775,042	-	-
Accounts receivable	757	-	-
Prepaid expenses	1,645	-	-
Due from other funds	87,388	-	-
Notes and capital leases receivable - Current portion	22,867	87,915	11,173
Total current assets	980,676	179,920	167,912
Fixed assets:			
Land	82,257	-	-
Buildings and improvements	165,682	-	-
Office equipment	1,652	7,985	-
Total fixed assets	249,591	7,985	-
Less: Accumulated depreciation	(98,790)	(7,985)	-
Total net fixed assets	150,801	-	-
Other assets:			
Land & building held for resale	170,357	130,000	-
Notes and capital leases receivable - Long term, net of allowance, 2016 & 2015: \$46,400 & \$20,500 (Micro Enterprise)	1,800	342,304	78,300
Total other assets	172,157	472,304	78,300
Total assets	1,303,634	652,224	246,212
 <u>LIABILITIES AND NET POSITION</u>			
Current liabilities:			
Accrued expenses	713	-	-
Security deposit	5,000	-	-
Due to other funds	-	87,388	-
Note payable	-	-	14,712
Total current liabilities	5,713	87,388	14,712
Net position:			
Invested in capital assets, net of related debt	150,801	-	-
Unrestricted	1,147,120	564,836	231,500
Total net position	\$ 1,297,921	\$ 564,836	\$ 231,500

See auditors' report.

Eliminations	Totals	
	2016	2015
\$ -	\$ 341,721	\$ 502,683
-	775,042	596,419
-	757	2,273
-	1,645	1,624
(87,388)	-	-
-	121,955	188,022
<u>(87,388)</u>	<u>1,241,120</u>	<u>1,291,021</u>
-	82,257	82,257
-	165,682	165,684
-	9,637	16,077
-	<u>257,576</u>	<u>264,018</u>
-	(106,775)	(105,366)
-	<u>150,801</u>	<u>158,652</u>
-	300,357	342,490
-	422,404	406,050
-	<u>722,761</u>	<u>748,540</u>
<u>(87,388)</u>	<u>2,114,682</u>	<u>2,198,213</u>
-	713	4,563
-	5,000	5,000
(87,388)	-	-
-	14,712	25,000
<u>(87,388)</u>	<u>20,425</u>	<u>34,563</u>
-	150,801	158,652
-	<u>1,943,456</u>	<u>2,004,998</u>
<u>\$ -</u>	<u>\$ 2,094,257</u>	<u>\$ 2,163,650</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

Year ended June 30, 2016
With comparative totals for 2015

	Operating Fund	Micro Enterprise Fund	Revolving Loan Fund	Eliminations	Totals	
					2016	2015
Operating revenues:						
Interest on notes	\$ -	\$ 15,171	\$ 2,804	-	\$ 17,975	\$ 29,207
Lease income	19,200	-	-	-	19,200	13,950
Administrative fees	33,300	-	-	(5,000)	28,300	10,250
Miscellaneous	10	-	-	-	10	3,546
Total operating revenues	<u>52,510</u>	<u>15,171</u>	<u>2,804</u>	<u>(5,000)</u>	<u>65,485</u>	<u>56,953</u>
Operating expenses:						
Administrative expense	29,280	6,532	-	(5,000)	30,812	25,202
Travel	2,160	-	-	-	2,160	931
Insurance	2,950	-	-	-	2,950	3,243
Legal and accounting	12,518	2,017	-	-	14,535	9,685
Bad debts	-	25,900	-	-	25,900	123,942
Maintenance and supplies	13,001	-	-	-	13,001	11,627
Miscellaneous	321	-	-	-	321	276
Depreciation	7,209	-	-	-	7,209	6,781
Office expense	2,201	179	-	-	2,380	4,953
Property taxes	1,073	-	-	-	1,073	23
Total operating expenses	<u>70,713</u>	<u>34,628</u>	<u>-</u>	<u>(5,000)</u>	<u>100,341</u>	<u>186,663</u>
Net operating income (loss)	<u>(18,203)</u>	<u>(19,457)</u>	<u>2,804</u>	<u>-</u>	<u>(34,856)</u>	<u>(129,710)</u>
Non-operating revenue (expense):						
Impairment loss capital asset	-	(42,133)	-	-	(42,133)	-
Loss on disposal of capital asset	(640)	-	-	-	(640)	-
Interest and earnings	8,236	-	-	-	8,236	6,512
Total non-operating revenue (expense)	<u>7,596</u>	<u>(42,133)</u>	<u>-</u>	<u>-</u>	<u>(34,537)</u>	<u>6,512</u>
Change in net position	(10,607)	(61,590)	2,804	-	(69,393)	(123,198)
Net position, beginning of year	<u>1,308,528</u>	<u>626,426</u>	<u>228,696</u>	<u>-</u>	<u>2,163,650</u>	<u>2,286,848</u>
NET POSITION, END 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>

See auditors' report.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF OUTSTANDING STRAIGHT LEASE AGREEMENTS

Year ended June 30, 2016

Project Owner Project Owner Address	Purpose	Issue Date	Due Date	Tax		
				Sales Tax Exemption State	Exemption Local	Real County
Wal-Mart Distribution Center 1301 Southeast 10th Street Bentonville, AR 72716-8013	Retail Trade and Other	2015	2025	\$ -	\$ -	\$ 482,515
Cobleskill Stone Products P.O. Box 220 Cobleskill, NY 12043	Construction	2002	2013	-	-	-
Tennessee Gas Pipeline 1001 Louisiana Street Houston, Texas 77002	Gas Line	2007	2016	-	-	-
Schoharie Business Park, Inc. USDA Service Center 199 Morning Sun Drive Schoharie, NY 12157	Services	2010	2021	-	-	6,941
				<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,456</u>

See auditors' report.

Exemptions			Payment in Lieu of Taxes			
Property Taxes		Total	County	Payment in Lieu of Taxes		
Local	School	Exemptions		Local	School	Total
\$ 294,593	\$ 1,026,222	\$ 1,803,330	\$ 195,000	\$ 390,000	\$ 390,000	\$ 975,000
-	-	-	9,777	3,913	21,661	35,351
-	-	-	600,550	338,709	1,226,260	2,165,519
3,026	17,592	27,559	370	161	937	1,468
<u>\$ 297,619</u>	<u>\$ 1,043,814</u>	<u>\$ 1,830,889</u>	<u>\$ 805,697</u>	<u>\$ 732,783</u>	<u>\$ 1,638,858</u>	<u>\$ 3,177,338</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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

Year ended June 30, 2016

	<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	522	71	0
Cobleskill Stone Products	0	10	3	19	3	3
Tennessee Gas Pipeline	2	0	2	2	0	0
Schoharie Business Park (USDA Service Center)	14	9	14	16	0	2
Howes Cave Development	<u>0</u>	<u>38</u>	<u>0</u>	<u>90.5</u>	<u>16</u>	<u>0</u>
	<u>16</u>	<u>417</u>	<u>19</u>	<u>649.5</u>	<u>90</u>	<u>5</u>

See auditors' report.

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MOSTERT, MANZANERO & SCOTT, LLP
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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
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, 2016, and the related statements of revenues, expenditures and changes in net position, and statements of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2016.

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

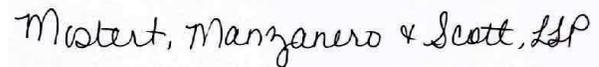
Compliance and Other Matters

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 20, 2016

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MOSTERT, MANZANERO & SCOTT, LLP
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH INVESTMENT GUIDELINES FOR PUBIC 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, 2016. 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, 2016. During our audit, we noted that the IDA was not in compliance with its current investment policy. The maximum amount to be on deposit with a financial institution is listed in the policy. We found that one of the financial institutions exceeded the deposit limit of \$250,000. Additionally, the amount over the FDIC limit was uncollateralized by the financial institution.

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 20, 2016