Hamilton County
Industrial Development Agency

Financial Statements

December 31, 2020 and 2019

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C O N T E N T S

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) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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 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 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 Agency as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Management has omitted management's discussion and analysis 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 29, 2021, 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 solely 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 effectiveness of the Agency's 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.

BST + Co. CPAs, LLP

Albany, New York
March 29, 2021

Hamilton County
Industrial Development Agency

Statements of Net Position

	December 31, 2020	December 31, 2019
ASSETS		
Cash	$ 290,036	$ 271,460
Cash, restricted	75,451	67,746
Property held for sale or redevelopment	1,117	1117
Loans receivable, net	684,872	699,774
Total assets	**$ 1,051,476**	**$ 1,040,097**
LIABILITIES AND NET POSITION		
LIABILITIES		
Unearned income	31,414	36,429
NET POSITION		
Restricted	75,451	67,746
Unrestricted	944,611	935,922
	1,020,062	1,003,668
Total liabilities and net position	**$ 1,051,476**	**$ 1,040,097**

See accompanying Notes to Financial Statements.

Hamilton County
Industrial Development Agency

Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended December 31, 2020	Year Ended December 31, 2019
OPERATING REVENUES		
Program income, community development loans	$ 8,459	$ 9,612
Interest income, community development loans	12,623	13,950
Operating grants	10,000	-
	31,082	23,562
OPERATING EXPENSES		
Insurance	517	517
Professional fees	4,500	4,500
Travel	268	594
Grant programs	9,581	-
Bad debt expense	-	75,000
	14,866	80,611
Operating income (loss)	**16,216**	**(57,049)**
NONOPERATING REVENUES		
Interest and earnings on temporary cash investments	178	36
Change in net position	**16,394**	**(57,013)**
NET POSITION, *beginning of year*	1,003,668	1,060,681
NET POSITION, *end of year*	**$ 1,020,062**	**$ 1,003,668**

See accompanying Notes to Financial Statements.

Hamilton County
Industrial Development Agency

Statements of Cash Flows

	December 31, 2020	December 31, 2019
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Principal and interest receipts, grant receipts	$ 135,969	$ 285,243
Advances on loans	(95,000)	(61,000)
Payments to vendors	(14,866)	(5,611)
	26,103	**218,632**
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Interest income	**178**	**36**
Net increase in cash	**26,281**	**218,668**
CASH, *beginning of year*	339,206	120,538
CASH, *end of year*	**$ 365,487**	**$ 339,206**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ 16,216	$ (57,049)
Bad debt expense	-	75,000
(Increase) decrease in		
Loans receivable	14,902	209,205
Increase (decrease) in		
Unearned income	(5,015)	(8,524)
	$ 26,103	**$ 218,632**

See accompanying Notes to Financial Statements.

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 conformity 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:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by related outstanding debt balances.
- *Restricted net position* consists of restricted assets related to the USDA loan program, and
- *Unrestricted net position* consists of assets and liabilities that do not meet the definition of restricted net position.

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.

c. 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 reporting period. Actual results could differ from those estimates.

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

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 Federal Deposit Insurance Corporation (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 insured by the FDIC. 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 the FDIC; (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.

The Agency's exposure to deposit credit risk at December 31, 2020 and 2019 was approximately $40,036 and $5,300, respectively.

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 (RBEG) 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. Federal funds are 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. Property Held for Development and Resale

Property held for development and resale is recorded at the lower of cost or net realizable 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.

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

g. Subsequent Events

The Agency has evaluated subsequent events for potential recognition or disclosure through March 29, 2021, the date the financial statements were available to be issued.

Note 2 - Loans Receivable

A summary of loan receivable activity during 2020 and 2019 is as follows:

	Loans Receivable	Allowance for Uncollectible Amounts	Loans Receivable, Net
January 1, 2020	$ 786,094	$ (86,320)	$ 699,774
Loans advanced	95,000	-	95,000
Principal repayments	(109,902)	-	(109,902)
December 31, 2020	$ 771,192	$ (86,320)	$ 684,872

	Loans Receivable	Allowance for Uncollectible Amounts	Loans Receivable, Net
January 1, 2019	$ 995,299	$ (11,320)	$ 983,979
Loans advanced	61,000	-	61,000
Principal repayments	(270,205)	-	(270,205)
Provisions	-	(75,000)	(75,000)
December 31, 2019	$ 786,094	$ (86,320)	$ 699,774

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%. These loans are generally collateralized by property of the loan recipients. Loans receivable are stated net of an allowance for estimated uncollectible amounts. The Agency records an allowance based on a review of outstanding loan balances and collection history. The allowance is reviewed annually.

Note 3 - Property Held for Development and Resale

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

Note 4 - Contingencies, Risks and Uncertainties

a. USDA Grants

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.

b. Financial Impacts of the Coronavirus

The Agency's loan portfolio is concentrated in Hamilton County and includes a variety of industries adversely impacted by the coronavirus. Despite the gradual reopening process, it is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Agency. It is reasonably possible that estimates made in the financial statements may be adversely impacted as a result of these conditions, including expected bad debts on receivables.

Note 5 - Accounting Standards Not Yet Implemented

GASB Statement No. 87, *Leases.* This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and the recognition of inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period.* This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2020.

Note 5 - Accounting Standards Not Yet Implemented - Continued

GASB Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with: (1) commitments extended by issuers; (2) arrangements associated with conduit debt obligations; and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92, *Omnibus 2020.* This statement addresses a variety of topics including leases, intra-entity transfers, fiduciary activities, public entity risk pools/reinsurance recoveries, fair value measurements, and derivative instrument terminology. Guidance related to leases, reinsurance recoveries and derivative instrument terminology was effective upon the issuance of the standard in January 2020. The remaining components of this standard, as delayed by GASB 95, are effective for periods beginning after June 15, 2021.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement addresses governments that have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallbacks provisions to the reference rate. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of IBOR, such as providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, and clarifying the definition of reference rate. The removal of the London IBOR as an appropriate benchmark interest rate is effective for reporting periods beginning after December 31, 2021. The requirements to lease modifications, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a government or nongovernment entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets (the underlying PPP asset), for a period of timing in an exchange or exchange-like transaction. Some PPP's meet the definition of a service concession arrangement (SCA), which GASB defines in this statement as a PPP in which: (1) the operator collects and is compensated by fees from third parties;

Note 5 - Accounting Standards Issued But Not Yet Implemented - Continued

(2) the transferor determines or has the ability to modify or approve which services the operator to require to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement are effective for fiscal years beginning after June 5, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting of subscription-based information technology arrangements (SBITA) including the definition of a SBITA, establishment of a right-to-use subscription asset and related liability, providing capitalization criteria, and requiring note disclosures. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, and amendment of GASB Statements No 14 and No. 84, and a supersession of GASB Statement No. 32*. This statement has three objectives: (1) to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board would typically perform; (2) to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit plans (OPEB), and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) to enhance the relevance, consistency, and comparability of the accounting and financial reporting for the Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. Certain requirements of this statement are effective immediately, and certain requirements are effective for reporting periods beginning after June 15, 2021.

Management has not yet estimated the extent of the potential impact of these statements on the Agency's financial statements.

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 financial statements of the Hamilton County Industrial Development Agency (Agency), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated March 29, 2021.

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) as a basis for designing 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 financial statements. 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 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.

BST + Co. CPAs, LLP

Albany, New York
March 29, 2021