*SULLIVAN COUNTY FUNDING CORPORATION*

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2014*

SULLIVAN COUNTY
FUNDING CORPORATION
DECEMBER 31, 2014

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Cooper Arias, LLP
Accounting & Accountability

# INDEPENDENT AUDITORS' REPORT

To the Board of the Sullivan County
Funding Corporation
Ferndale, NY 12734

We have audited the accompanying statement of financial position of the Sullivan County Funding Corporation, a component unit of the County of Sullivan, New York, as of December 31, 2014 and 2013, 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.

**Auditor's 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 of 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 auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sullivan County Funding Corporation as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sullivan County Funding Corporation's financial statements as a whole. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015, on our consideration of the Sullivan County Funding Corporation'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 the 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 Sullivan County Funding Corporation's internal control over financial reporting and compliance.

Cooper Ariano LLP

Mongaup Valley, New York
March 19, 2015

SULLIVAN COUNTY FUNDING CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31,

| | 2014 | 2013 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash | $ 574,422 | $ 516,318 |
| Accounts Receivable | 35,860 | - |
| Due From Related Parties (Note 5) | 99,500 | - |
| Notes Receivable – Current Portion | 57,495 | 44,281 |
| Total Current Assets | 767,277 | 560,599 |
| Non-Current Assets: | | |
| Notes Receivable | 219,502 | 202,519 |
| Total Non-Current Assets | 219,502 | 202,519 |
| TOTAL ASSETS | $ 986,779 | $ 763,118 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Current Liabilities: | | |
| Deferred Revenue | $ 3,309 | $ 3,309 |
| Deposit on Sale (Note 6) | 110,000 | - |
| Total Current Liabilities | 113,309 | 3,309 |
| TOTAL LIABILITIES | 113,309 | 3,309 |
| NET ASSETS | | |
| Unrestricted | 873,470 | 759,809 |
| TOTAL NET ASSETS | 873,470 | 759,809 |
| TOTAL LIABILITIES AND NET ASSETS | $ 986,779 | $ 763,118 |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

SULLIVAN COUNTY FUNDING CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

| | 2014 | 2013 |
|---|---|---|
| OPERATING REVENUES | | |
| Administrative Fees | $ 181,750 | $ 111,500 |
| Interest on Notes Receivable | 5,052 | 5,433 |
| TOTAL OPERATING REVENUES | 186,802 | 116,933 |
| OPERATING EXPENSES | | |
| Legal and Professional Fees | 7,640 | 3,750 |
| Administration | 40,000 | 40,000 |
| Business Promotion | 25,000 | 25,000 |
| Consulting Fees | - | 1,486 |
| Web Design & Maintenance | - | 3,980 |
| Insurance | 500 | 500 |
| Travel | 230 | - |
| Office | 116 | 29 |
| TOTAL OPERATING EXPENSES | 73,486 | 74,745 |
| NET OPERATING REVENUE | 113,316 | 42,188 |
| NON-OPERATING REVENUE | | |
| Interest Income | 345 | 547 |
| CHANGE IN NET ASSETS | 113,661 | 42,735 |
| NET ASSETS - Beginning of Period | 759,809 | 717,074 |
| NET ASSETS – End of Period | $ 873,470 | $ 759,809 |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

SULLIVAN COUNTY FUNDING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

| | 2014 | 2013 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from providing services | $ 339,105 | $ 156,871 |
| Cash payments for contractual expenses | (181,346) | (219,866) |
| Cash loaned to County of Sullivan IDA | (100,000) | - |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 57,759 | (62,955) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Income | 345 | 547 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 345 | 547 |
| NET INCREASE (DECREASE) IN CASH | 58,104 | (62,448) |
| CASH- BEGINNING OF PERIOD | 516,318 | 578,766 |
| CASH- END OF PERIOD | $ 574,422 | $ 516,318 |

Reconciliation of operating revenue (loss) to net cash provided (used) by operating activities:

| | | |
|---|---|---|
| Operating Revenue (Loss) | $ 113,316 | $ 42,188 |
| Revolving Loans Issued | (72,500) | (145,121) |
| Revolving Loans Repaid | 42,303 | 39,938 |
| Decrease (Increase) in Operating Assets: | | |
| Accounts Receivable | (35,860) | - |
| Due From Related Parties | (99,500) | - |
| Increase (Decrease) in Operating Liabilities: | | |
| Deposit on Sale | 110,000 | - |
| Net Cash Provided (Used) by Operating Activities | $ 57,759 | $ (62,995) |

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

SULLIVAN COUNTY FUNDING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Operations

The Sullivan County Funding Corporation was established on November 24, 2010 under Section 1411 of the Not For Profit Corporation Law, which covers local development corporations. The purpose of the Sullivan County Funding Corporation is to foster the creation, retention and expansion of jobs and economic opportunities within Sullivan County. The Corporation's main revenue sources are administrative fees paid by entities seeking assistance and interest income generated by loans issued to local businesses.

### Financial Reporting Entity

The Sullivan County Funding Corporation is a nonprofit corporation and is a component unit of the County of Sullivan, New York. The County of Sullivan's County Manager appoints the board members of the Sullivan County Funding Corporation. The financial activities of the Sullivan County Funding Corporation are combined with the financial activities of the County of Sullivan and other component units, which constitutes the entire reporting entity for the County of Sullivan.

### Basis of Accounting

The financial statements of the Sullivan County Funding Corporation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Financial position and activities are reported according to three classes of net assets as follows:

Unrestricted Net Assets – Represents resources recognized as unrestricted and are available for support of operations.

Temporarily Restricted Net Assets – Represents resources recognized as restricted until such a time when all associated restrictions have been met.

Permanently Restricted Net Assets – Represents resources that contain a stipulation that permanently restricts the use of such funds but allows earnings from the funds to be used in a certain manner.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Cash**

For the statement of cash flows, the Sullivan County Funding Corporation considers all highly liquid investments as cash.

NOTE 2 – REVENUE BONDS

**Revenue Bonds**

Certain revenue bonds arranged by the Corporation are not obligations of the Corporation. The Corporation does not record the assets or liabilities resulting from completed bond issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Corporation receives bond administration fees that are negotiated on a project by project basis.

Industrial revenue bond activity for the year ended December 31, 2014 is as follows:

| PROJECT NAME | JANUARY 1, 2014 | ISSUED | REDEEMED | DECEMBER 31, 2014 |
|---|---|---|---|---|
| Sullivan Diagnostic Treatment Center | $ 60,870,000 | $ - | $ 3,450,000 | $ 57,420,000 |
| Sullivan Diagnostic Treatment Center | 550,000 | - | 168,000 | 382,000 |
| Sullivan County Community College Dormitory Corporation | - | 7,442,000 | 65,000 | 7,377,000 |
| Sullivan County Community College Dormitory Corporation | - | 558,000 | 25,000 | 533,000 |
| | $ 61,420,000 | $ 8,000,000 | $ 3,708,000 | $ 65,712,000 |

NOTE 3 – CASH AND INVESTMENTS

The Corporation has its own written investment policy. Corporation monies may be deposited in FDIC-insured commercial banks in the form of demand deposits or certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, and obligations of New York State. Repurchase agreements must be purchased from banks located within New York State and the underlying securities must be obligations of the United States of America or guaranteed by agencies of the United States of America.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Collateral is required for demand deposits and certificates of deposit on all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral include obligations of the United States of America and its agencies and obligations of New York State and its municipalities and school districts.The Corporation's aggregate bank balances included balances not covered by depository insurance at year end, collateralized as follows:

| | |
|---|---|
| Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Corporation's name. | $ 324,422 |

NOTE 4 – EVENTS OCCURRING AFTER REPORTING DATE

The Sullivan County Funding Corporation has evaluated events and transactions that occurred between December 31, 2014 and March 19, 2015, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 5 – RELATED PARTIES

During the year ended December 31, 2011, the Board of the County of Sullivan Industrial Development Agency (the "Agency"), a component unit of the County of Sullivan, authorized the Sullivan County Funding Corporation to take over certain functions that were previously carried out by the Agency.

Beginning in the year ended December 31, 2012, the Sullivan County Funding Corporation took over the receipt and administration of the annual $108,000 payments related to the Millenium Pipeline agreement for the remaining seven years of the agreement. In addition, the Sullivan County Funding Corporation reimburses the Agency on a monthly basis for bookkeeping and related administrative costs. For the years ended December 31, 2014 and 2013, the Sullivan County Funding Corporation paid $40,000 and $40,000, respectively, to the Agency for bookkeeping and administrative costs.

During the year ended December 31, 2014, the Sullivan County Funding Corporation loaned $100,000 to the Agency to relieve cash flow issues caused by project expenditures related to the Red Meat facility paid by the Agency but not yet reimbursed by the granting agencies.

During the year ended December 31, 2013, the Sullivan County Funding Corporation transferred $70,121 to the Agency, which represents the outstanding balance on a revolving loan previously administered by the Agency but transferred, per Board Resolution, to the Sullivan County Funding Corporation.

As of December 31, 2014, there was an outstanding loan receivable of $99,500 related to transactions between the two entities.

## NOTE 6 – DEPOSIT ON SALE

On February 28, 2014, the County of Sullivan transferred a parcel of property to the Sullivan County Funding Corporation in anticipation of a sale. As of December 31, 2014, the prospective buyers have paid a deposit of $110,000 towards the purchase price. Once the sale is complete, the proceeds will be disbursed to the various taxing jurisdictions, with the Corporation retaining a portion as an administrative fee.

## NOTE 7 – NOTES RECEIVABLE

Notes receivable consist of amounts due from various business entities within Sullivan County. The purpose of these notes is to help local businesses expand and develop. Interest earned on the notes is reported as operating revenue in the year it is received. A schedule of notes receivable at December 31, 2014 and 2013 is as follows:

| | 2014 | 2013 |
|---|---|---|
| 233 Hurd Parks Road, LLC – 5 year loan, due in 60 monthly installments of $833, plus interest at 4.00%. | $ 27,500 | $ 36,666 |
| 49 Main St., LLC – 5 year loan, due in 20 quarterly installments of $1,050, plus interest at 4.00%. | 11,550 | 15,750 |
| RH Campus, LLC – 10 year loan, due in 40 quarterly installments of $1,875, plus interest at 4.00%. | 60,000 | 67,500 |
| Fat Lady, LLC – 5 year loan, due in 20 quarterly installments of $3,750, plus interest at 3%. | 52,500 | 60,553 |
| Country House Realty, Inc. – 9 year loan, due in 37 quarterly installments of $1,895, plus interest at 3%. | 58,750 | 66,331 |
| Apples Small Engine Repair – 5 year loan, due in 20 quarterly installments of $2,500, plus interest at 3%. | 45,000 | - |
| Leah Maidenbaum – 7 year loan, due in 28 quarterly installments of $804, plus interest at 4%. | 21,697 | - |
| Total Notes Receivable | 276,997 | 246,800 |
| Due Within One Year | (57,495) | (44,281) |
| Long-Term Portion of Notes Receivable | $ 219,502 | $ 202,519 |

SULLIVAN COUNTY FUNDING CORPORATION
REVENUE BONDS
DECEMBER 31, 2014

| PROJECT NAME | TAX STATUS | ISSUE DATE | INTEREST RATE | ISSUE AMOUNT | TAX EXEMPTIONS COUNTY | TAX EXEMPTIONS LOCAL | TAX EXEMPTIONS SCHOOL |
|---|---|---|---|---|---|---|---|
| Sullivan County Diagnostic Treatment Center | Not-For-Profit | 12/11 | Variable | $ 69,710,000 | $ - | $ - | $ - |
| Sullivan County Diagnostic Treatment Center | Not-For-Profit | 12/11 | 4.20%-4.45% | 878,000 | - | - | - |
| Sullivan County Community College Dormitory Corporation | Not-For-Profit | 6/14 | 4.30% | 7,442,000 | - | - | - |
| Sullivan County Community College Dormitory Corporation | Not-For-Profit | 6/14 | 5.34% | 558,000 | - | - | - |

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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*

Independent Auditor's Report

To the Board of the Sullivan County
Funding Corporation
Ferndale, New York 12734

We have audited, 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, the financial statements of the Sullivan County Funding Corporation, a component unit of the County of Sullivan, New York, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Sullivan County Funding Corporation's financial statements and have issued our report thereon dated March 19, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Sullivan County Funding Corporation'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 Sullivan County Funding Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sullivan County Funding Corporation'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.


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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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control that we consider to be a significant deficiency. We consider the deficiency described below to be a significant deficiency in internal control:

> Management does not possess the necessary training required to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America.
>
> Management Response: The Corporation's accounting office has the knowledge and ability to post the ongoing day to day activity in accordance with the accrual basis of accounting. However, management feels that it would not be cost effective to take the necessary educational courses to be able to prepare the complete financial statements, including all required notes, in accordance with generally accepted accounting principles.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sullivan County Funding Corporation, New York's financial statements are free of 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*.

**Response to Findings**

The Sullivan County Funding Corporation's response to the finding identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cooper Arias LLP

Mongaup Valley, New York
March 19, 2015