

SCHOHARIE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

Year ended June 30, 2013 and 2012

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 statements of net position of the Schoharie County Industrial Development Agency (the "IDA"), as of June 30, 2013 and 2012, and the related statements of revenues, expenditures and changes in net position, and statement of cash flows, and the related notes for the years then ended.

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 of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the IDA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IDA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the IDA as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on Pages 4 – 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the IDA's financial statements as a whole. The supplemental information on Pages 20 and 21 in the other financial information section is presented for purposes of additional analysis and is not a required part of the financial statements. The schedules are the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2013 on our consideration of the IDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IDA's internal control over financial reporting and compliance.

Mistert, Manzanero & Scott, LLP

Oneonta, New York
September 11, 2013

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2013

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, 2013. 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 \$110,098 from last year. This is due primarily to the creation of an allowance for bad debts, in anticipate of the write off of uncollectable notes receivable.

The IDA's operating revenues decreased by \$39,151 from last year.

The IDA's operating expenses increased by \$25,983 from last year.

Overview of the Financial Statements

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

Financial Statements

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

Notes to the Financial Statements

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

Financial Analysis

Operating revenues for the IDA were \$45,532 for fiscal year 2013. This was a decrease of 46.23% over the prior year. Income net of expenses produced a decrease in net position of \$110,098. At the close of fiscal year 2013, the IDA had a net position of \$2,276,887. This is a decrease of 4.61% over the prior year, which is attributable to the creation of an allowance for bad debts, collections on loans and administrative fees.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2013

The IDA's prime objective is to provide assistance to existing businesses, business expansions and business startups with professional assistance, educational programs and loans. The loan funds are comprised of grants dedicated to this purpose and matching funds from the IDA's accumulated working capital. The loans in the IDA's statement of net position are the major assets. For the IDA's loans, the financial statement shows a decrease from \$1,173,278 at year-end 2012, to \$915,125, net of the allowance for uncollectible notes receivable at year-end 2013, a net decrease of \$258,153.

Following is a 2013-2012 comparative summary of the IDA's financial statements, showing the decrease in net position:

NET POSITION

	2013	2012
Current assets	\$ 1,427,300	\$ 1,397,428
Non-current assets	1,049,284	1,189,700
Total assets	\$ 2,476,584	\$ 2,587,128
Current liabilities	\$ 196,221	\$ 143
Non-current liabilities	3,476	200,000
Net position	2,276,887	2,386,985
Total liabilities and net position	\$ 2,476,584	\$ 2,587,128

CHANGES IN NET POSITION

	2013	2012
Operating revenues	\$ 45,532	\$ 84,683
Operating expenses	155,630	129,647
Operating income (loss)	(110,098)	(44,964)
Net position, beginning of year	2,386,985	2,431,949
Net position, end of year	\$ 2,276,887	\$ 2,386,985

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended June 30, 2013

2013 GOALS

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

Requests for Information

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

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF NET POSITION

June 30, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 705,906	\$ 723,251
Certificates of deposit	352,642	352,642
Accrued interest receivable	1,277	174
Prepaid expenses	4,778	7,714
Notes and capital leases receivable - Current portion	362,697	313,647
Total current assets	<u>1,427,300</u>	<u>1,397,428</u>
Fixed assets:		
Land	82,257	82,257
Buildings and improvements	150,449	150,449
Office equipment	16,077	16,077
Total fixed assets	<u>248,783</u>	<u>248,783</u>
Less: Accumulated depreciation	<u>(92,382)</u>	<u>(86,029)</u>
Total net fixed assets	<u>156,401</u>	<u>162,754</u>
Other assets:		
Land held for resale	340,455	167,315
Notes and capital leases receivable - Long term, net of allowance, 2013: \$20,500 (Micro Enterprise) and \$68,950 (Revolving Loan), 2012: \$0	<u>552,428</u>	<u>859,631</u>
Total other assets	<u>892,883</u>	<u>1,026,946</u>
Total assets	<u>\$ 2,476,584</u>	<u>\$ 2,587,128</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accrued expenses	\$ 127	\$ 143
Note payable	195,585	-
Unearned revenue - Current portion	<u>509</u>	<u>-</u>
Total current liabilities	<u>196,221</u>	<u>143</u>
Noncurrent liabilities:		
Note payable	-	200,000
Unearned revenue - Less: Current portion	<u>3,476</u>	<u>-</u>
Total noncurrent liabilities	<u>3,476</u>	<u>200,000</u>
Total liabilities	<u>199,697</u>	<u>200,143</u>
Net position:		
Invested in capital assets, net of related debt	156,401	162,754
Unrestricted	<u>2,120,486</u>	<u>2,224,231</u>
Total net position	<u>\$ 2,276,887</u>	<u>\$ 2,386,985</u>

See accompanying notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

Years ended June 30, 2013 and 2012

	2013	2012
Operating revenues:		
Interest and earnings	\$ 6,459	\$ 7,457
Interest on notes	23,299	34,024
Lease income	-	5,450
Administrative fees	8,750	37,750
Miscellaneous	7,024	2
Total operating revenues	45,532	84,683
Operating expenses:		
Payroll and related expenses	26,341	26,774
Travel	1,080	1,033
Insurance	5,066	4,268
Legal and accounting	6,679	11,984
Bad debts	89,450	56,927
Maintenance and supplies	11,209	10,397
Miscellaneous	58	863
Depreciation	6,352	6,073
Administrative	9,373	11,306
Fire tax	22	22
Total operating expenses	155,630	129,647
Net operating income (loss)	(110,098)	(44,964)
Net position, beginning of year	2,386,985	2,431,949
NET POSITION, END OF YEAR	\$ 2,276,887	\$ 2,386,985

See accompany notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Net income (loss)	\$ (110,098)	\$ (44,964)
Adjustments to reconcile net income (loss) to net cash provided by operating and non-operating activities:		
Depreciation	6,352	6,073
Bad debts	89,450	56,927
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	(1,103)	86
(Increase) decrease in prepaid expenses	2,936	1,945
Increase (decrease) in accounts payable and commitments	(16)	(903)
Increase (decrease) in unearned revenue	3,985	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(8,494)</u>	<u>19,164</u>
Cash flows from investing activities:		
Purchase of fixed assets	-	(18,923)
Purchase of land held for resale	(88,395)	(70,985)
Increase in notes receivable	(209,895)	(131,271)
Principal payments on notes receivable	293,853	138,262
Net purchase and maturity of certificates of deposits	-	(1,125)
NET CASH USED IN INVESTING ACTIVITIES	<u>(4,437)</u>	<u>(84,042)</u>
Cash flows from financing activities:		
Increase (decrease) in note payable	(4,414)	200,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(4,414)</u>	<u>200,000</u>
NET INCREASE (DECREASE) IN CASH	(17,345)	135,122
Cash - Beginning of year	<u>723,251</u>	<u>588,129</u>
Cash - End of year	<u><u>\$ 705,906</u></u>	<u><u>\$ 723,251</u></u>

See accompanying notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2013

NOTE 1 ORGANIZATION

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Method of Accounting

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

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

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

Grant Accounting

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable is carried at its full value. Uncollectible accounts are charged to expenditures when an account is deemed uncollectible by management. There were no outstanding balances at June 30, 2013 and 2012.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2013

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

Allowance for Uncollectible Notes Receivable

Notes receivable are recorded at their full value. Uncollectible notes are charged to expenditures using the reserving method. The allowance for uncollectible accounts were \$20,500 and \$68,950 for Micro Enterprise Fund and Revolving Loan Fund, respectively, as of June 30, 2013. Management determined that an allowance was unnecessary for the year ended June 30, 2012.

Accrued Interest Receivable

Accrued interest receivable consists of interest on certificates of deposits that have been earned but not received. The balance at June 30, 2013 and 2012 was \$1,277 and \$174, respectively.

Investments Policy

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

Prepaid Expenses

Prepaid expenses consist of insurance coverage for the next fiscal year, which at June 30, 2013 and 2012 was \$4,778 and \$7,714, respectively.

Interfund Receivables and Payables

Interfund receivables and payables were as follows:

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

Fixed Assets

Fixed assets acquired by the IDA are stated at cost (or estimated historical cost), including interest capitalized during construction where applicable. Contributed assets are recorded at fair market value at the date received. Major additions and betterments in excess of \$1,000 are capitalized, while maintenance and repairs, which do not appreciably extend the useful lives of the related assets, are charged to expense as incurred. There are no reversionary interests by the grantor in the assets. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets. Depreciation expense amounted to \$6,352 and \$6,073 in 2013 and 2012, respectively.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2013

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

Revolving Loans and Fund Balance Restrictions

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

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

Use of Estimates

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

Events Occurring After Reporting Date

The IDA has evaluated subsequent events through September 11, 2013, which is the date the financial statements were available to be issued.

NOTE 3 CERTIFICATES OF DEPOSIT

Certificates of deposit consist of four separate accounts. For both years ended June 30, 2013 and 2012, certificates of deposit totaled \$352,642. The certificates of deposit have terms of four to five years, and bear interest ranging from 1% to 2%. The certificates are maintained in two separate banks that are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank.

NOTE 4 NOTES AND CAPITAL LEASES RECEIVABLE

The following table summarizes the IDA's notes receivable:

	<u>2013</u>	<u>2012</u>
<u>Operating Fund</u>		
\$80,000 note receivable with monthly payments of \$715 including interest at 6.9% from October 19, 2001 through October 19, 2016; collateralized by a mortgage.	\$ 25,483	\$ 32,053

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2013

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

	2013	2012
<p>\$343,000 capital lease receivable, with monthly payments of principal only of \$600, and yearly payments of a principal of \$15,667, from September 6, 2002 through September 6, 2016; collateralized by a mortgage. The IDA holds the title to the property until all principal payments have been made.</p>	\$ 93,267	\$ 116,134
<p>\$37,765 note receivable with monthly payments of \$419 including interest at 6% from December 21, 2004 through November 21, 2014; collateralized by equipment.</p>	11,291	17,411
<p>\$100,000 note receivable with monthly payments of \$3,475 including interest at 3.25% with payments from July 2011 through January 2014; collateralized by a mortgage.</p>	24,028	64,272
<p>\$35,000 note receivable including interest at 3.25% with interest only payments of \$284 due on March 9, June 9, and September 9. The unpaid principal is due in full on December 9, 2013.</p>	35,000	35,000
<p>\$35,000 capital lease receivable with monthly payments of \$315 including interest at 7%, from July 25, 2001 through August 25, 2016. The IDA holds the title to the property until all principal payments have been made.</p>	10,442	13,373
<p style="padding-left: 40px;">Subtotal – Operating Fund</p>	199,511	278,243
<u>Micro Enterprise Fund</u>		
<p>\$24,000 note receivable with monthly payments of \$206, including interest at 6% from October 1, 2006 through October 1, 2012; collateralized by a mortgage.</p>	-	684
<p>\$35,000 note receivable with monthly payments of \$338 including interest at 3% from December 6, 2003 through December 6, 2008 with a balloon payment due January 6, 2009; collateralized by a mortgage. This loan is currently in default.</p>	4,397	10,320
<p>\$40,000 note receivable with monthly payments of \$424 including interest at 5% from October 14, 2004 through September 14, 2016; collateralized by equipment. No payments have been received since May 2012.</p>	28,509	28,509

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2013

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

	2013	2012
<p>\$10,000 note receivable with monthly payments of \$107 including interest at 5.25% from October 27, 2005 to October 27, 2015; collateralized by a mortgage.</p>	\$ 3,010	\$ 4,019
<p>\$16,157 note receivable with monthly payments of \$371 including interest at 5.00% from November 28, 2012 to September 28, 2016. The original terms were \$35,000 note receivable with monthly payments of \$371 including interest at 5.00% from December 28, 2005 to November 28, 2010 with a balloon payment due December 28, 2011; collateralized by equipment.</p>	13,352	17,324
<p>\$30,550 note receivable with monthly payments of \$407 including interest at 3.25% from January 1, 2010 to December 1, 2016; collateralized by a mortgage.</p>	16,142	20,427
<p>\$88,942 note receivable with monthly payments of \$1,086 including interest at 5.50% from January 31, 2009 to August 31, 2015 with a balloon payment due August 31, 2015; collateralized by a mortgage. The original terms were \$100,000 note receivable with monthly payments \$1,085 including interest at 5.50% from June 28, 2006 to July 28, 2013 with a balloon payment due June 28, 2013; collateralized by a mortgage. No payments have been received since the inception of the note.</p>	88,942	88,942
<p>\$20,000 note receivable with monthly payments of \$362 including interest at 3.25% from May 15, 2010 to April 15, 2015; collateralized by a mortgage.</p>	8,038	12,056
<p>\$75,976 note receivable with monthly payments of \$641 including interest at 6.25% from January 1, 2011 through May 1, 2026; collateralized by a mortgage. The original terms were \$75,000 note receivable with monthly payments of \$548 including interest at 6.25%. No payments were received since refinancing; and this note was collateralized by a mortgage. Foreclosure proceedings were commenced and the IDA is now in possession of the mortgaged property. The property is currently being held for resale.</p>	-	84,745

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2013

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

	2013	2012
<p>\$99,553 note receivable with monthly payments of \$1,020 including interest at 3% from August 2010 through November 1, 2019; collateralized by two second mortgages. The original terms were \$100,000 note receivable with monthly payments of \$1,123 including interest at 6.25% from January 1, 2008 through January 1, 2018; collateralized by two second mortgages. Due to economic hardship, the IDA agreed to accept interest only payments for the fiscal year ended June 30, 2013.</p>	\$ 99,553	\$ 99,553
<p>\$23,620 note receivable with monthly payments of \$500 including interest at 5.25% from July 8, 2010 through September 8, 2014 then a payment of \$433 on October 8, 2014; collateralized by equipment. The original terms were \$35,000 note receivable with monthly payments of \$1,022 including interest at 3.25% from April 3, 2008 through April 3, 2011; collateralized by equipment.</p>	15,703	18,422
<p>\$100,000 note receivable with monthly payments of \$977 including interest at 3.25% from November 7, 2008 through November 7, 2018; collateralized by land and building.</p>	63,757	70,101
<p>\$100,000 note receivable with monthly payments of \$966 including interest at 3.00% from November 30, 2008 through November 30, 2018; collateralized by land and building.</p>	80,640	83,116
<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>	10,196	11,879
<p>\$37,571 note receivable with monthly payments of \$501 including interest at 3.25% from June 22, 2013 through May 22, 2020; collateralized by land and equipment.</p>	37,172	-
<p>\$50,000 note receivable with monthly payments of \$489 including interest at 3.25% from December 8, 2012 through November 8, 2022; collateralized by a second mortgage.</p>	47,508	-
<p>\$20,000 note receivable with monthly payments of \$267 including interest at 3.25% from November 18, 2012 through October 18, 2019.</p>	18,042	-

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2013

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

	2013	2012
\$30,000 note receivable with monthly payments of \$542 including interest at 3.25% from September 1, 2012 through August 1, 2017; collateralized by a second mortgage.	\$ 25,332	\$ -
Subtotal – Micro Enterprise Fund	560,293	550,097
 <u>Revolving Loan Fund</u>		
\$20,000 note receivable with monthly payments of interest only at 6.25% from March 1, 2007 to October 1, 2009. This note was renegotiated on June 28, 2010 to monthly payments of \$334 including interest at 3.25% ending June 28, 2015. The loan is secured with a personal guarantee.	6,695	10,878
\$49,750 note receivable with monthly payments of \$480 including interest at 3% from March 5, 2004 through March 5, 2009 with a balloon payment due April 5, 2009; collateralized by a mortgage. This loan is currently in default.	7,525	12,078
\$155,000 note receivable with monthly payments of \$1,497 including interest of 3.00% from June 30, 2010 to July 1, 2020; collateralized by a mortgage.	118,095	128,775
\$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.	66,956	70,707
\$12,500 note receivable with no interest from June 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage. This note was paid in full on October 24, 2012.	-	12,500
\$25,000 note receivable with no interest from April 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage. This note was paid in full on February 15, 2013.	-	25,000
\$25,000 note receivable with no interest from April 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage. This note was paid in full on January 17, 2013.	-	25,000

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2013

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

	2013	2012
\$25,000 note receivable with no interest from May 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage. This note was paid in full on November 28, 2012.	\$ -	\$ 25,000
\$35,000 note receivable with no interest from June 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage. This note was paid in full on February 5, 2013.	-	35,000
\$18,000 note receivable with no interest from July 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage.	8,000	-
\$25,000 note receivable with no interest from July 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage.	25,000	-
\$25,000 note receivable with no interest from November 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage.	<u>12,500</u>	<u>-</u>
Subtotal – Revolving Loan Fund	<u>244,771</u>	<u>344,938</u>
Total all funds	1,004,575	1,173,278
Current	<u>(362,697)</u>	<u>(313,647)</u>
Total long-term notes and capital leases receivable	641,878	859,631
Allowance	<u>(89,450)</u>	<u>-</u>
	<u>\$ 552,428</u>	<u>\$ 859,631</u>

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

<u>Years ending June 30</u>	<u>Amount</u>
2014	\$ 362,696
2015	142,097
2016	156,749
2017	103,671
2018	73,952
Thereafter	<u>165,410</u>
Total	<u>\$ 1,004,575</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2013

NOTE 5 LAND HELD FOR RESALE

The IDA has entered into a verbal agreement with the Schoharie County Rural Preservation Corp (the "SCRPC") regarding land purchased during prior fiscal years. The land valued at \$168,322 is to be resold to SCRPC in the fiscal year ended June 30, 2014.

During the current year, the IDA initiated foreclosure proceedings and through public auction, took possession of property located on Route 20 in the Village of Sharon Springs, New York. The amount invested in the property is \$172,133. The IDA is currently in the process of selling the property.

NOTE 6 LIABILITIES

Note Payable

At June 30, 2013, the IDA's note payable consisted of a zero percent interest promissory note from National Grid. The funds are to be reloaned to eligible applications pursuant to the National Grid Emergency Economic Development Bridge Loan Program. The funds are to be repaid without interest on or before December 31, 2013 or if and to the extent that the applicants have not repaid the IDA by such date, the earlier of the repayment of such funds or June 30, 2014.

Unearned Revenue

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

NOTE 7 RELATED PARTIES

The IDA and the SCRPC are related through common board members.

At June 30, 2013 and 2012, the IDA had entered into a verbal agreement to purchase land for the purpose of reselling it to SCRPC.

The IDA entered into a lease with Schoharie County whereby the IDA leases office space to Schoharie County. This agreement ended December 2011. Schoharie County paid \$-0- and \$5,450 for rent for the years ended June 30, 2013 and 2012, respectively.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 2013

NOTE 8 INDUSTRIAL DEVELOPMENT REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes issued by the IDA are secured by property, which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the IDA or the State. The IDA does not record the assets or liabilities resulting from completed bond and note issues in the accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders and funds arising there from are controlled by trustees or banks acting as fiscal agents. For providing this service, the IDA receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. The original balance of the Bassett Hospital Project was in the amount of \$2,400,000 and was issued on February 1, 2001. The outstanding bond issuance of the Bassett Hospital Project at June 30, 2013 and 2012 was \$1,405,000 and \$1,530,000, respectively.

NOTE 9 CREDIT RISK

Cash

State statutes require that collateral be pledged for demand deposits, time deposits, and certificates of deposit at 100% of deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Obligations that may be pledged as collateral are obligations of the U.S. Treasury and its agencies, obligations of the state and its municipalities, school district debt, irrevocable letters of credit and surety bonds issued by State authorized insurance companies. All IDA funds were insured with the FDIC as of June 30, 2013 and 2012.

Notes Receivable

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

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINING SCHEDULE OF NET POSITION

June 30, 2013 with comparative totals for 2012

<u>ASSETS</u>	<u>Operating Fund</u>	<u>Micro Enterprise Fund</u>	<u>Revolving Loan Fund</u>
Current assets:			
Cash and cash equivalents	\$ 394,189	\$ 70,413	\$ 241,304
Certificates of deposit	352,642	-	-
Accrued interest receivable	1,277	-	-
Prepaid expenses	4,778	-	-
Due from other funds	87,388	-	-
Notes and capital leases receivable - Current portion	101,277	177,870	83,550
Total current assets	<u>941,551</u>	<u>248,283</u>	<u>324,854</u>
Fixed assets:			
Land	82,257	-	-
Buildings and improvements	150,449	-	-
Office equipment	8,092	7,985	-
Total fixed assets	<u>240,798</u>	<u>7,985</u>	<u>-</u>
Less: Accumulated depreciation	(84,397)	(7,985)	-
Total net fixed assets	<u>156,401</u>	<u>-</u>	<u>-</u>
Other assets:			
Land held for resale	168,322	172,133	-
Notes and capital leases receivable - Long term, net of allowance, 2013: \$20,500 (Micro Enterprise) and \$68,950 (Revolving Loan), 2012: \$0	98,234	361,923	92,271
Total other assets	<u>266,556</u>	<u>534,056</u>	<u>92,271</u>
Total assets	<u>\$ 1,364,508</u>	<u>\$ 782,339</u>	<u>\$ 417,125</u>
<u>LIABILITIES AND NET POSITION</u>			
Current liabilities:			
Accrued expenses	\$ 127	\$ -	\$ -
Due to other funds	-	87,388	-
Note payable	-	-	195,585
Unearned revenue, current portion	-	509	-
Total current liabilities	<u>127</u>	<u>87,897</u>	<u>195,585</u>
Noncurrent liabilities:			
Note payable	-	-	-
Unearned revenue, less current portion	-	3,476	-
Total noncurrent liabilities	<u>-</u>	<u>3,476</u>	<u>-</u>
Total liabilities	<u>127</u>	<u>91,373</u>	<u>195,585</u>
Net position:			
Invested in capital assets, net of related debt	156,401	-	-
Unrestricted	1,207,980	690,966	221,540
Total net position	<u>\$ 1,364,381</u>	<u>\$ 690,966</u>	<u>\$ 221,540</u>

See auditors' report.

Eliminations	Totals	
	2013	2012
\$ -	\$ 705,906	\$ 723,251
-	352,642	352,642
-	1,277	174
-	4,778	7,714
(87,388)	-	-
-	362,697	313,647
<u>(87,388)</u>	<u>1,427,300</u>	<u>1,397,428</u>
-	82,257	82,257
-	150,449	150,449
-	16,077	16,077
-	248,783	248,783
-	(92,382)	(86,029)
-	156,401	162,754
-	340,455	167,315
-	552,428	859,631
-	892,883	1,026,946
<u>\$ (87,388)</u>	<u>\$ 2,476,584</u>	<u>\$ 2,587,128</u>
\$ -	\$ 127	\$ 143
(87,388)	-	-
-	195,585	-
-	509	-
<u>(87,388)</u>	<u>196,221</u>	<u>143</u>
-	-	200,000
-	3,476	-
-	3,476	200,000
<u>(87,388)</u>	<u>199,697</u>	<u>200,143</u>
-	156,401	162,754
-	2,120,486	2,224,231
<u>\$ -</u>	<u>\$ 2,276,887</u>	<u>\$ 2,386,985</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION

Year ended June 30, 2013
With comparative totals for 2012

	Operating Fund	Micro Enterprise Fund	Revolving Loan Fund	Totals	
				2013	2012
Operating revenues:					
Interest and earnings	\$ 6,459	\$ -	\$ -	\$ 6,459	\$ 7,457
Interest on notes	6,293	11,778	5,228	23,299	34,024
Lease income	-	-	-	-	5,450
Administrative fees	8,750	-	-	8,750	37,750
Miscellaneous	44	5,000	1,980	7,024	2
Total operating revenues	<u>21,546</u>	<u>16,778</u>	<u>7,208</u>	<u>45,532</u>	<u>84,683</u>
Operating expenses:					
Payroll and related expenses	26,341	-	-	26,341	26,774
Travel	1,080	-	-	1,080	1,033
Insurance	5,066	-	-	5,066	4,268
Legal and accounting	3,748	2,931	-	6,679	11,984
Bad debts	-	20,500	68,950	89,450	56,927
Maintenance and supplies	11,209	-	-	11,209	10,397
Miscellaneous	58	-	-	58	863
Depreciation	6,352	-	-	6,352	6,073
Administrative	4,132	5,241	-	9,373	11,306
Fire tax	22	-	-	22	22
Total operating expenses	<u>58,008</u>	<u>28,672</u>	<u>68,950</u>	<u>155,630</u>	<u>129,647</u>
Net operating income (loss)	(36,462)	(11,894)	(61,742)	(110,098)	(44,964)
Net position, beginning of year	<u>1,400,843</u>	<u>702,860</u>	<u>283,282</u>	<u>2,386,985</u>	<u>2,431,949</u>
NET POSITION, END OF YEAR	<u>\$ 1,364,381</u>	<u>\$ 690,966</u>	<u>\$ 221,540</u>	<u>\$ 2,276,887</u>	<u>\$ 2,386,985</u>

See auditors' report.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF OUTSTANDING STRAIGHT LEASE AGREEMENTS

Year ended June 30, 2013

Project Owner Project Owner Address	Purpose	Issue Date	Due Date	Tax		
				Sales Tax Exemption State	Local	Real County
Wal-Mart Distribution Center 1301 Southeast 10th Street Bentonville, AR 72716-8013	Retail Trade and Other	1995	2015	\$ -	\$ -	\$ 642,598
Kintz Plastic P.O. Box 127 Howes Caves, NY 12092	Manufacturing	2001	2012	-	-	8,979
Cobleskill Stone Products P.O. Box 220 Cobleskill, NY 12043	Construction	2002	2013	-	-	9,223
Tennessee Gas Pipeline 1001 Louisiana Street Houston, Texas 77002	Gas Line	2007	2016	-	-	533,153
Schoharie Business Park, Inc. USDA Service Center 199 Morning Sun Drive Schoharie, NY 12157	Services	2010	2021	-	-	6,155
Howe Caves Development Svcs. 225 Discovery Drive Howes Caves, NY 12092	Services	2011	2013	-	-	-
Actes, LLC 197 Elm Street Cobleskill, NY 12043	Services	2011	2023	-	-	14,145
				\$ -	\$ -	\$ 1,214,253
				\$ -	\$ -	\$ 1,214,253

See auditors' report.

Exemptions			Payment in Lieu of Taxes			
Property Taxes		Total	County	Payment in Lieu of Taxes		
Local	School	Exemptions		Local	School	Total
\$ 761,975	\$ 1,563,462	\$ 2,968,035	\$ 10,800	\$ 72,800	\$ 36,400	\$ 120,000
3,872	19,896	32,747	8,979	3,873	19,896	32,748
3,978	20,443	33,644	9,223	3,978	20,443	33,644
304,595	1,270,608	2,108,356	564,238	320,845	1,155,533	2,040,616
2,862	17,525	26,542	389	181	1,108	1,678
-	-	-	-	-	-	-
10,451	39,552	64,148	2,063	1,524	5,769	9,356
<u>\$ 1,087,733</u>	<u>\$ 2,931,486</u>	<u>\$ 5,233,472</u>	<u>\$ 595,692</u>	<u>\$ 403,201</u>	<u>\$ 1,239,149</u>	<u>\$ 2,238,042</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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

Year ended June 30, 2013

	<u># of FTE Employees at Project Location before IDA Status</u>	<u>Original Estimate of Jobs to be Created</u>	<u>Original Estimate of Jobs to be Retained</u>	<u># of Current FTE Employees</u>	<u># of FTE Construction Jobs Created During Fiscal Year</u>
Project Owner:					
Wal-Mart Distribution Center	0	360	0	559	0
Kintz Plastics	128	20	128	83	0
Cobleskill Stone Products	0	10	3	18	0
Howe Caverns	45	40	0	75	0
Schoharie Business Park (USDA Service Center)	14	9	14	17	0
ACTES	<u>4</u>	<u>22</u>	<u>4</u>	<u>0</u>	<u>0</u>
	<u>191</u>	<u>461</u>	<u>149</u>	<u>752</u>	<u>0</u>

See auditors' report.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Schoharie County Industrial Development Agency

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Schoharie County Industrial Development Agency (the "IDA") which comprise of the statement of net position as of and for the year ended June 30, 2013, and the related statements of revenues, expenditures and changes in net position, and statement cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2013.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the management letter.

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

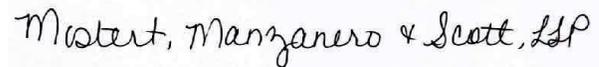
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the IDA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the IDA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

Oneonta, New York
September 11, 2013