

**Hamilton County
Industrial Development Agency**

Financial Statements

December 31, 2015

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Independent Auditor's Report

Chairman and Agency Board
Hamilton County Industrial Development Agency
Lake Pleasant, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Hamilton County Industrial Development Agency (Agency), which comprise the statement of net position as of December 31, 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hamilton County Industrial Development Agency as of December 31, 2015, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

SaxBST LLP

Albany, New York
March 14, 2016

**Hamilton County
Industrial Development Agency**

Statement of Net Position

	<u>December 31, 2015</u>
ASSETS	
Cash	\$ 232,804
Community development loans receivable	855,806
Property held for sale or development	<u>1,116</u>
Total assets	<u>\$ 1,089,726</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Unearned income	<u>\$ 89,765</u>
NET POSITION	
Restricted	12,433
Unrestricted	<u>987,528</u>
	<u>999,961</u>
Total liabilities and net position	<u>\$ 1,089,726</u>

See accompanying Notes to Financial Statements.

**Hamilton County
Industrial Development Agency**

Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended December 31, 2015
OPERATING REVENUES	
Program income, community development loans	\$ 32,236
Interest income, community development loans	15,569
	<u>47,805</u>
OPERATING EXPENSES	
Economic development programs	8,991
Insurance	1,462
Professional fees	3,425
Other operating expenses	1,129
	<u>15,007</u>
Operating income	32,798
NONOPERATING REVENUES	
Interest and earnings on temporary cash investments	28
	<u>28</u>
Change in net position	32,826
NET POSITION, <i>beginning of year</i>	<u>967,135</u>
NET POSITION, <i>end of year</i>	<u>\$ 999,961</u>

See accompanying Notes to Financial Statements.

Hamilton County Industrial Development Agency

Statement of Cash Flows

	<u>Year Ended December 31, 2015</u>
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	
Principal and interest receipts, loans receivable	\$ 162,652
Advances on loans	(110,000)
Payments to vendors	(6,072)
	<u>46,580</u>
CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of fixed assets	<u>(116)</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	
Interest income	<u>28</u>
Net increase in cash	46,492
CASH, <i>beginning of year</i>	<u>186,312</u>
CASH, <i>end of year</i>	<u><u>\$ 232,804</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 32,798
(Increase) decrease in	
Community development loans receivable	46,074
Increase (decrease) in	
Accounts payable	(56)
Unearned income	(32,236)
	<u><u>\$ 46,580</u></u>

See accompanying Notes to Financial Statements.

Hamilton County Industrial Development Agency

Notes to Financial Statements
December 31, 2015

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization and Purpose

The Hamilton County Industrial Development Agency (Agency) is a public benefit corporation created in 1986 by the New York State Legislature pursuant to Article 18-A and Section 926-R of the General Municipal Law of the State of New York. The purpose of the Agency is to promote commerce and industry within the County of Hamilton (County) and to advance the general prosperity and economic welfare of the citizens of the County. The primary objective of the Agency is to encourage and assist entrepreneurial activity, business expansion, and job creation. The members of the Agency Board are appointed by the County Board of Supervisors. The Chairman is elected by members of the Agency Board.

b. Basis of Accounting and Financial Statement Presentation

The Agency's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Agency is determined by its measurement focus. The transactions of the Agency are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statement of net position. Net position is segregated into restricted and unrestricted components, as follows:

- *Restricted net position* consists of assets that are restricted by the Board for specific purposes, and
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of restricted net position.

c. Estimates

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

d. Cash and Investments

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

Collateral is required for demand deposits and certificates of deposit 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 the State and its municipalities and school districts. Deposits are categorized as either (1) insured by FDIC insurance, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in the Agency's name, or (3) uncollateralized.

Cash balances at December 31, 2015 were fully insured.

Hamilton County Industrial Development Agency

Notes to Financial Statements
December 31, 2015

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

e. Community Development Funds

The Agency has entered into various agreements with the County to act as the subrecipient of certain federal Rural Business Enterprise Grant (RBE) Program Revolving Loan funds which the County receives from the United States Department of Agriculture (USDA) through the New York State Office of Rural Development. In general, the applicable federal funds and proceeds from repayment of loans initially made from the federal funds can be used to make grants or loans to eligible recipients for authorized purposes. Over the past few years, the federal funds have been used for eligible grant and loan programs.

The Agency accounts for federal fund transactions in accordance with the applicable federal and state program requirements. Receipt of the federal pass-through funds is recorded as federal aid revenue when all eligibility requirements have been met, and expenditures for loans or grants to eligible recipients are recorded as expenses. In accordance with federal requirements, repayment of loan proceeds is considered program income and must be accounted for and used for similar authorized purposes. Accordingly, loans made under the federal programs are also recorded as receivables from the loan recipients, with the principal amount offset by deferred revenues. Some loans were made at zero percent interest. Based on compliance with program requirements, portions of some of the outstanding loans may be forgiven. As program revenue is received from the loan repayments and recorded as revenue, the related loans receivable and deferred revenue accounts are also adjusted. If portions of the loans are forgiven, the related loans receivable and deferred revenue accounts are reduced.

f. Revenue Recognition

Revenues are recognized when earned, and expenses are recognized when incurred. The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the Agency. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

g. Property Held for Development and Resale

Property held for development and resale is recorded at the lower of cost or fair value. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas remediation, maintenance, and repair costs are expensed as incurred. When property held for development and resale is retired or otherwise disposed of, the appropriate accounts are relieved of costs, and any resultant gain or loss is credited or charged to the change in net position.

h. Subsequent Events

The Agency has evaluated subsequent events for potential recognition or disclosure through March 14, 2016, the date the financial statements were available to be issued.

Hamilton County Industrial Development Agency

Notes to Financial Statements
December 31, 2015

Note 2 - Loans Receivable

A summary of the Agency's activity during 2015 in loans receivable is as follows:

	<u>Total</u>
Loans receivable, <i>beginning of year</i>	\$ 901,880
Loans advanced	110,000
Principal repayments	(147,083)
Satisfaction of program requirements	<u>(8,991)</u>
Loans receivable, <i>end of year</i>	<u>\$ 855,806</u>

The receivables are repayable to the Agency in accordance with the individual loan agreements and generally provide for monthly repayments with terms of up to twenty years with interest ranging from 0% to 3%.

Note 3 - Property Held for Development and Resale

Property held for development and resale consists principally of a development parcel.

Note 4 - Commitments and Contingencies

The USDA grants received by the Agency through the County are subject to audit by certain agencies of New York State and the United States Government. Such audits could result in disallowances and a request for return of funds. The Agency administration believes disallowances, if any, will be immaterial.

**Independent Auditor's 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***

Chairman and Agency Board
Hamilton County Industrial Development Agency
Lake Pleasant, New York

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 statement of net position of the Hamilton County Industrial Development Agency (Agency) as of December 31, 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SaxBST LLP

Albany, New York
March 14, 2016