COUNTY OF DELAWARE
LOCAL DEVELOPMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

COUNTY OF DELAWARE
LOCAL DEVELOPMENT CORPORATION

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4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com

MMS

MOSTERT, MANZANERO & SCOTT, LLP

Certified Public Accountants

Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Dennis J. Scott, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
County of Delaware Local Development Corporation
Delhi, New York

We have audited the accompanying statements of net position of the County of Delaware Local Development Corporation (the "LDC"), as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and statements 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 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 LDC'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 LDC'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 LDC as of December 31, 2014 and 2013, 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 & Analysis on Pages 3 - 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2015 on our consideration of the LDC'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 LDC's internal control over financial reporting and compliance.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
March 18, 2015

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2014

As financial management of the Delaware County Local Development Corporation (the "LDC"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the LDC for the fiscal year ended December 31, 2014. 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. We encourage readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Budget

The LDC depends on grants, with a minimal amount of operating income, to extend its programs. The LDC files for various grants and loans to provide economic development assistance in Delaware County, notably the United States Department of Housing and Urban Development, the United States Department of Agriculture, and NYS Office of Community Renewal. However, the funding of these grants is not assured at the beginning of the year. Because the LDC does not know how much funding will be received during any year, how many loan applications will be approved, or what programs can be made available, the LDC cannot project the amount that it can use for its programs to project an accurate budget. The LDC strictly adheres to financial procedures and requirements of New York State General Municipal Law, Article 18A, and its own bylaws, as audited by our accountants at Mostert, Manzanero & Scott, LLP.

Overview of the Financial Statements

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

Financial Statements

The LDC's financial statements, provide readers with a comprehensive reporting of the LDC's 2014 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

The operating income for the LDC was $62,089 for fiscal year 2013. This was an increase of 7.12% over the prior year. Net income produced an increase in net position of $62,182. At the close of fiscal year 2013 the LDC had a net position of $1,108,910.

The operating income for the LDC was $15,213 for fiscal year 2014. This was a decrease of 75% over the prior year. Net income produced an increase in net position of $15,297. At the close of fiscal year 2014 the LDC had a net position of $1,124,207.

The LDC's prime objective is to provide assistance to existing businesses and expansions and business startups with professional assistance, educational programs and loans. The LDC's loan funds are comprised of grants dedicated to this purpose and matching funds from the LDC's accumulated working capital. The revolving loan fund in the LDC's statement of net position is the major asset. For the LDC's loan funds, the financial statement shows an increase from $1,484,477 at year end 2013 to $1,696,164 at year end 2014, a net increase of $211,687.

The following is a 2014-2013 comparative summary of the LDC's financial statements showing the increase in net position:

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION'S NET POSITION

	2014	2013
Current assets	$ 1,116,952	$ 1,019,170
Non-current assets	1,511,248	1,328,280
Total assets	2,628,200	2,347,450
Current liabilities	72,886	44,256
Non-current liabilities	1,431,107	1,194,284
Total liabilities	1,503,107	1,238,540
Total net position	$ 1,124,207	$ 1,108,910

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION'S CHANGES IN NET POSITION

	2014	2013
Operating revenues	$ 153,031	$ 413,817
Operating expenses	(137,818)	(351,728)
Operating income	15,213	62,089
Non-operating income:		
Investment income	84	93
Change in net position	15,297	62,182
Net position - Beginning of year	1,108,910	1,046,728
Net position - End of year	$ 1,124,207	$ 1,108,910

Economic Factors

The management of the LDC is not aware of any changes in economic factors or conditions since December 31, 2014 that will have any significant effect on the LDC into the future.

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Glenn Nealis, Executive Director, County of Delaware Local Development Corporation, 1 Courthouse Square, Suite 4, Delhi, New York 13753.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF NET POSITION

December 31, 2014 and 2013

ASSETS	2014	2013
Current assets:		
Cash and cash equivalents	$ 932,036	$ 852,973
Due from other governments	-	10,000
Current portion of loans receivable	184,916	156,197
Total current assets	1,116,952	1,019,170
Long-term portion of loans receivable, net of allowance for bad debts of $69,000 for 2014 and 2013	1,511,248	1,328,280
Total assets	2,628,200	2,347,450
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	8,200	640
Accrued interest	2,420	-
Due to IDA	7,677	7,677
Deferred revenue	8,860	1,440
Current portion of debt	45,729	34,499
Total current liabilities	72,886	44,256
Long-term liabilities:		
Long-term debt	1,431,107	1,194,284
Total liabilities	1,503,993	1,238,540
Net position:		
Restricted - cash	775,659	578,385
Restricted - loans receivable	219,328	255,694
Unrestricted	129,220	274,831
Total net position	$ 1,124,207	$ 1,108,910

See accompanying notes.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Years ended December 31, 2014 and 2013

	2014	2013
Operating revenues:		
Grant income	$ 70,093	$ 332,574
Interest income and late fees	71,851	59,091
Miscellaneous	1,152	2,542
Transfer from IDA	5,000	15,000
Parade income	4,935	4,610
Total operating revenues	153,031	413,817
Operating expenses:		
Insurance	650	585
Interest expense and bank charges	20,956	18,003
Grants and sponsorships	95,254	304,543
Miscellaneous	15,394	11,019
Professional fees	595	12,795
Parade expense	4,969	4,783
Total operating expenses	137,818	351,728
Operating income	15,213	62,089
Non-operating revenue and expenses:		
Investment interest	84	93
Net income	15,297	62,182
Net position - Beginning of year	1,108,910	1,046,728
NET POSITION - END OF YEAR	$ 1,124,207	$ 1,108,910

See accompanying notes.

COUNTY OF DELAWARE LOCAL DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from grants and donations	$ 87,513	$ 332,574
Cash received from services provided	5,000	15,000
Payments received on loans	325,163	535,274
Other revenue received	6,087	7,152
Other operating payments	(32,583)	(46,545)
Issuance of loans	(465,000)	(384,500)
Grants issued	(95,254)	(304,543)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(169,074)	154,412
Cash flows from non-capital financing activities:		
Payments on debt between entities	-	(396)
Transfers between entities	-	10,000
Proceeds from USDA loan	282,588	65,234
Payments on USDA loan	(34,535)	(98,097)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	248,053	(23,259)
Cash flows from investing activities:		
Investment income	84	93
NET CASH PROVIDED BY INVESTING ACTIVITIES	84	93
NET INCREASE IN CASH	79,063	131,246
Cash - Beginning of year	852,973	721,727
CASH - END OF YEAR	$ 932,036	$ 852,973
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	$ 15,213	$ 62,089
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	10,000	-
(Increase) decrease in loans receivable	(211,687)	90,243
Increase in accounts payable and other payables	17,400	2,080
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (169,074)	$ 154,412

See accompanying notes.

NOTE 1 ORGANIZATION

The County of Delaware Local Development Corporation (the "LDC"), in Delhi, New York, was incorporated in August 1998, and became active during the year ended December 31, 2000. The LDC is a non-profit organization and shares its constituency, membership and purpose with the County of Delaware Industrial Development Agency (the "IDA").

The LDC was established to attract new industry to the County, to encourage plant modernization, to create job opportunities for the citizens of Delaware County, and to promote commerce and industry.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The LDC follows enterprise fund reporting. Enterprise funds are used to account for business like activities. These activities are financed primarily by user charges and the measurement of financial activity focuses on as net income measurement similar to the private sector.

Measurement Focus and Basis of Accounting

The LDC's financial statements are reported using the economic resources measurement focus and the accrual method of accounting. Under this method, revenue is recognized when earned and expenses are recognized when incurred, fixed assets and land are recorded at cost. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The following is a summary of the significant accounting policies followed in the preparation of the LDC's financial statements. The accounting policies of the LDC are in conformity with U.S. generally accepted accounting principles (U.S. GAAP). The LDC reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

For the purposes of presenting the statements of cash flows, the LDC considers all demand deposits, time and savings accounts and certificates of deposit with an original maturity of three months or less to be cash equivalents. Certificates of deposits are stated at cost plus accrued interest receivable. Such basis approximates market.

Allowance for Uncollectible Amounts

Notes receivable are recorded at full value. Uncollectible accounts are charged to expenditures using the reserve method. The allowance for uncollectible accounts was $69,000 as of December 31, 2014 and 2013.

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

Use of Estimates

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

Federal Income Taxes

The LDC is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and similar New York State laws and, as such, is not subject to Federal or State income taxes. In addition, the LDC qualifies for the charitable contribution deduction under Section 170(b)(a)(2) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The LDC reviews the components of revenues, gains, and other support and analyzes whether the position that the LDC takes with regard to a particular item of income would meet the definition of an uncertain tax position under U.S. GAAP.

The LDC files information tax returns in the U.S. federal jurisdiction and New York State jurisdiction. The tax years that remain subject to examination by authorities are generally the previous three years.

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 LDC meets performance requirements of the contracts.

Contributed Facilities and Services

The LDC, with the consent of the Board of Representatives of Delaware County, is authorized to use and has shared county employees, facilities, and equipment. The value of these facilities and services is not included within these financial statements.

Investments Policy

The LDC's investment policies are governed by State statutes. In addition, the LDC has its own written investment policy. LDC's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The LDC 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.

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

Operating Revenue and Expenses

The LDC distinguishes operating revenues and expenses from non-operating items in its financial statements. Operating revenues and expenses generally result from providing services in connection with the LDC's principal on-going operations. The LDC's operating expense include project and program costs and related administration expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

In addition, the LDC administers the Delaware County Rural Business Enterprise Revolving Loan Fund under a grant awarded by the United States Department of Agriculture. Funds are received by the LDC by request at the time of approval of the loan.

Net Position

The LDC reports its net position in two components. Restricted net position are reported when assets (net of related debt) can only be used for a specified purpose that is established by grantors, contributors, laws or regulations governing the LDC. For this reason, all restricted net position is considered expendable. Unrestricted net positions are all other LDC net assets that do not meet the definition of restricted net assets.

Events Occurring After Reporting Date

Subsequent events were evaluated through March 18, 2015, which is the date the financial statements were available to be issued.

NOTE 3 CASH AND CASH EQUIVALENTS

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

The financial institutional balances, which aggregated $932,352 and $862,958 at December 31, 2014 and 2013, respectively, were covered by the FDIC or collateralized by securities.

NOTE 4 FEDERAL AND STATE AID CONTINGENCIES

The LDC has received Federal and State Aid and Grants that are subject to audit by agencies of the Federal and State governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. The LDC believes disallowances, if any, will be immaterial.

NOTE 5 LOANS RECEIVABLE

Loans Receivable-Revolving Loan Funds (RLF)

Revolving loan funds allow the LDC to offer low interest loans to area businesses creating jobs in Delaware County. The proceeds of the loans are used to offer new loans once the loans have been paid in full. The activity for the year ended December 31, 2014 is as follows:

Borrower	01/01/2014 Principal	Advances	Write Offs/ Repayments	12/31/2014 Principal
Catskill Country Furniture	$ 33,705	$ -	$ (5,888)	$ 27,817
Enviro Energy	48,804	-	(7,270)	41,534
Hobart Market	27,346	-	(4,750)	22,596
Lucky Dog - Hamden Inn	42,597	-	(4,245)	38,352
Feather and Stone	-	40,000	(1,092)	38,908
Masserson #2	36,115	-	(1,394)	34,721
Second Nature Construction	149,959	-	(9,806)	140,153
Gravity Ciders	-	40,000	(2,758)	37,242
WB Delhi, LLC	255,975	-	-	255,975
Unadilla Fasteners	-	60,000	(1,227)	58,773
	$ 594,501	$ 140,000	$ (38,430)	696,071
Less: Current portion				(48,639)
Long-term receivable				$ 647,432

Loans Receivable – TIER Revolving Loan Fund

In 2008, the LDC was awarded the revolving loan funds from TIER Information & Enterprise Resources, Inc. of Binghamton, New York. The proceeds of the loans are used to offer new loans once the outstanding loans have been paid in full. The activity for the year ended December 31, 2014 is as follows:

Borrower	01/01/2014 Principal	Advances	Write Offs/ Repayments	12/31/2014 Principal
Masserson #2	$ 45,144	$ -	$ (1,742)	$ 43,402
The Market Place	7,894	-	(3,798)	4,096
Sprillian LLC	50,000	-	(7,894)	42,106
	$ 103,038	$ -	$ (13,434)	89,604
Less: Current portion				(6,136)
Long term receivable				$ 83,468

NOTE 5 LOANS RECEIVABLE (Cont'd.)

Loans Receivable- Intermediary Relending Program (IRP)

The USDA Intermediary Relending Program (IRP) finances business facilities and community development projects. The LDC is a qualified intermediary that lends funds to beneficiaries and establishes revolving loan funds when the loans are paid back. The activity for the year ended December 31, 2014 is as follows:

Borrower	01/01/2014 Principal	Advances	Write Offs/ Repayments	12/31/2014 Principal
Catskill Country Furn & Floor	$ 20,767	$ -	$ (3,573)	$ 17,194
Andrew Hinkley	-	68,000	(1,902)	66,098
Haggerty Hardware of Walton	76,631	-	(10,714)	65,917
Haggerty Hardware of Walton	114,947	-	(16,070)	98,877
John Finn	-	100,000	-	100,000
Lucky Dog - Hamden Inn	14,927	-	(5,029)	9,898
Masserson #2	27,087	-	(1,045)	26,042
New York State ARC	30,143	-	(4,970)	25,173
Northeast Fabricators	31,729	-	(17,912)	13,817
Renaissance Restorations	106,901	-	(15,271)	91,630
River Valley New Holland	87,996	-	(87,996)	-
Natural Gardners	-	50,000	(1,709)	48,291
Table on Ten	17,747	-	(4,885)	12,862
Mile Hill Properties	221,407	-	(7,274)	214,133
Angus & Ale	37,500	-	(3,113)	34,387
Sanford Stone	68,156	-	(14,104)	54,052
Sidney Flowers	-	107,000	(5,882)	101,118
	$ 855,938	$ 325,000	$ (201,449)	979,489
Less: Current portion				(130,141)
Long-term receivable				$ 849,348

The following is a summary of loans receivable as of December 31:

	2014	2013
Revolving Loan Funds (RLF)	$ 696,071	$ 594,501
TIER Revolving Loan Fund	89,604	103,038
Intermediate Relending Program (IRP)	979,489	855,938
Total loans receivable	1,765,164	1,553,477
Less: Current portion	(184,916)	(156,197)
Less: Allowance for bad debts	(69,000)	(69,000)
Long-term loans receivable	$ 1,511,248	$ 1,328,280

NOTE 6 DUE FROM OTHER GOVERNMENTS – DELAWARE COUNTY

During 2013, the IDA made a payment of grant funds in the amount of $10,000 for the LDC and this amount was offset by $2,323 that the LDC owed to the IDA. The amount of $7,677 was payable as of December 31, 2013 and was not repaid in 2014.

The LDC is considered a subrecipient and is administering Delaware Counties New York State Community Development Block Grant Program. As of December 31, 2013, the LDC was due $10,000 for unreimbursed program delivery and administration costs. This was paid in 2014.

NOTE 7 DEFERRED REVENUE

Deferred revenue consists of the following as of December 31:

	2014	2013
Grant revenue	$ 5,500	$ -
Interest	3,360	1,440
Total deferred revenue	$ 8,860	$ 1,440

Revenue is recognized in the period in which the payment relates.

NOTE 8 LOANS PAYABLE

The LDC has a $750,000 line of credit with the United States Department of Agriculture for Intermediate/Microenterprise Development Lending Program. A balance of $380,410 and $97,822 was advanced on this line of credit as of December 31, 2014 and 2013, respectively. Interest only at 1% will be paid for the first three years. Principal and interest payments will be paid annually starting December 21, 2015, with any remaining balance due and payable 30 years from December 21, 2015.

The LDC has a $300,000 line of credit all of which has been advanced with the United States Department of Agriculture for its Intermediary Relending Program. This loan has an interest rate of 1% annually. Annual loan payments of principal and interest in the amount of $12,339 to fully amortize the loan 30 years from the origination date are payable on September 19th of each year. The balance at December 31, 2014 and 2013 was $212,443 and $222,653, respectively.

The LDC has a $750,000 line of credit, all of which has been advanced with the United States Department of Agriculture for its Intermediary Relending Program. This loan has an interest rate of 1% annually. Annual loan payments of principal and interest in the amount of $30,848 to fully amortize the loan 30 years from the origination date are payable on September 26th of each year. The balance at December 31, 2014 and 2013 was $627,983 and $652,308, respectively.

Interest expense incurred on these three notes was $13,250 and $9,843 for the years ending December 31, 2014 and 2013, respectively.

NOTE 8 LOANS PAYABLE (Cont'd.)

Loan from NYS Office of Community Renewal

The LDC entered into a loan agreement with the NYS Office of Community Renewal for $320,000. This agreement requires the LDC to loan the funds to a business that will create jobs in Delaware County. The loan requires 60 monthly interest only payments, with the outstanding principal due on the 60th month. The loan principal may be subject to incremental reductions of 20% annually ($64,000 a year) over the 5 year term of the note if job commitments and loan compliance is achieved for each respective year of the loan. As a result of compliance, the principal was reduced by $64,000 in 2013 to a principal balance due of $256,000. This remains unchanged as of December 31, 2014. Interest expense incurred on this note was $7,706 and $8,160 for the years ending December 31, 2014 and 2013, respectively.

These loans can be summarized as follows:

	2014	2013
USDA $750,000 Line of Credit	$ 380,410	$ 97,822
USDA $300,000 Line of Credit	212,443	222,653
USDA $750,000 Line of Credit	627,983	652,308
NYS Office of Community Renewal	256,000	256,000
Total loans payable	1,476,836	1,228,783
Less: Current portion	(45,729)	(34,499)
Loans payable, long-term	$ 1,431,107	$ 1,194,284

NOTE 9 RESTRICTED NET POSITION

Restricted net position consists of restricted cash and net restricted loans receivable. The LDC maintains separate cash accounts for federal funds, revolving economic development funds and microenterprise development funds, as follows:

	2014	2013
IRP Funds	$ 739,424	$ 564,453
TIER Funds - USDA	13,303	11,094
Federal Funds	15,000	-
NYS Office of Community Renewal	7,932	2,838
Total restricted net position	$ 775,659	$ 578,385

NOTE 9 RESTRICTED NET POSITION (CONT'D.)

The LDC, per contractual requirements, maintains revolving economic development funds in which principal and interest repayments on current financing are a source for future financing for businesses. Such fund balances are therefore restricted as follows:

	2014	2013
IRP Loans	$ 979,489	$ 855,938
Revolving Loan Funds (RLF)	696,071	594,501
TIER RLF	89,604	103,038
Total	1,765,164	1,553,477
Less: Allowance for loan losses	(69,000)	(69,000)
Less: Loans payable – Lending programs	(1,476,836)	(1,228,783)
Total	$ 219,328	$ 255,694

NOTE 10 COMMITMENTS AND CONTINGENCIES

As of December 31, 2014 and 2013, the LDC has a restricted net position in the amount of $994,987 and $834,079, respectively, which represents the net of loans receivable and restricted cash.

NOTE 11 RELATED PARTY TRANSACTIONS

The LDC is a related party of the IDA, based on the criteria set forth in GASB Statement No. 14 as amended by GASB No. 39. The criteria includes financial dependency (Delaware County reimburses substantially all of the LDC operating expenditures), financial accountability (the LDC must submit all financial reports to Delaware County) and oversight responsibility (certain of Delaware County's Board of Supervisors are members of the LDC's Board of Directors).

NOTE 12 CHANGES TO PRESENTATION

Amounts previously presented as unrestricted net position was reclassified as restricted for the year ended December 31, 2013. See Note 9 for additional information for restricted net position.

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4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com

MOSTERT, MANZANERO & SCOTT, LLP
Certified Public Accountants

Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Dennis J. Scott, CPA

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

To the Board of Directors
County of Delaware Local Development Corporation
Delhi, 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 County of Delaware Local Development Corporation (the "LDC") which comprise of the statements of net position as of and for the year ended December 31, 2014, and the related statements of revenues, expenses and changes in net position, and statements of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LDC'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 LDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the LDC'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 LDC'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the LDC'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 LDC'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 LDC'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 County of Delaware Local Development Corporation 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.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
March 18, 2015