

**HERKIMER COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Financial Statements and
Other Financial Information

**HERKIMER COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

December 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Herkimer County Industrial Development Agency
320 North Prospect Street
Herkimer, New York 13350-0390

We have audited the accompanying financial statements of Herkimer County Industrial Development Agency (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 Herkimer County Industrial Development Agency as of December 31, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 27, 2014, on our consideration of Herkimer County Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Herkimer County Industrial Development Agency's internal control over financial reporting and compliance.

Barone, Howard & Co., CPAs, P.C.
BARONE, HOWARD & Co., CPAs, P.C.
New Hartford, New York

March 27, 2014

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management Discussion And Analysis (Unaudited)
For the years ended December 31, 2013 and 2012

This section of the Agency's financial statements presents management's overview and analysis of the Agency's financial performance for the year ended December 31, 2013. This section should be read in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

The change in net assets in 2013 was down approximately \$31,000. The change this year was primarily caused by operating, park marketing and park maintenance expenses exceeding their related revenue sources.

Future operating results depend upon how successful the Agency and Herkimer County are in developing its various business parks within the County. This activity, along with the administration of revolving loans to area businesses, generates fees and interest income for the Agency. In addition to these activities the Agency is expected to continue to need operating subsidies from Herkimer County.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements of the Agency report information about the Agency using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Financial Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. The Statement of Activities presents information showing how the Agency's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are recorded in this statement for some items that will result in cash flows in future periods.

The financial statements can be found on pages 7 to 9 of this report. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within financial statements. The notes to the financial statements can be found on pages 10 to 13 of this report.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management Discussion And Analysis (Unaudited)
For the years ended December 31, 2013 and 2012

FINANCIAL ANALYSIS

This section summarizes information and data as related to the Statements of Financial Position as of December 31, 2013 and 2012, and the Statement of Activities for those years then ended.

Statement of Net Assets

Table I shows all of the assets and liabilities of the Agency and is presented on the accrual basis. Total net assets are down approximately \$31,000 from the prior year. See the FINANCIAL HIGHLIGHTS section for some of the details relating to this gain.

Table 1
Net Assets

	December 31, 2013	December 31, 2012
Current assets	\$ 1,537,411	\$ 1,451,590
Capital and other assets	<u>8,903,391</u>	<u>9,113,080</u>
Total assets	<u>\$ 10,440,802</u>	<u>\$ 10,564,670</u>
Current liabilities	\$ 143,468	\$ 118,338
Long-term liabilities	<u>2,041,578</u>	<u>2,159,320</u>
Total liabilities	<u>\$ 2,185,046</u>	<u>\$ 2,277,658</u>
Total net assets	<u>\$ 8,255,756</u>	<u>\$ 8,287,012</u>

Statement of Activities

Table 2 summarizes the revenue and expenses of the Agency and is also presented on the accrual basis. Operating revenues in 2013 were lower than 2012. Fewer fees were generated in 2013. Operating expenses, maintenance of the business parks and business park marketing expenses rose in 2013 with no corresponding increase in revenues.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management Discussion And Analysis (Unaudited)
For the years ended December 31, 2013 and 2012

Table 2
Change in Net Assets

	December 31, 2013	December 31, 2012
Revenue:		
Grants, fees and miscellaneous	\$ 637,716	\$ 589,704
Rental and interest income	132,786	142,666
Herkimer County operating subsidy	100,000	100,000
	<u>\$ 870,502</u>	<u>\$ 832,370</u>
Expenses:		
Operations and grants	\$ 810,310	\$ 721,468
Interest	3,142	3,298
Depreciation and amortization	88,307	89,765
	<u>\$ 901,759</u>	<u>\$ 814,531</u>
Change in net assets	<u>\$ (31,257)</u>	<u>\$ 17,839</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

This section includes a description of significant capital assets and long-term debt activity during the year.

Capital Assets

The Agency owns property located in the Towns of Frankfort, Schuyler and Manheim. All of these sites are intended to be sold or leased to new or existing businesses. The impetus is to develop business growth and job opportunities for residents of Herkimer County. The following schedule shows the investment in these properties:

	Frankfort	Schuyler	Manheim
Land and site improvements	\$ 6,442,785	\$ 666,874	\$ 91,668
Buildings	2,143,642	-	-
	<u>8,586,427</u>	<u>666,874</u>	<u>91,668</u>
Accumulated depreciation	655,176	104,534	204
	<u>655,176</u>	<u>104,534</u>	<u>204</u>
Net book value	<u>\$ 7,931,251</u>	<u>\$ 562,340</u>	<u>\$ 91,464</u>

Long-Term Debt

The Agency has long-term debt associated with these properties. Details of these debt instruments are more fully described in the footnotes to the financial statements.

**HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management Discussion And Analysis (Unaudited)
For the years ended December 31, 2013 and 2012**

ECONOMIC FACTORS AND FUTURE OUTLOOK

The Herkimer County Industrial Development Agency, on behalf of Herkimer County, continues to pursue business opportunities for the residents of Herkimer County. The Agency has taken a proactive role in this regard by being the lead agency for Herkimer County in property development to entice businesses to locate and grow in Herkimer County. While the success of these endeavors is also affected by economic conditions outside the control of this Agency, it will still continue to optimize Herkimer County's opportunities for economic expansion.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Agency's finances for all those who have an interest in this Agency's finances. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to Mark Feane, Executive Director, Herkimer County Industrial Development Agency, 320 North Prospect Street, Herkimer, New York 13350.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Statements of Financial Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,405,769	\$ 1,303,472
Current portion of loans receivable	<u>131,642</u>	<u>148,118</u>
Total current assets	<u>1,537,411</u>	<u>1,451,590</u>
Property and equipment, at cost:		
Land	1,581,256	1,581,255
Road and site improvements	5,620,071	5,610,816
Buildings	2,143,642	2,143,642
Office contents	<u>10,612</u>	<u>10,612</u>
	9,355,581	9,346,325
Less accumulated depreciation	<u>770,426</u>	<u>682,119</u>
Property and equipment, net	<u>8,585,155</u>	<u>8,664,206</u>
Other assets:		
Noncurrent portion of loans receivable	<u>318,236</u>	<u>448,874</u>
Total Assets	<u>\$ 10,440,802</u>	<u>\$ 10,564,670</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Current portion of long-term debt	\$ 142,742	\$ 117,566
Accrued interest	<u>727</u>	<u>772</u>
Total current liabilities	<u>143,469</u>	<u>118,338</u>
Other liabilities:		
Note payable from USDA	264,563	282,305
Long-term debt	1,354,365	1,354,365
Advances from Herkimer County	<u>422,650</u>	<u>522,650</u>
Total other liabilities	<u>2,041,578</u>	<u>2,159,320</u>
Net assets:		
Unrestricted net assets	7,735,813	7,791,376
Restricted GOSC net assets	<u>519,942</u>	<u>495,636</u>
Total net assets	<u>8,255,755</u>	<u>8,287,012</u>
Total Liabilities and Net Assets	<u>\$ 10,440,802</u>	<u>\$ 10,564,670</u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Statements of Activities
For the years ended December 31, 2013 and 2012

	2013	2012
Unrestricted Net assets:		
Unrestricted revenue and gains:		
Operating subsidy - Herkimer County	\$ 65,000	\$ 65,000
Empire Zone grant - Herkimer County	35,000	35,000
Miscellaneous fees	172,016	180,023
Total unrestricted revenue	<u>272,016</u>	<u>280,023</u>
Operating expenses:		
Salaries	201,564	196,257
Social security and medicare	15,328	14,925
Pension	43,086	38,048
Health insurance and other fringe benefits	59,336	57,842
Insurance - general liability	5,024	4,546
Professional fees	14,233	14,000
Telephone, postage and office	7,459	7,086
Travel	2,768	2,321
Miscellaneous	12,817	4,368
Total operating expenses	<u>361,615</u>	<u>339,393</u>
Change in unrestricted net assets from regular operations	<u>(89,599)</u>	<u>(59,370)</u>
Other unrestricted income (expenses):		
Interest expense	(3,142)	(3,298)
Depreciation and amortization	(88,307)	(89,765)
Rental income	116,100	126,400
Interest income	16,686	16,266
Grants expended	(415,340)	(364,810)
Grants received	465,699	399,681
Sale of land	-	10,000
Business park marketing	(20,694)	(14,296)
Business park site maintenance	(12,660)	(2,969)
Total other income (expenses)	<u>58,342</u>	<u>77,209</u>
Increase in unrestricted net assets	(31,257)	17,839
Net assets at beginning of year	<u>8,287,012</u>	<u>8,269,173</u>
Net assets at end of year	<u><u>\$ 8,255,755</u></u>	<u><u>\$ 8,287,012</u></u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Statements of Cash Flows
For the years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	<u>\$ (31,257)</u>	<u>\$ 17,839</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	88,307	89,765
Changes in assets and liabilities affecting cash flow from operating activities:		
Accounts payable	-	-
Accrued interest	<u>(45)</u>	<u>(45)</u>
Total adjustments	<u>88,262</u>	<u>89,720</u>
Net cash provided by operating activities	<u>57,005</u>	<u>107,559</u>
Cash flow from investing activities:		
Purchase of business property	(9,255)	(9,333)
Loans receivable collected	153,773	80,504
Loans receivable provided	<u>(6,660)</u>	<u>(82,533)</u>
Net cash provided (used) by investing activities	<u>137,858</u>	<u>(11,362)</u>
Cash flow from financing activities:		
Loan repaid to Herkimer County	(75,000)	(100,000)
Loan repaid to USDA	<u>(17,566)</u>	<u>(17,393)</u>
Net cash used by financing activities	<u>(92,566)</u>	<u>(117,393)</u>
Net increase (decrease) in cash	102,297	(21,196)
Cash at the beginning of year	<u>1,303,472</u>	<u>1,324,668</u>
Cash at the end of the year	<u>\$ 1,405,769</u>	<u>\$ 1,303,472</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ 3,142	\$ 3,298

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements
For the years ended December 31, 2013 and 2012

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Herkimer County Industrial Development Agency have been prepared in conformity with generally accepted accounting principles. Significant accounting policies are:

Organization and Purpose

The Agency was created on October 5, 1970 by the New York State Legislature under the provisions of Chapter 410 of the 1970 Laws of New York State for the purpose of encouraging economic growth in the County of Herkimer. The Agency is exempt from federal, state and local income taxes. The Agency, although established by the New York State Legislature, is a separate entity and operates independently of the County of Herkimer.

Property and Office Contents

Property and office contents acquired by the Agency 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. 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. It is the Agency's policy to capitalize expenditures for these items in excess of \$1,000.

Advertising Costs

It is the Agency's policy to expense currently advertising costs as they are incurred.

Financing Costs

Costs incurred to obtain long-term debt are being amortized over a 15-year period.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Reclassifications

Certain amounts appearing in the 2012 financial statements have been reclassified to facilitate comparison with the 2013 financial statements.

Subsequent Events

Management has evaluated subsequent events through March 27, 2014, the date which the financial statements were available to be issued.

Cash and Cash Equivalents

The Agency includes all highly liquid investments with original maturities of 90 days or less in cash and cash equivalents on the accompanying statement of financial position.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements - continued
For the years ended December 31, 2013 and 2012

Note 2 ALLOWANCE FOR DOUBTFUL ACCOUNTS

Loans that have been made are not always collected in full. At year-end management makes an assessment of its loan portfolio to estimate which loans might not be collected in full. With this estimate an allowance for potential uncollectable loans is recorded with a corresponding charge to bad debt expense. As loans are determined to be totally uncollectable they are written off against this provision.

Loan allowances at year-end were affected as follows:

	2013	2012
Beginning loan allowances	\$ 21,985	\$ 21,985
New allowances provided for	-	-
Loans written off	-	-
Ending loan allowances	\$ 21,985	\$ 21,985

Note 3 GRANT ACTIVITY FROM HERKIMER COUNTY

The Agency receives on a recurring basis grant amounts from Herkimer County used for current operating expenses. The Agency also has been awarded grants from Herkimer County to assist in the development of business parks located in Herkimer County.

Note 4 CONCENTRATIONS OF CREDIT RISK

The Agency heavily depends upon Herkimer County to provide operating grants to allow for the continuation of the Agency. Additionally, the offices occupied by the Agency are provided free of charge by Herkimer County.

The Agency maintained cash balances above FDIC insurance limitations amounting to \$908,706 at December 31, 2013. These cash amounts were collateralized by the banks' pledge agreements.

Note 5 RESTRICTED GOSC NET ASSETS

This amount represents the cash being held at year-end that is only available for making revolving loans to qualified businesses. The source of these funds is from federal grants previously awarded to the Agency through the New York State Governor's Office for Small Cities (GOSC).

Note 6 OCCUPANCY EXPENSES

The Agency occupies office space in the Village of Herkimer, New York. The office space and utilities are provided free of charge by Herkimer County. The value of these services have not been estimated nor recorded on the accompanying financial statements.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements - continued
For the years ended December 31, 2013 and 2012

Note 7 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Assets not being depreciated:				
Land	\$ 1,581,256	\$ -	\$ -	\$ 1,581,256
Property improvements not yet in service	4,583,059	9,256	-	4,592,316
Assets being depreciated:				
Buildings and infrastructure	3,171,397	-	-	3,171,397
Office contents	10,612	-	-	10,612
Total property and office contents	9,346,324	9,256	-	9,355,581
Accumulated depreciation:				
Buildings and infrastructure	671,507	88,307	-	759,814
Office contents	10,612	-	-	10,612
Total accumulated depreciation	682,119	88,307	-	770,426
Total property and office contents, net	<u>\$ 8,664,205</u>	<u>\$ (79,051)</u>	<u>\$ -</u>	<u>\$ 8,585,155</u>

Note 8 PENSION PLAN

The Agency participates in the New York State and Local Employees' Retirement System. This is a cost sharing multiple public employer retirement system.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service.

The NYSRSSL provides that all employers in each system are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the System. The System is noncontributory except for employees who joined the Employees' Retirement System after July 27, 1976. These employees contribute 3% of their salary. Employee contributions are deducted by employers from employees' paychecks and are sent currently to the Employees' Retirement System.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Notes to Financial Statements - continued
For the years ended December 31, 2013 and 2012

Note 8 PENSION PLAN - continued

Employee Groups Covered

Substantially all of the Agency's employees are eligible for membership in the system. Employees employed in a full-time position who commenced employment after June 30, 1976, are mandatory members. Retirement expense charged to operations was \$43,086 and \$38,048 for the years ended December 31, 2013 and 2012, respectively.

Note 9 NOTES PAYABLE

	2013	2012
Note payable, dated August 21, 1998, from Herkimer County, at 0% interest. Repayment of this note will occur as the Agency sells land and buildings to the public.	\$ 1,354,365	\$ 1,354,365
 Note payable, dated September 29, 1998, from the United States Department of Agriculture, interest at 1%. Annual payments commenced on September 29, 2001, for thirty years. Security consists of the entire portfolio of investments derived from the proceeds of the loan, including all funds in the Intermediary Relending Fund.	 <u>282,305</u>	 <u>299,871</u>
	1,636,670	1,654,236
Less current portion	<u>17,742</u>	<u>17,566</u>
Amount due after one year	<u><u>\$ 1,618,928</u></u>	<u><u>\$ 1,636,670</u></u>

Maturities of notes payable for the next five years, and in the aggregate:

2014	\$ 17,742
2015	18,000
2016	18,300
2017	18,700
2018	19,200
Thereafter	<u>1,544,728</u>
	<u><u>\$ 1,636,670</u></u>

In recent years, the Agency has received funds from Herkimer County that were used for the development of business parks along route 5S in Frankfort, New York. These advances are expected to be repaid to Herkimer County as cash is received by the Agency. These advances presently bear no interest. The balance owed to Herkimer County at December 31, 2013 and 2012 was \$547,650 and \$622,650, respectively.

**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**

Board of Directors
Herkimer County Industrial Development Agency
320 North Prospect Street
Herkimer, New York 13350-0390

We have audited the financial statements of Herkimer County Industrial Development Agency, as of and for the year ended December 31, 2013, and have issued our report thereon dated March 27, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Herkimer County Industrial Development Agency, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Herkimer County Industrial Development Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Herkimer County Industrial Development Agency's internal control over financial reporting. According we do not express an opinion on the effectiveness of Herkimer County Industrial Development Agency's internal control over financial reporting,

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We do not consider the deficiency described in the accompanying schedule of findings to be a material weakness.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we

consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Herkimer County Industrial Development Agency's financial statements are free of material misstatement, we performed tests of it 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barone, Howard & Co, CPAs, P.C.
BARONE, HOWARD & Co., CPAs, P.C.
New Hartford, New York

March 27, 2014

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Schedule of Findings and Questioned Costs
For the year ended December 31, 2013

FINANCIAL STATEMENT AUDIT – FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended December 31, 2013

2013-1 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the Agency to properly reflect the financial statements in accordance with generally accepted accounting principles. In addition, the draft of the financial statements was prepared by the auditors and approved by the Agency.

Effect: The American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards Number 115, entitled Communicating Internal Control Related Matters in an Audit. This new standard considers the need for significant adjusting journal entries and assistance when preparing financial statements to be indicative of an internal control deficiency.

Auditors' Recommendation: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the Agency should continue to review and approve both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

Herkimer County Industrial Agency's Response: The Agency will continue to review and approve proposed adjusting journal entries, footnote disclosures and draft financial statements prepared by our auditors. Additionally, the Agency will continue to seek routine advice from its independent certified public accounting firm in providing journal entries and in preparation of its financial statements.

Year ended December 31, 2012

This same condition existed for the year ended December 31, 2012.

B. COMPLIANCE AND OTHER MATTERS

Year ended December 31, 2013

There were no instances of noncompliance reported during the year ended December 31, 2013.

Year ended December 31, 2012

There were no instances of noncompliance reported during the year ended December 31, 2012.

SUPPLEMENTAL INFORMATION

IDA Projects Bulk Load Worksheet

Version 1.7
IDA Projects

Enter IDA projects information below.

Columns whose names contain "" are required and must have values for each record to be loaded. Do not enter blank fees. A blank line (a fee with no information) will be regarded as the end of the file. Do not enter commas, letters or \$ signs in numeric fields. The worksheet must be saved as type "csv" in order to be uploaded to PARS. Select "Save As" from the "File" menu above and select "CSV (Comma delimited)" as the file type. Note: Most cells have some level of validation, however, validation in Excel only functions when you actually type data in the cell. It is recommended that you carefully check validation in rows that you have copied data into.

Project Code	Project Type	Project Name	Is this project multi-phase or an existing project?	If Yes: What is the original project code?	Project Purpose Category	Total Project Amount	Bond/Note Amount	Annual Lease Payment	Federal Tax Status of Bonds	Is the applicant a Not-for-Profit corporation?	Date Project Approved	Did the IDA lease title or Leasehold interest in the property?	Date IDA Lease Title or Leasehold Interest in Property	* Year Financial Assistance is Planned to End
2101-07-05A	Lease	Acom Products	N		Manufacturing	200000	200000	500		N	10/25/2001	Y	12/18/2007	2019
2101-10-01A	Lease	Atlantic Wind, LLC	N		Other Categories	200000000	60000000	0		N	03/09/2011	Y	02/23/2011	2031
2101-07-04A	Bonds/Notes Issuar	Burrows Paper Corporation	N		Manufacturing	2500000	2500000		Taxable	N	06/28/2007	Y	11/16/2007	2015
2101-13-04A	Bonds/Notes Issuar	Burrows Paper Corporation	N		Manufacturing	7000000	0		Tax Exempt	N	09/27/2011	N		2020
2101-11-01A	Lease	ELG Utica Alloys, Inc.	N		Manufacturing	5500000	3750000	0		N	03/24/2011	N		2023
2101-05-04A	Lease	Empire Fibreglass	N		Manufacturing	549100	340000	500		N	08/31/2007	Y	02/23/2006	2017
2101-13-02A	Lease	Feldmeier Equipment, Inc.	N		Manufacturing	7055000	7055000	500		N	07/31/2011	Y	12/24/2013	2024
2101-05-08A	Bonds/Notes Issuar	Folts Adult Home DBA Folts-4	N		Civic Facility	7885000	7885000		Tax Exempt	Y	06/10/2007	Y	06/30/2005	2040
2101-01-05A	Bonds/Notes Issuar	Hale Manufacturing Company	N		Manufacturing	2960000	2290000		Taxable	N	06/01/2007	Y	12/19/2001	2017
2101-03-01A	Lease	Heidelberg Baking Company	N		Manufacturing	400000	351000	500		N	07/16/2007	Y	03/02/2004	2016
2101-05-01A	Bonds/Notes Issuar	Herkimer County College Four	N		Civic Facility	4710000	0		Tax Exempt	N	10/23/2007	Y	07/31/2003	2021
2101-13-01A	Tax Exemptions	Northern Safety Inc., and/or Sa	N		Manufacturing	1170000	1170000				03/28/2011	N		2024
15	Lease	NYSE&G	N		Other Categories	500000	375000	0		N	09/23/1998	Y	11/05/1998	2018
2101-12-07A	Lease	Old Forge Camping Resort/K	N		Other Categories	59000000	59000000	0		N	10/25/2011	Y	12/12/2012	2022
2101-12-03A	Tax Exemptions	Old Forge Properties	N		Other Categories	7000000	7000000				04/26/2011	Y	11/29/2012	2023
2101-05-03A	Lease	Precision Polish	N		Manufacturing	1189000	939000	0		N	07/27/2007	Y	09/28/2005	2017
2101-12-08A	Tax Exemptions	Price Chopper Operating Co., I	N		Retail Trade	6459149	6459149				11/29/2011	N		2023
2101-06-02A	Lease	Remington Stream LLC	N		Manufacturing	0	0	0		N	04/05/2006	Y	04/05/2006	2017
2101-06-04A	Bonds/Notes Issuar	Schuyler Wood Pellet LLC	N		Manufacturing	9000000	9000000		Taxable	N	07/20/2006	Y	12/28/2007	2016

2101-05-02A	Lease	Stocum Dickson Medical Gro	N		Services	3873511	3591417	0			N	07/27/200	Y	08/31/2005	2017
2101-12-01A	Lease	Steel/Ponte Chevrolet, Inc./PA	N		Retail Trade	1250000	1250000	0			N	01/26/201	N		2023
2101-99-04A	Bonds/Notes Issuan	Templeton Foundation	N		Civic Facility	10700000	10700000	10700000				11/17/199	Y	01/13/2000	2014
2101-06-01A	Lease	Titanium Processors LLC	N		Manufacturing	2980000	2200000	0			N	03/15/200	Y	06/01/2007	2023
2101-12-02A	Lease	Tractor Supply Store	N		Retail Trade	2700000	2700000	0			N	02/22/201	N		2022
2101-12-05A	Lease	TRB Associates, LLC - c/o Ox	N		Construction	5815600	3000000	0				10/25/201	Y	01/19/2013	2024
2101-05-07A	Lease	Turbo Machined Products	N		Manufacturing	675000	525000	500			N	10/26/200	Y	02/24/2006	2017
2101-08-01A	Lease	Turbo Machined Products Exp	Y	2101-05-07A	Manufacturing	1500000	1500000	0			N	08/28/200	Y	02/24/2006	2017
2101-05-01A	Lease	Ventura Development - NBT	N		Finance, Insuranc	500000	270000	0			N	03/23/200	Y	07/27/2005	2017
2101-12-06A	Lease	Water's Edge Inn/K & K Lodge	N		Other Categories	5000000	5000000	0				10/25/201	N		2022
2101-97-08A	Lease	Widewaters Dev - Applebees	N		Other Categories	0	0	0			N	08/28/199	Y	10/12/1999	2014
2101-04-01A	Lease	Wilcor International	N		Manufacturing	0	0	0			N	06/23/200	Y	09/29/2004	2017

services	45 Central Plaza	ILION	NY	13357	USA	Burstone Road	1729 Burstone Rd
	3036 State Route 28	HERKIMER	NY	13350	USA	Steven Ponte	3036 State Route 28
501 C3	Bassett Health Care	COOPERSTOWN	NY	13326	USA	Templeton Four	One Atwell Road
	108 Business Park Dr	FRANKFORT	NY	13340	USA	Titanium Procs	PO Box 88
Billing at 100 this company receives Empire Zone benefits	700 Mohawk Street	HERKIMER	NY	13350	USA	Kurt Wendler	2836 Route 20 East
Property remains in taxable rolls and billed directly from the taxing jurisdiction.	555 East Main Street	LITTLE FALLS	NY	13365	USA	Jules Burke, Man	388 East Main Street
PILOT will not begin until project is fully assessed. School 2013 taxes were billed	102 Industrial Drive	FRANKFORT	NY	13340	USA	Turbo Machined	102 Industrial Dr
Manufacturing. There is 2 Turbo projects. Reporting employment numbers on this	102 Industrial Drive	FRANKFORT	NY	13340	USA	Turbo Machined	102 Industrial Drive
FTE are reported on the original Turbo project. FTE reported as 0 on this project	399 E. Albany Street	HERKIMER	NY	13350	USA	Ventura Develop	52 South Broad St
Financial Institution	3188 State Route 28	OLD FORGE	NY	13420	USA	Kelly M. Greene	3188 State Route 28
Property will remain in taxable rolls and billing will come directly from the taxing	105 N. Caroline Street	HERKIMER	NY	13350	USA	Widewaters - Ar	5786 Widewaters Pkwy
Retail	161 Drive In Road	FRANKFORT	NY	13340	USA	Wilcor Internat	161 Drive In Road
manufacturing/distribution center							

Applicant Information

Address Line 2	* City	State	* Postal Code	* 4	Provincial/Region	* Country	Country Name if "Other"	* State Sales Tax Exemption (Sum of City/Town/Village)	* Local Sales Tax Exemption	County Real Property Tax Exemption	Local Property Tax Exemption	School Property Tax Exemption
	ILION	NY	13357			USA		0	0	1356.04	4965.96	4058.97
Suite 700	PORTLAND	OR	97209			USA		0	0	0	0	0
	LITTLE FALLS	NY	13365			USA		0	0	0	0	0
	LITTLE FALLS	NY	13365			USA		0	0	0	0	0
	UTICA	NY	13503			USA		0	0	0	0	0
	LITTLE FALLS	NY	13365			USA		0	0	3647.18	12233.83	17961.91
	LITTLE FALLS	NY	13365			USA		77077	81893	0	0	0
	HERKIMER	NY	13350			USA		0	0	0	0	0
	FRANKFORT	NY	13340			USA		0	0	19404.47	46665.27	73886.78
	HERKIMER	NY	13350			USA		0	0	404.41	248.55	1599.8
	HERKIMER	NY	13350			USA		0	0	0	0	0
	FRANKFORT	NY	13340			USA		45102.61	47921.52	0	0	0
70 Farm View Drive	NEW GLOUCESTER	ME	04260			USA		0	0	3495.92	3830.15	6619.15
	OLD FORGE	NY	13420			USA		5980	6354.6	0	0	0
	OLD FORGE	NY	13420			USA		3426.96	3641.15	0	0	0
	FRANKFORT	NY	13340			USA		0	0	5034.58	12107.52	19169.47
	SCHENECTADY	NY	12308			USA		31575.11	33548.56	0	0	0
	MADISON	NC	27025			USA		0	0	0	0	0
	FRANKFORT	NY	13340			USA		0	0	19978.55	12514.3	80784.17

Mortgage Recording Tax Exemption	Actual Payment Made			Payment Due Per Agreement			* # of FTEs before IDA status	* Original estimate of jobs to be created (rate)	* Average estimated annual salary of jobs to be created (market rate)	* Annualized salary range of jobs to be created FROM TO	* Annualized salary range of jobs to be created TO	* Original estimate of jobs to be retained (market rate)	* Estimated average annual salary of jobs to be retained (market rate)	* # of FTE construction jobs during the fiscal year	Current year is the last year that project information reported	There is no debt outstanding for this project	IDA does not hold property	This project receives no tax exemptions
	County PILOT	Local PILOT	School District PILOT	County PILOT	Local PILOT	School District PILOT												
0	2911.34	949.23	3476.17	3044.23	3044.23	3044.23	3	6	12.4	0	0	3	12.4	11	0	N	N	N
0	126044.32	256670.43	263087.15	126044.32	256670.43	263087.15	6	6	93500	63000	123000	0	0	6	0	N	N	N
0	0	0	0	0	0	0	66	0	0	37940	37940	66	0	75	0	N	N	N
0	0	0	0	0	0	0	48	6	32224	25526	47561	48	63919	48	0	N	N	N
0	0	0	0	0	0	0	0	0	0	45000	45000	0	0	66.5	0	N	N	N
0	21138.12	2917.74	9787.06	15267.63	9787.06	15267.63	38	10	0	19188	19188	38	0	28	0	N	N	N
27800	0	0	0	0	0	0	161	40	33000	31200	35000	161	44500	170.5	50	N	N	N
0	0	0	0	0	0	0	29	0	0	17850	17850	29	0	17.5	0	N	N	N
0	139956.52	11642.68	27999.16	51720.75	27999.16	51720.75	65	7	0	28142.4	28142.4	65	0	34	0	N	N	N
0	1909.01	211.26	343.75	1439.82	343.75	1439.82	27	4	0	0	0	27	0	47.5	0	N	N	N
0	0	0	0	0	0	0	0	0	0	30000	30000	0	0	21.5	0	N	N	N
0	0	0	0	0	0	0	225	75	35000	28000	42000	225	35000	229.5	0	N	N	N
0	13945.22	2621.94	2872.61	4964.36	2872.61	4964.36	0	0	0	0	0	0	0	0.5	0	N	N	N
0	12334.6	0	0	0	0	0	14	3.5	25000	18000	32000	14	25000	14	3	N	N	N
0	0	0	0	0	0	0	35.5	2	32000	30000	40000	35.5	40000	42.5	3	N	N	N
0	6303.17	4027.66	9686.01	16294.73	9686.01	16294.73	0	20	0	30000	30000	0	0	33	0	N	N	N
0	0	0	0	0	0	0	0	65	14320	8320	65000	0	0	0	25	N	N	N
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	N	N	N
0	24280.04	19978.55	12514.3	80784.17	12514.3	80784.17	0	16	0	38000	38000	0	0	20	0	N	N	N

0	26225.43	15187.65	55618.69	48301.76	15187.65	55618.69	48301.76	0	98	0	49746	49746	0	0	17.5	0	N	N	N	N
0	0	0	0	0	0	0	0	37000	5	37000	35000	40000	43.5	37500	41.5	0	Y	Y	Y	Y
0	0	0	0	0	0	0	0	0	0	0	35272	35272	0	0	92.5	0	N	N	N	N
0	8558.5	5306.74	12762.03	20206.57	5306.74	12762.03	20206.57	0	7	0	28000	28000	0	0	3	0	N	N	N	N
0	0	0	0	0	0	0	0	30000	7	30000	15000	60000	0	0	7	0	N	N	N	N
56000	27902	0	0	27902	0	0	27902	14320	75	14320	8320	65000	7.5	14320	7.5	8	N	N	N	N
0	0	2408.35	5791.77	9743.47	2408.35	5791.77	9743.47	0	15	0	31200	31200	17	0	41	0	N	N	N	N
0	0	1933.13	4648.93	7927.04	1933.13	4648.93	7927.04	29	15	31200	31200	31200	29	31200	0	0	N	N	N	N
0	21671.79	2062.59	8765.45	8669.43	2062.59	8765.45	8669.43	0	8	0	0	0	0	0	6	0	N	N	N	N
0	0	0	0	0	0	0	0	22000	0	22000	22000	34000	15	28000	17	3	N	N	N	N
0	31558.55	3631.53	15432.99	15122.16	3631.53	15432.99	15122.16	0	0	0	0	0	0	0	36	0	N	N	N	N
0	7582.31	16388.66	10265.64	68482.95	16388.66	10265.64	68482.95	38	12	0	0	0	38	0	52.5	0	N	N	N	Y