

SCHOHARIE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

Years ended June 30, 2018 and 2017

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 the statements of net position as of June 30, 2018 and 2017, 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.

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, 2018 and 2017, 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, economical, 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 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. 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 been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 18, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the IDA's 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 18, 2018

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2018

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, 2018. 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 \$667,748 from last year. This is due primarily to an increase in nonoperating expenses of \$637,860 related to repayment of the Community Development Block Grant (CDBG) that will be repaid to Schoharie County due to a change in policy.

The IDA's operating revenues decreased by \$45,793 from last year, primarily as a result from administrative fees decreasing by \$49,094 offset by an increase in lease and interest income of \$3,301.

The IDA's operating expenses increased by \$53,055 from last year, primarily as a result of the following:

- Bad debt expense increased by \$45,465;
- Administrative expenses increased by \$9,823.

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 2017 – 2018 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, 2018

Financial Analysis

Operating revenues for the IDA were \$87,615 for fiscal year 2018. This was a decrease of 34% over the prior year. Income net of expenses produced a decrease in net position of \$667,748. At the close of fiscal year 2018, the IDA had a net position of \$1,495,793. This is a decrease of 31% over the prior year, which is attributable to an overall decrease in operating revenues and an increase 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 a decrease from \$625,069 at year-end 2018, to \$586,147, net of the allowance for uncollectible notes receivable at year-end 2018, a net decrease of \$38,922.

A note receivable of \$91,865 was written off in 2018, of which an allowance of \$46,400 had been established.

Following is a 2018-2016 comparative summary of the IDA’s financial statements, showing the decrease in net position:

NET POSITION

	2018	2017	2016
Current assets	\$ 1,199,778	\$ 1,218,961	\$ 1,241,120
Non-current assets	934,499	945,819	873,562
Total assets	2,134,277	2,164,780	2,114,682
Current liabilities	259,855	1,239	20,425
Non-current liabilities	378,629	-	-
Total liabilities	638,484	1,239	20,425
Total net position	\$ 1,495,793	\$ 2,163,541	\$ 2,094,257

CHANGES IN NET POSITION

	2018	2017	2016
Operating revenues	\$ 87,615	\$ 133,408	\$ 65,485
Operating expenses	120,950	67,895	100,341
Operating income (loss)	(33,335)	65,513	(34,856)
Non-operating revenue (expense)	(634,413)	3,771	(34,537)
Changes in net position	(667,748)	69,284	(69,393)
Net position, beginning of year	2,163,541	2,094,257	2,163,650
Net position, end of year	\$ 1,495,793	\$ 2,163,541	\$ 2,094,257

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2018

2019 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, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 530,200	\$ 250,900
Restricted cash	151,570	147,917
Certificates of deposit	379,355	651,910
Accounts receivable	46,964	43,028
Prepaid expenses	1,869	1,674
Notes and capital lease receivables - Current portion	89,820	123,532
Total current assets	<u>1,199,778</u>	<u>1,218,961</u>
Capital assets:		
Land	82,257	82,257
Buildings and improvements	165,682	165,682
Office equipment	2,378	1,652
Total capital assets	<u>250,317</u>	<u>249,591</u>
Less: Accumulated depreciation	<u>(112,542)</u>	<u>(105,666)</u>
Total capital assets, net	<u>137,775</u>	<u>143,925</u>
Other assets:		
Real estate held for resale	300,357	300,357
Notes and capital lease receivables - Long term, net of allowance \$-0- for 2018 and \$46,400 for 2017 (Micro Enterprise)	<u>496,367</u>	<u>501,537</u>
Total other assets	<u>796,724</u>	<u>801,894</u>
Total assets	<u>2,134,277</u>	<u>2,164,780</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accrued expenses	123	739
Security deposit	500	500
Due to other governments	<u>259,232</u>	<u>-</u>
Total current liabilities	259,855	1,239
Long term liabilities:		
Due to other governments	<u>378,629</u>	<u>-</u>
Total long term liabilities	<u>378,629</u>	<u>-</u>
Total liabilities	<u>638,484</u>	<u>1,239</u>
Net position:		
Investment in capital assets, net of related debt	137,775	143,925
Restricted for loans	-	672,044
Unrestricted	<u>1,358,018</u>	<u>1,347,572</u>
Total net position	<u>\$ 1,495,793</u>	<u>\$ 2,163,541</u>

See accompanying notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

Years ended June 30, 2018 and 2017

	2018	2017
Operating revenues:		
Interest on notes	\$ 21,996	\$ 20,970
Lease income	19,500	17,225
Administrative fees	46,119	95,213
Total operating revenues	87,615	133,408
Operating expenses:		
Administrative expense	35,097	25,274
Travel	1,556	901
Insurance	3,104	2,916
Legal and accounting	7,516	12,610
Bad debts	45,465	-
Maintenance and supplies	14,103	10,492
Miscellaneous	440	3,825
Depreciation	6,876	6,876
Office expense	5,681	3,800
Property taxes	1,112	1,201
Total operating expenses	120,950	67,895
Net operating income (loss)	(33,335)	65,513
Non-operating revenue (expense):		
Return of CDBG grants	(637,860)	-
Interest and earnings	3,447	3,771
Total non-operating revenue (expense)	(634,413)	3,771
Change in net position	(667,748)	69,284
Net position, beginning of year	2,163,541	2,094,257
NET POSITION, END OF YEAR	\$ 1,495,793	\$ 2,163,541

See accompany notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Interest on notes	\$ 21,996	\$ 20,970
Payments received on notes receivable	159,080	119,627
Issuance of notes receivable	(165,662)	(203,336)
Lease income	19,500	17,225
Net change in security deposits	-	(4,500)
Administrative fees	42,183	53,475
Administrative expense	(35,097)	(25,274)
Travel	(1,556)	(901)
Insurance	(3,299)	(2,945)
Legal and accounting	(7,516)	(12,610)
Maintenance and supplies	(14,103)	(10,492)
Miscellaneous	(1,056)	(4,332)
Office expense	(5,681)	(3,800)
Property taxes	(1,112)	(1,201)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,677	(58,094)
Cash flows from noncapital financing activities:		
Payments on notes	-	(11,713)
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	-	(11,713)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(726)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(726)	-
Cash flows from investing activities:		
Interest and earnings	3,447	3,771
Net activity certificates of deposit	272,555	123,132
NET CASH PROVIDED BY INVESTING ACTIVITIES	276,002	126,903
NET INCREASE IN CASH	282,953	57,096
Cash - Beginning of year	398,817	341,721
Cash - End of year	\$ 681,770	\$ 398,817

See accompanying notes.

	<u>2018</u>	<u>2017</u>
Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities:		
Net income (loss)	\$ (33,335)	\$ 65,513
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	6,876	6,876
Bad debts	45,465	-
Increase in prepaid expenses	(195)	(29)
Increase in accounts receivable	(3,936)	(42,271)
Increase (decrease) in accounts payable and commitments	(616)	26
Increase in notes receivable	(6,582)	(83,709)
Decrease in security deposits	<u>-</u>	<u>(4,500)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 7,677</u>	<u>\$ (58,094)</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2018

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 IDA 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’s financial statements are reported using the economic resource measurement focus and the accrual method of accounting. 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.

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, 2018

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

Restricted Cash

Restricted cash represents Community Development Block Grant (CDBG) funds received from Schoharie County for the revolving and micro enterprise loan funds.

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 a Federal Deposit Insurance Corporation (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 in 2018 and 2017.

Revolving Loans

The IDA offers low-interest loans to area businesses. The loans are approved by the governing board after giving consideration to the enhancement of the economic environment. Repayments of revolving loan notes receivable previously could be used for administrative costs and to further economic development in Schoharie County, but with a policy change in the current year all program funds must be returned to the NYS Office of Community Renewal (OCR). Management is currently reviewing all of the loans/funds in the revolving loan fund as they believe that some of these funds are not subject to this requirement.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2018

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

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. There was no allowance for uncollectible accounts for the year ended June 30, 2018. As of June 30, 2017 there was an allowance of \$46,400 for the Micro Enterprise Fund.

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 “investment 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 18, 2018, which is the date the financial statements were available to be issued.

NOTE 3 CERTIFICATES OF DEPOSIT

For the years ended June 30, 2018 and 2017, the IDA had certificates of deposit totaling \$379,355 and \$651,910, respectively. These certificates of deposit had various terms and interest rates and are maintained in two financial institutions in 2018 and three in 2017. These certificates were fully insured by FDIC for both years.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 4 NOTES AND CAPITAL LEASE RECEIVABLES

The following summarizes the IDA's notes and capital lease receivables:

	<u>2018</u>	<u>2017</u>
<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 held the title to the property until all principal payments were made. This lease was paid in full during 2018.	\$ -	\$ 1,801
Subtotal – Operating Fund	-	1,801
<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. This note was consolidated with the following note to create a new note totaling \$75,662 (See below).	\$ -	\$ 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 a brokerage account. This note was consolidated with the above note to create a new note totaling \$75,662 (See below).	-	50,000
\$75,662 note receivable with monthly payments of \$1,017 including interest at 3.5% for 84 months; collateralized by a brokerage account.	69,227	-
\$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.	17,437	21,562
\$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.	25,823	29,684

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2018

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

	2018	2017
<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>	\$ 85,503	\$ 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. This note was written off in 2018.</p>	-	94,461
<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>	2,526	8,457
<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 payments will continue until December 2019; collateralized by land and building.</p>	18,531	22,100
<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>	46,361	50,822
<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>	34,157	40,944
<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>	892	2,771

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2018

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

	2018	2017
\$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.	\$ 11,149	\$ 16,696
\$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.	24,092	29,084
\$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 2026; collateralized by a mortgage and two personal guarantes.	42,007	46,425
Subtotal – Micro Enterprise Fund	377,705	533,021
<u>Revolving Loan Fund</u>		
\$25,000 note receivable dated March 2018 of \$247 including interest at 3.5% for 120 monthly; collateralized by 2 nd position on real estate and personal guarantee.	24,826	-
\$10,000 note receivable with monthly payments of \$292 including interest at 3.25% from December 2015 through November 2018. Collateralized by equipment.	1,448	4,844
\$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.	68,411	73,457
\$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.	28,204	33,520
\$65,000 note receivable dated October 2017 with monthly payments of \$577, including interest at 4.25% for 144 months; collateralized by land and building.	62,901	-

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2018

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

	2018	2017
\$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.	\$ 22,694	\$ 24,826
Subtotal – Revolving Loan Fund	208,482	136,647
Total all funds	586,187	671,469
Current	(89,820)	(123,532)
Total long-term notes and capital leases receivable	496,367	547,937
Allowance	-	(46,400)
Total	\$ 496,367	\$ 501,537

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

2019	\$ 89,820
2020	68,834
2021	56,211
2022	47,160
Thereafter	324,162
Total	\$ 586,187

The allowance for bad debts was reduce to zero during the year ended June 30, 2018 as an uncollectible note was written off for a business that discontinued operations in 2018. The IDA did not have sufficient collateral to collect on this note. The IDA is recognizing additional bad debt of \$45,465 in 2018. Management believes the remaining notes receivable are collectible and have not established any additional allowance.

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. Commercial building – 582 State Highway Route 20, Sharon Springs, New York; currently recorded at \$130,000. The IDA is currently leasing this property under a month-to-month lease for \$850 per month.

NOTE 6 LIABILITIES

Security Deposit

Security deposit represents amounts held by the IDA with respect to the one year operating lease of the Sharon Springs, New York property (See Note 5). The security deposit held was \$500 at June 30, 2018 and 2017.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2018

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.

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.

Due to Other Governments

Due to the change in the CDBG program income guidelines, the IDA has recorded a liability due to Schoharie County for CDBG funds that are required to be returned to OCR (See Note 12).

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 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 \$116,654 and \$43,069 of uncollateralized funds with one institution as of June 30, 2018 and 2017, respectively.

Accounts Receivable

At June 30, 2018 and 2017, all accounts receivable were considered collectible.

Notes Receivable

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

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 10 LEASES

The IDA currently has a contract on a month-to-month basis for the property located in Sharon Springs, New York. The lease payment is \$850 monthly. Previously, the IDA had a lease 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 and \$8,075, respectfully, for the years ended June 30, 2018 and 2017.

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 the calendar year 2016 and \$775 for the calendar year 2017 and 2018. The IDA received rental income of \$9,300 and \$9,150 for the year ended June 30, 2018 and 2017, respectively.

NOTE 11 INTERFUND RECEIVABLES AND PAYABLES

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

	2018		2017	
	Receivable	Payable	Receivable	Payable
Operating fund	\$ 87,388	\$ -	\$ 92,388	\$ -
Micro Enterprise fund	-	87,388	-	92,388
Total	\$ 87,388	\$ 87,388	\$ 92,388	\$ 92,388

NOTE 12 POLICY CHANGE FOR COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM INCOME GUIDELINES

During the current year, the Community Development Block Grant (CDBG) program announced a change in policy regarding the retention of CDBG program’s income. Based on their requirements, the IDA has booked a liability to the County of Schoharie (the IDA was administrator sub-recipient of these grant funds) of \$638,860 for program income that is required to be returned to the NYS Office of Community Renewal.

Program income includes principal and interest on loans made using the CDBG grant funds. The IDA may use any program income in their possession (received prior to March 31, 2019) for CDBG eligible programs if the funds are committed by March 31, 2019. The IDA currently does not have any committed funds, but is currently trying to implement a program. The current and long-term liability is based on current funds on hand and expected collection of principal and interest on the notes receivable.

* * * * *

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINING SCHEDULE OF NET POSITION

June 30, 2018
With comparative totals for 2017

<u>ASSETS</u>	Operating Fund	Micro Enterprise Fund	Revolving Loan Fund
Current assets:			
Cash and cash equivalents	\$ 530,200	\$ -	\$ -
Restricted cash	-	119,429	32,141
Certificates of deposit	379,355	-	-
Accounts receivable	46,964	-	-
Prepaid expenses	1,869	-	-
Due from other funds	87,388	-	-
Notes and capital lease receivables - Current portion	-	74,198	15,622
Total current assets	<u>1,045,776</u>	<u>193,627</u>	<u>47,763</u>
Capital assets:			
Land	82,257	-	-
Buildings and improvements	165,682	-	-
Office equipment	2,378	-	-
Total capital assets	<u>250,317</u>	<u>-</u>	<u>-</u>
Less: Accumulated depreciation	(112,542)	-	-
Total net capital assets	<u>137,775</u>	<u>-</u>	<u>-</u>
Other assets:			
Real estate held for resale	170,357	130,000	-
Notes and capital lease receivables - Long term, net of allowance \$-0- for 2018 and \$46,400 for 2017 (Micro Enterprise)	-	303,507	192,860
Total other assets	<u>170,357</u>	<u>433,507</u>	<u>192,860</u>
Total assets	<u>1,353,908</u>	<u>627,134</u>	<u>240,623</u>
 <u>LIABILITIES AND NET POSITION</u>			
Current liabilities:			
Accrued expenses	123	-	-
Security deposit	500	-	-
Due to other governments	-	201,406	57,826
Due to other funds	-	87,388	-
Note payable	-	-	-
Unearned revenue, current portion	-	-	-
Total current liabilities	<u>623</u>	<u>288,794</u>	<u>57,826</u>
Long term liabilities:			
Due to other governments	-	338,340	40,289
Total long term liabilities	<u>-</u>	<u>338,340</u>	<u>40,289</u>
Total liabilities	<u>623</u>	<u>627,134</u>	<u>98,115</u>
Net position:			
Invested in capital assets, net of related debt	137,775	-	-
Restricted for loans	-	-	-
Unrestricted	1,215,510	-	142,508
Total net position	<u>\$ 1,353,285</u>	<u>\$ -</u>	<u>\$ 142,508</u>

See auditors' report.

Eliminations	Totals	
	2018	2017
\$ -	\$ 530,200	\$ 250,900
-	151,570	147,917
-	379,355	651,910
-	46,964	43,028
-	1,869	1,674
(87,388)	-	-
-	89,820	123,532
<u>(87,388)</u>	<u>1,199,778</u>	<u>1,218,961</u>
-	82,257	82,257
-	165,682	165,682
-	2,378	1,652
-	250,317	249,591
-	(112,542)	(105,666)
-	137,775	143,925
-	300,357	300,357
-	496,367	501,537
-	796,724	801,894
<u>(87,388)</u>	<u>2,134,277</u>	<u>2,164,780</u>
-	123	739
-	500	500
-	259,232	-
(87,388)	-	-
-	-	-
-	-	-
(87,388)	259,855	1,239
-	378,629	-
-	378,629	-
<u>(87,388)</u>	<u>638,484</u>	<u>1,239</u>
-	137,775	143,925
-	-	672,044
-	1,358,018	1,347,572
<u>\$ -</u>	<u>\$ 1,495,793</u>	<u>\$ 2,163,541</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION

Year ended June 30, 2018
With comparative totals for 2017

	Operating Fund	Micro Enterprise Fund	Revolving Loan Fund
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Interest on notes	\$ -	\$ 16,037	\$ 5,959
Lease income	19,500	-	-
Administrative fees	48,832	-	-
Total operating revenues	<u>68,332</u>	<u>16,037</u>	<u>5,959</u>
Operating expenses:			
Administrative expense	35,300	2,510	-
Travel	1,556	-	-
Insurance	3,104	-	-
Legal and accounting	5,449	2,067	-
Bad debts	-	45,465	-
Maintenance and supplies	13,924	179	-
Miscellaneous	440	-	-
Depreciation	6,876	-	-
Office expense	5,681	-	-
Property taxes	1,112	-	-
Total operating expenses	<u>73,442</u>	<u>50,221</u>	<u>-</u>
Net operating income (loss)	<u>(5,110)</u>	<u>(34,184)</u>	<u>5,959</u>
Non-operating revenue (expense):			
Return of CDBG grants	-	(539,745)	(98,115)
Loss on disposal of capital asset	-	-	-
Interest and earnings	3,447	-	-
Total non-operating revenue (expense)	<u>3,447</u>	<u>(539,745)</u>	<u>(98,115)</u>
Change in net position	(1,663)	(573,929)	(92,156)
Net position, beginning of year	<u>1,354,948</u>	<u>573,929</u>	<u>234,664</u>
NET POSITION, END OF YEAR	<u>\$ 1,353,285</u>	<u>\$ -</u>	<u>\$ 142,508</u>

See auditor's report.

Eliminations	Totals	
	2018	2017
\$ -	\$ 21,996	\$ 20,970
-	19,500	17,225
(2,713)	46,119	95,213
<u>(2,713)</u>	<u>87,615</u>	<u>133,408</u>
(2,713)	35,097	25,274
-	1,556	901
-	3,104	2,916
-	7,516	12,610
-	45,465	-
-	14,103	10,492
-	440	3,825
-	6,876	6,876
-	5,681	3,800
-	1,112	1,201
<u>(2,713)</u>	<u>120,950</u>	<u>67,895</u>
-	(33,335)	65,513
-	(637,860)	-
-	-	-
-	3,447	3,771
<u>-</u>	<u>(634,413)</u>	<u>3,771</u>
-	(667,748)	69,284
-	2,163,541	2,094,257
<u>\$ -</u>	<u>\$ 1,495,793</u>	<u>\$ 2,163,541</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF OUTSTANDING STRAIGHT LEASE AGREEMENTS

Year ended June 30, 2018

Project Owner Project Owner Address	Purpose	Issue Date	Due Date	Tax		
				Sales Tax Exemptions		Real
				State	Local	County
Wal-Mart Distribution Center 1301 Southeast 10th Street Bentonville, AR 72716-8013	Retail Trade and Other	2015	2025	\$ -	\$ -	\$ 729,877
Cobleskill Stone Products P.O. Box 220 Cobleskill, NY 12043	Construction	2002	2013	-	-	10,806
Tennessee Gas Pipeline 1001 Louisiana Street Houston, TX 77002	Gas Line	2016	2032	-	-	1,157,818
Schoharie Business Park, Inc. USDA Service Center 199 Morning Sun Drive Schoharie, NY 12157	Services	2010	2021	-	-	3,950
Iroquois Gas Transmission L.P. 1 Corporate Drive, Suite 600 Shelton, CT 06484	Gas Line	2016	2030	-	-	554,297
Sharon Springs, Inc. 1246 Anderson Ave. Fort Lee, NJ 07024	Tourism	2016	2030	3,401	3,401	1,484
Middleburgh Meadows, LLC 494 Western Turnpike Altmont, NY 12009	Retail Trade	2017	2031	67,574	67,574	5,689
				<u>\$ 70,975</u>	<u>\$ 70,975</u>	<u>\$ 2,463,921</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
\$ 662,977	\$ 1,409,317	\$ 2,802,171	\$ 195,000	\$ 390,000	\$ 390,000	\$ 975,000
3,994	21,899	36,699	10,806	3,994	21,899	36,699
467,653	2,284,038	3,909,509	703,610	491,865	1,604,525	2,800,000
1,593	8,970	14,513	2,532	1,021	5,705	9,258
205,839	1,154,708	1,914,844	427,392	238,267	1,117,008	1,782,667
1,348	2,866	12,500	1,368	2,052	3,210	6,630
4,518	5,817	151,172	3,422	3,161	7,917	14,500
<u>\$ 1,347,922</u>	<u>\$ 4,887,615</u>	<u>\$ 8,841,408</u>	<u>\$ 1,344,130</u>	<u>\$ 1,130,360</u>	<u>\$ 3,150,264</u>	<u>\$ 5,624,754</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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

Year ended June 30, 2018

	<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	705	48	0
Cobleskill Stone Products	3	10	3	22	0	3
Tennessee Gas Pipeline	2	0	2	4	2	2
Schoharie Business Park, Inc. (USDA Service Center)	14	9	14	16	5	14
Iroquois Gas Transmission, LP	2	0	2	3	0	2
Sharon Springs, Inc.	2	40	0	2	0	0
Middleburgh Meadows, LLC	<u>0</u>	<u>25</u>	<u>0</u>	<u>22.5</u>	<u>22.5</u>	<u>0</u>
	<u>23</u>	<u>444</u>	<u>21</u>	<u>774.5</u>	<u>77.5</u>	<u>21</u>

See auditors' report.

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MOSTERT, MANZANERO & SCOTT, LLP
Certified Public Accountants

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, 2018, 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 18, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the IDA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the IDA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the IDA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 18, 2018

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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, 2018. 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, 2018. 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 18, 2018