

SULLIVAN COUNTY FUNDING CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2011

SULLIVAN COUNTY
FUNDING CORPORATION
DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the Sullivan County Funding Corporation, a component unit of the County of Sullivan, New York, as of December 31, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Sullivan County Funding Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sullivan County Funding Corporation as of December 31, 2011, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012, on our consideration of the Sullivan County Funding Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sullivan County Funding Corporation's financial statements as a whole. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental schedule is the responsibility of management and was derived from and 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.

Cooper, Neumann & Co. CPA's LLP

Mongaup Valley, New York
March 28, 2012

SULLIVAN COUNTY FUNDING CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS

Cash	\$ 564,271
Accounts Receivable	7,780
Due From Related Parties	<u>125,107</u>

TOTAL ASSETS \$ 697,158

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 11,660
Due To Related Parties	<u>3,333</u>

TOTAL LIABILITIES 14,993

NET ASSETS

Unrestricted	<u>682,165</u>
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TOTAL NET ASSETS 682,165

TOTAL LIABILITIES AND NET ASSETS \$ 697,158

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

SULLIVAN COUNTY FUNDING CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>
OPERATING REVENUES	
Administrative Fees	\$ 390,690
Reimbursed Expenses	<u>18,824</u>
TOTAL OPERATING REVENUES	<u>409,514</u>
OPERATING EXPENSES	
Legal and Professional Fees	23,824
Administration	<u>3,333</u>
TOTAL OPERATING EXPENSES	<u>27,157</u>
NET OPERATING REVENUE	382,357
NON-OPERATING REVENUE	
Transfer From County of Sullivan IDA (See Note 5)	<u>299,808</u>
CHANGE IN NET ASSETS	682,165
NET ASSETS - Beginning of Period	<u> -</u>
NET ASSETS – End of Period	<u>\$ 682,165</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

SULLIVAN COUNTY FUNDING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from providing services	\$ 401,734
Cash payments for contractual expenses	(12,164)
Cash received from County of Sullivan IDA	<u>174,701</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>564,271</u>
NET INCREASE IN CASH	564,271
CASH- BEGINNING OF PERIOD	<u>-</u>
CASH- END OF PERIOD	<u>\$ 564,271</u>
Reconciliation of operating revenue (loss) to net cash provided (used) by operating activities:	
Operating Revenue (Loss)	\$ 382,357
Transfer from County of Sullivan IDA	299,808
Decrease (Increase) in Operating Assets:	
Accounts Receivable	(7,780)
Due From Other Governments	(125,107)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	11,660
Due to Other Governments	<u>3,333</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 564,271</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

SULLIVAN COUNTY FUNDING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The Sullivan County Funding Corporation was established on November 24, 2010 under Section 1411 of the Not For Profit Corporation Law, which covers local development corporations. The purpose of the Sullivan County Funding Corporation is to foster the creation, retention and expansion of jobs and economic opportunities within Sullivan County.

Financial Reporting Entity

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

Basis of Accounting

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

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

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

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

Use of Estimates

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

SULLIVAN COUNTY FUNDING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

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

NOTE 2 – REVENUE BONDS

Revenue Bonds

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

Industrial revenue bond activity for the year ended December 31, 2011 is as follows:

<u>PROJECT NAME</u>	<u>JANUARY 1,</u> <u>2011</u>	<u>ISSUED</u>	<u>REDEEMED</u>	<u>DECEMBER 31,</u> <u>2011</u>
Sullivan Diagnostic Treatment Center	\$ -	\$ 69,710,000	\$ -	\$ 69,710,000
Sullivan Diagnostic Treatment Center	<u>-</u>	<u>878,000</u>	<u>-</u>	<u>878,000</u>
	<u>\$ -</u>	<u>\$ 70,588,000</u>	<u>\$ -</u>	<u>\$ 70,588,000</u>

NOTE 3 – CASH AND INVESTMENTS

The Corporation has its own written investment policy. Corporation monies may be deposited in FDIC-insured commercial banks in the form of demand deposits or certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, and obligations of New York State.

SULLIVAN COUNTY FUNDING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3 – CASH AND INVESTMENTS (Continued)

Collateral is required for demand deposits and certificates of deposit on all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the 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.

The Corporation's aggregate bank balances included balances not covered by depository insurance at year end, collateralized as follows:

Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the Corporation's name.	<u>\$ 309,044</u>
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NOTE 4 – EVENTS OCCURRING AFTER REPORTING DATE

The Sullivan County Funding Corporation has evaluated events and transactions that occurred between December 31, 2011 and March 28, 2012, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 5 – RELATED PARTIES

During the year ended December 31, 2011, the Board of the County of Sullivan Industrial Development Agency (the "Agency"), a component unit of the County of Sullivan, authorized the Sullivan County Funding Corporation to take over certain functions that were previously carried out by the Agency. As a result, the Agency authorized the transfer of \$299,808 to the Sullivan County Funding Corporation, which represents the remaining balance of funds received by the Agency for the years 2009 through 2011 related to an agreement with the Millenium Pipeline Company dated April 21, 2009.

Beginning in 2012, the Sullivan County Funding Corporation will take 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 will reimburse the Agency on a monthly basis for bookkeeping and related administrative costs. For the year ended December 31, 2011, the Sullivan County Funding Corporation paid \$3,333 to the Agency for bookkeeping and administrative costs.

SULLIVAN COUNTY FUNDING CORPORATION
 REVENUE BONDS
 DECEMBER 31, 2011

<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>
Sullivan County Diagnostic Treatment Center	Not-For-Profit	12/11	Variable	\$ 69,710,000	0	0	0
Sullivan County Diagnostic Treatment Center	Not-For-Profit	12/11	4.20%-4.45%	878,000	0	0	0



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

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

We have audited the financial statements of the Sullivan County Funding Corporation, a component unit of the County of Sullivan, New York, as of and for the year ended December 31, 2011, and have issued our report thereon dated March 28, 2012. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sullivan County Funding Corporation, New York's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sullivan County Funding Corporation, New York's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sullivan County Funding Corporation, New York's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency. 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. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting:

Management does not possess the necessary training required to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sullivan County Funding Corporation, New York's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board Members, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The Sullivan County Funding Corporation, New York's written response to the significant deficiency identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Cooper, Nemann & Co, CPA's LLP

Mongaup Valley, New York

March 28, 2012