

*COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY*

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2015*

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To The Members of the County  
Of Sullivan Industrial Development Agency  
Monticello, NY 12701

We have audited the accompanying statement of net position of the County of Sullivan Industrial Development Agency, a component unit of the County of Sullivan, New York, as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in fund net position and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**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.

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 County of Sullivan Industrial Development Agency as of December 31, 2015 and 2014, 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**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 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, or 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 methods 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 opinions on the financial statements that collectively comprise the County of Sullivan Industrial Development Agency's financial statements as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate 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 30, 2016, on our consideration of the County of Sullivan Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on 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 County of Sullivan Industrial Development Agency's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cooper Arias" followed by a stylized flourish.

Mongaup Valley, New York  
March 30, 2016

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2015

This section of the County of Sullivan Industrial Development Agency's annual financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year ended on December 31, 2015. Please read it in conjunction with the Agency's financial statements and accompanying notes.

## FINANCIAL HIGHLIGHTS

- Total net position increased \$234,846 (7%)
  - The increase in net position was mainly due to the continued capitalization of expenses related to the new Red Meat facility. The costs will be depreciated over the useful life of the facility while the grant revenues to fund the project, totaling \$181,411 for the year ended December 31, 2015, are recognized immediately.
- Cash increased \$559,004 (48%)
  - The increase in cash was mainly due to the Agency receiving \$737,147 in grant revenues related to the Red Meat facility that were expended in the prior year accrued as of December 31, 2014.
- Liabilities increased \$126,319 (13%)
  - The increase in liabilities was mainly due to a large increase in escrow funds being held by the Agency for various ongoing projects.
- Operating revenues increased \$103,210 (20%)
  - The increase in revenues was caused by two large technical assistance grants received in the current year.
- Operating expenses decreased \$33,578 (6%)
  - The decrease in expenses was mainly due to a decrease of \$147,535 in casino related lobbying and advertising expenses, partially offset by an increase of \$121,649 in technical assistance grant expenses related to two grants received in the current year.
- Operating income increased \$136,788 from the prior year.
  - The increase was mainly due to the elimination of the casino related lobbying and advertising expenses that totaled \$147,535 in 2014.
- Total net income decreased \$556,942 from the prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Agency's statements follow the accrual basis of accounting and are presented in a manner similar to a private business.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2015

### FINANCIAL ANALYSIS OF THE AGENCY

The following table summarizes the changes in net position between December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Current Assets	\$ 1,311,652	\$ 1,632,446
Capital Assets	2,110,263	1,626,170
Restricted Assets	<u>1,185,118</u>	<u>987,252</u>
 Total Assets	 <u>4,607,033</u>	 <u>4,245,868</u>
 Current Liabilities	 755,973	 650,330
Long Term Liabilities	<u>375,350</u>	<u>354,674</u>
 Total Liabilities	 <u>1,131,323</u>	 <u>1,005,004</u>
 Net Investment In Capital Assets	 2,110,263	 1,626,170
Restricted	569,685	551,947
Unrestricted	<u>795,762</u>	<u>1,062,747</u>
 Total Net Position	 <u>\$ 3,475,710</u>	 <u>\$ 3,240,864</u>

The balance of restricted net position consists of the cash balances in the various escrow accounts and revolving loan accounts, plus the revolving loans outstanding, less any liabilities being held in the restricted accounts:

	<u>2015</u>	<u>2014</u>
Escrow Accounts - Cash	\$ 219,203	\$ 59,228
Revolving Loan Accounts – Cash	562,895	572,018
Revolving Loans Outstanding	403,020	356,006
Less: Liabilities Held In Restricted Accounts	<u>(615,433)</u>	<u>(435,305)</u>
 Restricted Net Position	 <u>\$ 569,685</u>	 <u>\$ 551,947</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2015

*Operating Income.* The following table summarizes the changes in operating activity between fiscal years 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Rental Income	\$ 18,000	\$ 18,000
Administrative Fees	452,793	450,134
Interest on Notes Receivable	14,908	12,749
Reimbursed Expenses	23,913	41,243
Grant Income	<u>116,722</u>	<u>1,000</u>
 Total Operating Revenues	 <u>626,336</u>	 <u>523,126</u>
 Legal and Professional Fees	 5,353	 46,452
Salaries and Benefits	210,969	174,197
Consulting Fees	53,500	44,994
Business Promotion	75,000	75,000
Reimbursable Project Expenses	23,913	41,243
Lobbying Expense	-	101,095
Advertising	-	46,440
Grant Expenses	122,690	
Other Expenses	<u>58,522</u>	<u>54,104</u>
 Total Operating Expenses	 <u>549,947</u>	 <u>583,525</u>
 Operating Income (Loss)	 <u>\$ 76,389</u>	 <u>\$ (60,399)</u>

### OPERATIONS AND ACCOMPLISHMENTS

In the spring of 2015, the IDA collected Payment in Lieu of Tax (PILOT) payments from its projects and dispersed them back out 100% to the local taxing jurisdictions. Over the last ten years the IDA has increased its PILOT disbursements from \$1,518,889 in 2004 to \$4,294,085 in 2015.

The IDA continued its funding in 2015 for the Partnership for Economic Development in the amount of \$75,000, and it helped fund the regional economic development advocacy group Hudson Valley Pattern for Progress in the amount of \$5,000.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2015

## OPERATIONS AND ACCOMPLISHMENTS (Continued)

In 2015, the IDA continued its work developing a red meat process facility within the County and assisting an initiative to fund a Food Hub that would improve the efficiency of a regional food distribution network.

The Agency started a new initiative in 2015 to improve the economic climate in Sullivan County. This initiative included working with the USDA through their new Rural Business Development Grant (RBDG) program to obtain equipment loans for three businesses within Sullivan County. Roscoe Beer, Prohibition Distillery, and Catskill Distilling all received funds through the USDA to buy new bottling line equipment, brewing equipment, and/or new chilling systems.

The Agency also assisted with the advancement of the Monticello Raceway Management Inc. / Montreign casino project. The enhanced project is anticipated to have a minimum total capital investment of approximately \$600,000,000. At least 500 new employees are anticipated.

Additionally, in 2015, the Agency was involved in the following projects:

- The administration of 10 loans through the Agency's Rural Micro-entrepreneur Assistance Program (USDA), three of which were approved in 2015.
- The administration of 5 loans to small local businesses through the Agency's Revolving Loan Program, one of which was approved in 2015.
- The administration of 1 lease agreement through the Agency's Agri-Business Loan Fund.
- The administration of 1 outstanding Industrial Development Bonds, which was related to a not-for profit agency.
- The administration of 54 projects with IDA agreements, including 50 projects with property tax exemption agreements and 18 projects with valid sales tax exemption letters. Five of these projects were approved in 2015. The new Veria Wellness Center alone anticipates the expenditure of approximately \$70 million, with new employees at the center estimated at 200.

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF NET POSITION  
DECEMBER 31,

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash	\$ 952,100	\$ 543,948
Accounts Receivable	11,858	13,237
Due From Related Parties (Note 8)	10,000	-
Due From State And Federal	320,000	1,057,147
Prepaid Expenses	<u>17,694</u>	<u>18,114</u>
Total Current Assets	<u>1,311,652</u>	<u>1,632,446</u>
Non-Current Assets		
Restricted Cash	782,098	631,246
Notes Receivable - Restricted	<u>403,020</u>	<u>356,006</u>
Restricted Assets	<u>1,185,118</u>	<u>987,252</u>
Property, Plant and Equipment		
Equipment Deposit (Note 11)	164,086	-
Construction In Progress	1,721,857	1,387,012
Equipment – Distillery	295,000	295,000
Equipment	7,197	5,968
Less: Accumulated Depreciation	<u>(77,877)</u>	<u>(61,810)</u>
Net Property, Plant and Equipment	<u>2,110,263</u>	<u>1,626,170</u>
Total Non-Current Assets	<u>3,295,381</u>	<u>2,613,422</u>
TOTAL ASSETS	<u>4,607,033</u>	<u>4,245,868</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF NET POSITION  
DECEMBER 31,

	<u>2015</u>	<u>2014</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 6,647	\$ 59,269
Accrued Liabilities	36,084	31,069
Due To Other Governments	323,799	329,995
Due To Related Parties (Note 8)	100,000	99,500
Unearned Revenues	65,462	69,654
Escrow Balances	203,283	42,674
Note Payable – Due Within One Year	<u>20,698</u>	<u>18,169</u>
 Total Current Liabilities	 <u>755,973</u>	 <u>650,330</u>
 Long-Term Liabilities		
Note Payable – Due Beyond One Year	<u>375,350</u>	<u>354,674</u>
 Total Long-Term Liabilities	 <u>375,350</u>	 <u>354,674</u>
 TOTAL LIABILITIES	 <u>1,131,323</u>	 <u>1,005,004</u>
 NET POSITION		
Net Investment In Capital Assets	2,110,263	1,626,170
Restricted	569,685	551,947
Unrestricted	<u>795,762</u>	<u>1,062,747</u>
 TOTAL NET POSITION	 <u>\$ 3,475,710</u>	 <u>\$ 3,240,864</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
YEARS ENDED DECEMBER 31,

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Rental Income	\$ 18,000	\$ 18,000
Interest on Notes Receivable	14,908	12,749
Administrative Fees	452,793	450,134
Reimbursed Expenses	23,913	41,243
Grant Income	<u>116,722</u>	<u>1,000</u>
 TOTAL OPERATING REVENUES	 <u>626,336</u>	 <u>523,126</u>
 OPERATING EXPENSES		
Salaries and Benefits	210,969	174,197
Legal and Professional Fees	5,353	46,452
Accounting Fees	11,300	8,400
Consulting Fees	53,500	44,994
Reimbursable Project Expenses	23,913	41,243
Dues, Conferences and Subscriptions	8,239	9,443
Office Expense	6,938	5,395
Business Promotion	75,000	75,000
Lobbying	-	101,095
Advertising	-	46,440
Rent	16,210	16,018
Telephone	2,157	2,232
Insurance	10,020	8,535
Miscellaneous	2,190	1,787
Travel	1,468	1,294
Technical Assistance – Food Hub	57,900	-
Technical Assistance - RMAP	<u>64,790</u>	<u>1,000</u>
 TOTAL OPERATING EXPENSES	 <u>549,947</u>	 <u>583,525</u>
 NET OPERATING INCOME (LOSS)	 <u>76,389</u>	 <u>(60,399)</u>
 NON-OPERATING REVENUES (EXPENSES)		
Interest Income	988	3,012
Interest Expense	(7,875)	(7,436)
Depreciation	(16,067)	(15,455)
Capital Grant Income	<u>181,411</u>	<u>871,706</u>
 NET NON-OPERATING REVENUES (EXPENSES)	 <u>158,457</u>	 <u>851,827</u>
 NET INCOME (LOSS)	 234,846	 791,428
 NET POSITION - Beginning of Year	 <u>3,240,864</u>	 <u>2,449,436</u>
 NET POSITION – End of Year	 <u>\$ 3,475,710</u>	 <u>\$ 3,240,864</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
STATEMENT OF CASH FLOWS  
YEARS ENDED DECEMBER 31,

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 727,618	\$ 467,188
Cash payments for contractual expenses	(344,758)	(408,409)
Cash payments for personal services and benefits	(205,954)	(173,884)
Net Proceeds (Payments) of PILOT Payments	<u>(6,196)</u>	<u>(309,830)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>170,710</u>	<u>(424,935)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	988	3,012
Purchase of Capital Assets	(546,582)	(1,333,080)
Proceeds of Capital Grants	<u>918,558</u>	<u>-</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>372,964</u>	<u>(1,330,068)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of Notes Payable	42,577	-
Repayments of Notes Payable	(19,372)	(9,548)
Proceeds of Loan Payable	-	100,000
Interest Payments	<u>(7,875)</u>	<u>(7,436)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>15,330</u>	<u>83,016</u>
NET INCREASE (DECREASE) IN CASH	559,004	(1,671,987)
CASH- BEGINNING OF YEAR	<u>1,175,194</u>	<u>2,847,181</u>
CASH- END OF YEAR	<u>\$ 1,734,198</u>	<u>\$ 1,175,194</u>
Reconciliation of operating revenue (loss) to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$ 76,389	\$ (60,399)
Increase (Decrease) in PILOT Payable	(6,196)	(309,830)
Decrease (Increase) in Operating Assets:		
Accounts Receivable	1,379	(6,629)
Due From Related Parties	(10,000)	-
Pre-Paid Expenses	420	(4,781)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(6,200)	6,200
Accrued Liabilities	5,015	313
Due To Related Parties	500	(500)
Unearned Revenues	(4,192)	(102,814)
Escrow Balances	160,609	41,057
Revolving Loans Repaid	71,563	61,936
Revolving Loans Issued	<u>(118,577)</u>	<u>(49,488)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 170,710</u>	<u>\$ (424,935)</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**

The financial statements of the County of Sullivan Industrial Development Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The County of Sullivan Industrial Development Agency follows the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred. Fixed assets and long-term liabilities related to these activities are recorded within the financial statements.

**Financial Reporting Entity**

The County of Sullivan Industrial Development Agency (the "Agency") was created in 1970 as public benefit corporation through state legislation to promote the economic welfare, recreation opportunities, and prosperity of the County's inhabitants. The Agency is exempt from federal, state, and local income taxes. The County's governing body appoints members of the Agency, and the County exercises some oversight responsibility for management of the Agency. Although the management is not accountable directly to the County for fiscal matters, a budget is submitted to the County, and the County assumes a financial burden from the Agency by assuming certain expenses incurred by the Agency through its bonding transactions. Accordingly, the Agency is considered a component unit of the County of Sullivan, and reports as such.

**Administrative Fee Income**

Administrative fees for Agency costs relating to the project are recognized as income upon consummation of the related transactions. The fees charged by the Agency are based on a percentage of the financing, individual negotiations, the size of the project, and/or on an "as incurred" basis.

**Accounts Receivable**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would be immaterial. Accounts receivable at December 31, 2015 and 2014 amounted to \$11,858 and \$13,237, respectively.

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Property, Plant and Equipment**

The Agency records equipment at historical cost and depreciates the assets on a straight-line basis over periods of 5 and 20 years. Construction in progress is not depreciated until the asset is placed in service.

**Expenses**

Certain payroll and payroll related expenses for one of the employees of the Agency are paid and recorded by the County of Sullivan, the primary government, and the Agency reimburses the County for these expenses. All reporting and filing requirements for payroll taxes and benefits related to this employee are the responsibility of the County.

**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.

**Cash and Cash Equivalents**

For the statement of cash flows, the Agency considers all highly liquid investments as cash equivalents.

**Operating Revenues and Expenses**

In the statement of revenues, expenses and changes in net position, operating revenues and expenses include all activity that is part of the Agency's normal operating activities. Interest earned on cash balances, depreciation and unusual or infrequent items are included as non-operating activities.

**New Accounting Standards**

The Agency has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2015 the Agency implemented the following new standards:

*GASB 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB 27.*

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68.*

**Future Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following standards that will become effective in future fiscal years:

*GASB 72 – Fair Value Measurement and Application, effective for the year ending December 31, 2016.*

*GASB 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the year ending December 31, 2016.*

*GASB 75 – Accounting and Reporting for Post-Employment Benefits Other Than Pensions, effective for the year ending December 31, 2018.*

The Agency will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**Equity Classifications**

In the financial statements there are three classes of net position:

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

Restricted – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – reports all other net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the Agency.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources, which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency has three items that qualify for reporting in this category.

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

First is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the statement of net position. This represents the effect of the net change in the Agency's proportion of the collective net pension asset or liability and difference during the measurement period between the Agency's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the Agency's contributions to the pension systems subsequent to the measurement date. The Agency reported no deferred outflows of resources as of December 31, 2015 and 2014.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Agency has one item that qualifies for reporting in this category.

The item is related to pensions reported in the statement of net position. This represents the effect of the net change in the Agency's proportion of the collective net pension liability and difference during the measurement periods between the Agency's contributions and its proportion share of total contributions to the pension system not included in pension expense. The Agency reported no deferred inflows of resources as of December 31, 2015 and 2014.

**Advertising and Lobbying Expenses**

During the year ended December 31, 2014, the Agency incurred \$101,095 in lobbying expenses and \$46,440 in advertising expenses related to Sullivan County's efforts to obtain one of the licenses being issued for a full service casino in New York State. The expenses were aimed at convincing the NYS Gaming Facility and Location Board that Sullivan County would make an ideal resort destination for one of the casinos, and detailing the benefits it would provide to the County. In December 2014, the NYS Gaming Facility Location Board selected a Sullivan County casino project to apply to the NYS Gaming Commission for a gaming facility license. There were no casino related lobbying or advertising expenses during the year ended December 31, 2015.

NOTE 2 – CASH AND INVESTMENTS

New York State statutes govern the Agency's investment policies. In addition, the Agency has its own written investment policy. Agency monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Chief Executive Officer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

and its localities. Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance.

Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts. The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement. The Agency'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 Agency's name. \$ 1,217,739

NOTE 3 – 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. A schedule of notes receivable at December 31, 2015 and 2014 is as follows:

<u>Borrower</u>	<u>Original Loan</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>BALANCE</u>	
				<u>2015</u>	<u>2014</u>
The Bake House	\$ 20,000	2016	4.00%	\$ 12,373	\$ 14,985
Carmine's Meat Market	30,000	2016	3.00%	9,509	17,484
Davidson Sullivan Realty	50,000	2016	3.00%	8,887	19,257
Watt's Cooking	16,000	2020	4.00%	14,342	-
David Appel	75,000	2023	4.00%	<u>66,483</u>	<u>73,421</u>
IDA Revolving Loans				<u>111,594</u>	<u>125,147</u>
Kranky Pants	40,000	2020	4.00%	25,854	30,234
Malek Furniture	50,000	2017	4.00%	17,904	27,165
Samba	30,000	2017	4.00%	20,549	24,199
Prohibition Distillery	72,077	2022	4.00%	47,102	32,107
ND Pro Media	25,000	2017	4.00%	12,982	18,117
Callicoon Health Food	37,000	2018	4.00%	26,419	31,079
The Shoe Box	40,000	2018	4.00%	28,506	28,372
Riverside Remedies	40,000	2021	4.00%	35,921	39,586
Red Cottage Inc.	30,500	2020	4.00%	28,083	-
Catskill Distillery	50,000	2025	4.00%	<u>48,106</u>	<u>-</u>
RMAP Revolving Loans				<u>291,426</u>	<u>230,859</u>
Total Notes Receivable				<u>\$ 403,020</u>	<u>\$ 356,006</u>

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 4 – REVENUE BONDS

**Industrial Revenue Bonds**

Certain industrial revenue bonds and notes issued by the Agency are not obligations of the Agency. The Agency does not record the assets or liabilities resulting from the completed bond and note issues since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies, which are negotiated on a project by project basis. Industrial revenue bond activity for the year ended December 31, 2015 is as follows:

<u>PROJECT NAME</u>	<u>JANUARY 1, 2015</u>	<u>ISSUED</u>	<u>REDEEMED</u>	<u>DECEMBER 31, 2015</u>
Crystal Run Village	\$ <u>550,000</u>	\$ <u>          -</u>	\$ <u>155,000</u>	\$ <u>395,000</u>

NOTE 5 – UNEARNED REVENUE

The Agency had \$65,462 and \$69,564 in unearned revenue at December 31, 2015 and 2014, respectively. The balance in this account is made up of the following items:

	<u>2015</u>	<u>2014</u>
Administrative Fees	\$ 25,300	\$ 25,300
Reimbursed Legal Expenses	40,162	41,304
RMAP Technical Assistance Grant	<u>          -</u>	<u>      3,050</u>
	<u>\$ 65,462</u>	<u>\$ 69,654</u>

NOTE 6 – EQUIPMENT LEASE

The Agency has entered into a lease agreement with Catskill Distilling Company, LTD (Lessee), in which the Agency purchased equipment to be used by the lessee. The lessee will pay monthly payments of \$1,500 to the Agency, beginning on January 1, 2011 and continuing for 114 months until the end of the lease term on June 30, 2020. Upon expiration of the lease term, the lessee has the option to purchase the equipment for \$146,000. The equipment being leased is carried on the Agency's books as follows:

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 6 – EQUIPMENT LEASE (Continued)

Still	\$ 236,545
Tanks	55,906
Pump	<u>2,549</u>
	295,000
Accumulated Depreciation	<u>(74,978)</u>
Net Book Value	<u>\$ 220,022</u>

The future minimum lease payments to be received by the Agency under the terms of the agreement are as follows:

2016	\$ 18,000
2017	18,000
2018	18,000
2019	18,000
2020	<u>9,000</u>
	<u>\$ 81,000</u>

NOTE 7 – CAPITAL ASSETS

The Agency's capital assets for the year ended December 31, 2015 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Construction In Progress	\$ 1,387,012	\$ 334,845	\$ -	\$ 1,721,857
Non-Depreciable Historical Cost	<u>1,387,012</u>	<u>334,845</u>	-	<u>1,721,857</u>
Equipment - Distillery	295,000	164,086	-	459,086
Equipment	<u>5,968</u>	<u>1,229</u>	-	<u>7,197</u>
Depreciable Historical Cost	<u>300,968</u>	<u>165,315</u>	-	<u>466,283</u>
Accumulated Depreciation:				
Equipment-Distillery	60,229	14,749	-	74,978
Equipment	<u>1,581</u>	<u>1,318</u>	-	<u>2,899</u>
Total Accumulated Depreciation	<u>61,810</u>	<u>16,067</u>	-	<u>77,877</u>
Net Cost	<u>\$ 1,626,170</u>	<u>\$ 484,093</u>	<u>\$ -</u>	<u>\$ 2,110,263</u>

Depreciation expense for December 31, 2015 and 2014 was \$16,067 and \$15,455, respectively.

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 8 – RELATED PARTIES

The County of Sullivan, New York formed the Sullivan County Funding Corporation 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. Similar to the County of Sullivan Industrial Development Agency, the Sullivan County Funding Corporation is a component unit of the County of Sullivan.

During the year ended December 31, 2011, the Board of the County of Sullivan Industrial Development Agency authorized the Sullivan County Funding Corporation to take over certain functions that were previously carried out by the Agency. Beginning in 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 County of Sullivan Industrial Development Agency on a monthly basis for bookkeeping and related administrative costs.

The Agency received \$40,000 and \$40,000 from the Sullivan County Funding Corporation for administrative costs for the years ended December 31, 2015 and 2014, respectively.

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.

As of December 31, 2015, there was an outstanding payable of \$100,000 and an outstanding receivable of \$10,000 related to transactions between the two entities.

NOTE 9 – LONG TERM DEBT

The Agency has entered into an agreement with the United States Department of Agriculture (USDA) to create a Rural Microloan Revolving Fund (RMRF), which will provide loans to local eligible businesses. The funds drawn down from the USDA, which must be used to capitalize a Rural Microentrepreneur Assistance Program (RMAP), are in the form of a loan that must be repaid to the USDA. The outstanding amount will accrue interest at 2% per annum throughout the term of the loan but will be deferred for the first 24 months. Once the deferral period is over, the Agency must repay the loan in equally amortized monthly payments of principal and interest over a period not to exceed 20 years. The first payment, consisting of principal and interest, was due in May 2014.

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

NOTE 9 – LONG TERM DEBT (Continued)

The Agency has drawn down a total of \$414,577 of the \$440,000 loan funds available, and has accrued \$10,391 in deferred interest charges as of December 31, 2015.

The changes in the Agency's long term debt during the year ended December 31, 2015 are summarized as follows:

	<u>BALANCE</u> <u>01/01/15</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/15</u>	<u>AMOUNTS</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
RMAP Note Payable	<u>\$ 372,843</u>	<u>\$ 42,577</u>	<u>\$ 19,372</u>	<u>\$ 396,048</u>	<u>\$ 20,698</u>

The following is a summary of the Agency's future debt service requirements:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2016	\$ 20,698	\$ 7,726
2017	21,115	7,308
2018	21,541	6,883
2019	21,976	6,447
2020	22,420	6,004
2021-2025	119,072	23,046
2026-2030	131,585	10,534
2031-2032	<u>37,641</u>	<u>533</u>
TOTAL	<u>\$ 396,048</u>	<u>\$ 68,481</u>

NOTE 10 – EVENTS OCCURRING AFTER REPORTING DATE

The Agency has evaluated events and transactions that occurred between December 31, 2015 and March 30, 2016, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 11 – EQUIPMENT DEPOSIT

As of December 31, 2015, the Agency has placed deposits, totaling \$164,086, on various pieces of equipment that will be funded with USDA grant proceeds. Once the equipment is delivered and all grant requirements have been met, the Agency will be reimbursed for their portion of the final equipment costs. The equipment will then be leased out to various local businesses under terms that have yet to be determined.

COUNTY OF SULLIVAN  
 INDUSTRIAL DEVELOPMENT AGENCY  
 USDA RURAL MICROENTREPRENEUR ASSISTANCE PROGRAM  
 STATEMENT OF NET POSITION  
 DECEMBER 31,

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash – Loan Account	\$ 217,633	\$ 257,077
Cash – Technical Assistance Grant	40	12,057
Cash – Loan Loss Reserve	24,241	18,610
Notes Receivable (See Note 3)	<u>291,426</u>	<u>230,859</u>
<b>TOTAL ASSETS</b>	<u>533,340</u>	<u>518,603</u>
<b>LIABILITIES</b>		
Unearned Revenues (See Note 5)	-	3,050
Note Payable (See Note 9)	<u>396,048</u>	<u>372,843</u>
<b>TOTAL LIABILITIES</b>	<u>396,048</u>	<u>375,893</u>
<b>NET POSITION</b>		
Restricted	<u>137,292</u>	<u>142,710</u>
<b>TOTAL NET POSITION</b>	<u>\$ 137,292</u>	<u>\$ 142,710</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
USDA RURAL MICROENTREPRENEUR ASSISTANCE PROGRAM  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31,

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Interest on Notes Receivable	\$ 5,747	\$ 8,383
Technical Assistance Grant Income	<u>55,822</u>	<u>1,000</u>
TOTAL OPERATING REVENUES	<u>61,569</u>	<u>9,383</u>
OPERATING EXPENSES		
Technical Assistance Grant Expense	<u>64,790</u>	<u>1,000</u>
TOTAL OPERATING EXPENSES	<u>64,790</u>	<u>1,000</u>
NET OPERATING INCOME (LOSS)	(3,221)	8,383
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	51	75
Interest Expense	(7,875)	(7,436)
Funding of Loan Loss Reserve	<u>5,627</u>	<u>-</u>
NET INCOME (LOSS)	(5,418)	1,022
NET POSITION - Beginning of Year	<u>142,710</u>	<u>141,688</u>
NET POSITION – End of Year	<u>\$ 137,292</u>	<u>\$ 142,710</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

COUNTY OF SULLIVAN  
INDUSTRIAL DEVELOPMENT AGENCY  
INDUSTRIAL REVENUE BONDS  
DECEMBER 31, 2015

<u>PROJECT NAME</u>	<u>TAX STATUS</u>	<u>ISSUE DATE</u>	<u>INTEREST RATE</u>	<u>ISSUE AMOUNT</u>	<u>TAX EXEMPTIONS</u>		
					<u>COUNTY</u>	<u>LOCAL</u>	<u>SCHOOL</u>
Crystal Run Village Middletown, NY 10941	Not-For-Profit	6/06	4.15%	\$ 1,980,000	\$ -	\$ -	\$ -

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 Members of the County  
Of Sullivan Industrial Development Agency  
Monticello, New York 12701

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 County of Sullivan Industrial Development Agency, a component unit of the County of Sullivan, New York, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the County of Sullivan Industrial Development Agency's financial statements and have issued our report thereon dated March 30, 2016.

**Internal Control Over Financial Reporting**

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

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 Agency'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 County of Sullivan Industrial Development Agency, 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 County of Sullivan Industrial Development Agency'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.

  
Mongaup Valley, New York  
March 30, 2016