

SCHOHARIE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

Year ended June 30, 2012 and 2011

SCHOHARIE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

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INDEPENDENT AUDITORS' REPORT

Schoharie County Industrial
Development Agency
349 Mineral Springs Road
Cobleskill, New York

We have audited the accompanying financial statement of the net assets of the Schoharie County Industrial Development Agency (the "Agency") as of and for the year ended June 30, 2012 and 2011, and the related statements of revenue, expenditures, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 the 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 respective financial position of the Agency as of June 30, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended in conformity with generally accepted accounting principles (GAAP) in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2012, 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 grants 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion & Analysis 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, and 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 method 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 IDA's financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules on Pages 18 – 19 in the other financial information section, 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 the 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 taken as a whole.

The Schedules of Outstanding Sale and Lease Agreements and Full Time Equivalent (FTE) Jobs Created and Retained are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements.

Gruva, Jureifel & Scott, LLP

Oneonta, New York
August 29, 2012

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the Schoharie County Industrial Development Agency (the "Agency"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the Agency for the fiscal year ended June 30, 2012. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. The Agency encourages its readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Financial Highlights

The Agency's net assets decreased by \$44,964 from last year.

The Agency's operating revenues increased by \$2,850 from last year.

The Agency's operating expenses increased by \$53,608 from last year. This is due primarily to the write off of an uncollectable note receivable.

Overview of the Financial Statements

This discussion and analysis accompanies the Agency's financial statements, including notes to the financial statements and the reports on compliance and internal control to help the reader better understand the financials.

Financial Statements

The Agency's financial statements provide readers with a comprehensive reporting of the Agency's 2012 transactions and balances. The difference between the assets and liabilities are reported as net assets. Increases or decreases in net assets are an indicator of strengthened or weakened financial position.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

Operating revenues for the Agency were \$84,683 for fiscal year 2012. This was an increase of 3.48% over the prior year. Income net of expenses produced a decrease in net assets of \$44,964. At the close of fiscal year 2012, the Agency had net assets of \$2,386,985. This is a decrease of 1.88% over the prior year, which is attributable to collections on loans and administrative fees.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Agency's prime objective is to provide assistance to existing businesses and expansions and business startups with professional assistance, educational programs and loans. The loan funds are comprised of grants dedicated to this purpose and matching funds from the Agency's accumulated working capital. The loans in the entity's statement of net assets are the major assets. For the Agency's loans, the financial statement shows a decrease from \$1,237,196 at year-end 2011, to \$1,173,278 at year-end 2012, a net decrease of \$63,918.

Following is a 2012-2011 comparative summary of the Agency's financial statements, showing the increase in net assets:

NET ASSETS

	<u>2012</u>	<u>2011</u>
Current assets	\$ 1,397,428	\$ 1,219,907
Non-current assets	<u>1,189,700</u>	<u>1,213,088</u>
Total assets	<u>\$ 2,587,128</u>	<u>\$ 2,432,995</u>
Current liabilities	\$ 143	\$ 1,046
Non-current liabilities	200,000	-
Net assets	<u>2,386,985</u>	<u>2,431,949</u>
Total liabilities and net assets	<u>\$ 2,587,128</u>	<u>\$ 2,432,995</u>

CHANGES IN NET ASSETS

	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 84,683	\$ 81,833
Operating expenses	<u>129,647</u>	<u>76,039</u>
Operating income (loss)	(44,964)	5,794
Net assets, beginning of year	<u>2,431,949</u>	<u>2,426,155</u>
Net assets, end of year	<u>\$ 2,386,985</u>	<u>\$ 2,431,949</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

2013 GOALS

1. Continued administration of the MICRO Economics Loan Program;
2. Continued administration of current lease agreements and payments in-lieu of taxes agreements;
3. Assist three companies and one non-profit in their expansion with possible benefits; and continue to assist the Planning and Economic Development Agency with efforts to attract businesses to Schoharie County.

Requests for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Schoharie County Industrial Development Agency, 349 Mineral Springs Road, Cobleskill, New York 12043.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET ASSETS

June 30, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 723,251	\$ 588,129
Certificates of deposit	352,642	351,517
Accrued interest receivable	174	260
Prepaid expenses	7,714	9,659
Notes and capital leases receivable - Current portion	313,647	270,342
Total current assets	<u>1,397,428</u>	<u>1,219,907</u>
Fixed assets:		
Land	82,257	82,257
Buildings and improvements	150,449	131,526
Office equipment	16,077	16,077
Total fixed assets	<u>248,783</u>	<u>229,860</u>
Less: Accumulated depreciation	<u>(86,029)</u>	<u>(79,956)</u>
Total net fixed assets	<u>162,754</u>	<u>149,904</u>
Other assets:		
Land held for resale	167,315	96,330
Notes and capital leases receivable - Long term	859,631	966,854
Total other assets	<u>1,026,946</u>	<u>1,063,184</u>
Total assets	<u>\$ 2,587,128</u>	<u>\$ 2,432,995</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accrued expenses	\$ 143	\$ 1,046
Total current liabilities	<u>143</u>	<u>1,046</u>
Noncurrent liabilities:		
Note payable	200,000	-
Total noncurrent liabilities	<u>200,000</u>	<u>-</u>
Total liabilities	<u>200,143</u>	<u>1,046</u>
Net assets:		
Invested in capital assets, net of related debt	162,754	149,904
Unrestricted	2,224,231	2,282,045
Total net assets	<u>2,386,985</u>	<u>2,431,949</u>
Total liabilities and net assets	<u>\$ 2,587,128</u>	<u>\$ 2,432,995</u>

See accompanying notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Interest and earnings	\$ 7,457	\$ 9,542
Interest on notes	34,024	35,871
Lease income	5,450	14,775
Administrative fees	37,750	21,512
Miscellaneous	<u>2</u>	<u>133</u>
Total operating revenues	<u>84,683</u>	<u>81,833</u>
Operating expenses:		
Payroll and related expenses	26,774	24,148
Travel	1,033	981
Insurance	4,268	4,173
Legal and accounting	11,984	7,319
Bad debts	56,927	10,979
Maintenance and supplies	10,397	15,043
Miscellaneous	863	-
Depreciation	6,073	5,298
Administrative	11,306	8,073
Fire tax	<u>22</u>	<u>25</u>
Total operating expenses	<u>129,647</u>	<u>76,039</u>
Net operating income (loss)	(44,964)	5,794
Net assets, beginning of year	<u>2,431,949</u>	<u>2,426,155</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,386,985</u></u>	<u><u>\$ 2,431,949</u></u>

See accompany notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENTS OF CASH FLOWS

Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net income (loss)	\$ (44,964)	\$ 5,794
Adjustments to reconcile net income to net cash provided by operating and non-operating activities:		
Depreciation	6,073	5,298
Bad debts	56,927	10,979
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	-	14,637
(Increase) decrease in accrued interest receivable	86	1,111
(Increase) decrease in prepaid expenses	1,945	(6,645)
Increase (decrease) in accounts payable and commitments	(903)	147
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>19,164</u>	<u>31,321</u>
Cash flows from investing activities:		
Purchase of fixed assets	(18,923)	(2,986)
Purchase of land held for resale	(70,985)	(27,040)
Increase in notes receivable	(131,271)	(96,585)
Principal payments on notes receivable	138,262	155,966
Net purchase and maturity of certificates of deposits	(1,125)	246,710
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(84,042)</u>	<u>276,065</u>
Cash flows from financing activities:		
Proceeds from note payable	200,000	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>200,000</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	135,122	307,386
Cash and cash equivalents, beginning of year	<u>588,129</u>	<u>280,743</u>
Cash and cash equivalents, end of year	<u>\$ 723,251</u>	<u>\$ 588,129</u>

See accompanying notes.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

The Schoharie County Industrial Development Agency (the "Agency") was duly established under Title I of Article 18-A of the General Municipal Law of the State of New York, as amended, and Chapter 114 of the Laws of 1973 of the State and is a public benefit corporation of the State.

The Agency was formed for the purpose of encouraging economic growth in the County of Schoharie. The Agency is exempt from federal, state and local income taxes. The Agency, although established by the Schoharie County Board of Supervisors, as a separate entity and operates independently of the County of Schoharie.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Schoharie County Industrial Development Agency have been prepared in conformity with generally accepted accounting principles (GAAP). Significant accounting policies are:

Method of Accounting

As a result of its organization under municipal law, the Agency uses fund accounting to record transactions. Because a major source of revenue is based on fees and rents, an enterprise fund is used to account for and report the Agency's financial activity.

All enterprise funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Interest on proceeds used in financing the construction of certain assets is capitalized during the construction period.

Depreciation of exhaustible fixed assets used by enterprise funds is charged as an expense against operations, and accumulated depreciation is reported on the enterprise funds' balance sheets.

Grant Accounting

Pass-through grants are recorded as receivables, revenues, liabilities and expenses when awarded. All other grants are recorded as receivables and deferred revenues upon award of the contracts; revenues are recognized as the Agency meets performance requirements of the contracts.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, management considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable is carried at its full value. Uncollectible accounts are charged to expenditures when an account is deemed uncollectible by management. Outstanding balances at June 30, 2012 and 2011 amounted to \$-0-.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Accrued Interest Receivable

Accrued interest receivable consists of interest on certificates of deposits that have been earned but not received. The balance at June 30, 2012 and 2011 was \$174 and \$260, respectively.

Investments Policy

The Agency's investment policies are governed by State statutes. 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 Agency is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and obligations of New York State or its localities.

Prepaid Expenses

Prepaid expenses consist of insurance coverage for the next fiscal year, which at June 30, 2012 and 2011 was \$7,714 and \$9,659, respectively.

Fixed Assets

Fixed assets acquired by the Agency are stated at cost (or estimated historical cost), including interest capitalized during construction where applicable. Contributed assets are recorded at fair market value at the date received. Major additions and betterments in excess of \$1,000 are capitalized, while maintenance and repairs, which do not appreciably extend the useful lives of the related assets, are charged to expense as incurred. There are no reversionary interests by the grantor in the assets. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets. Depreciation expense amounted to \$6,073 and \$5,298 in 2012 and 2011, respectively.

Revolving Loans and Fund Balance Restrictions

The Agency offers low-interest loans to area businesses. The loans are approved by the governing board after giving consideration to the major criteria, ie, enhancement of the economic environment, revenue recognition on these loans is limited to the receipt of interest.

Repayment on revolving loan notes receivable is restricted in their use. While a portion may be used to defer administrative costs, the majority must be used to further economic development in Schoharie County.

Use of Estimates

The preparation of financial statements in conformity with 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 report period. Actual results could differ from those estimates.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Events Occurring After Reporting Date

The Agency has evaluated subsequent events through August 29, 2012, which is the date the financial statements were available to be issued.

NOTE 3 CERTIFICATES OF DEPOSIT

Certificates of deposit consist of four separate accounts. For the years ended June 30, 2012 and 2011, certificates of deposit totaled \$352,642 and \$351,517, respectively. The certificates of deposit have terms of three to twenty-five months, and bear interest ranging from 1% to 2%. The certificates are maintained in three separate banks that are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank.

NOTE 4 NOTES AND CAPITAL LEASES RECEIVABLE

The following table summarizes the Agency's notes receivable:

	2012	2011
<u>Operating Fund</u>		
\$50,000 note receivable with monthly payments of \$449 including interest at 7%, from October 8, 1996 through October 7, 2011; collateralized by a mortgage (See Note 7).	\$ -	\$ 1,773
\$80,000 note receivable with monthly payments of \$715 including interest at 6.9% from October 19, 2001 through October 19, 2016; collateralized by a mortgage.	32,053	38,186
\$343,000 capital lease receivable, with monthly payments of principal only of \$600, and yearly payments of a principal of \$15,667, from September 6, 2002 through September 6, 2016; collateralized by a mortgage. The Agency holds the title to the property until all principal payments have been made.	116,134	139,001
\$37,765 note receivable with monthly payments of \$470 including interest at 6% from December 21, 2004 through November 21, 2009; collateralized by equipment. This loan is currently in default. No payments have been received since December 2010.	17,411	17,411

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 NOTES AND CAPITAL LEASES RECEIVABLE (Cont'd.)

	2012	2011
\$100,000 note receivable with monthly payments of \$3,475 including interest at 3.25% with payments starting July 2011 through January 2014; collateralized by a mortgage.	\$ 64,272	\$ 100,000
\$35,000 note receivable including interest at 3.25% with payments on March 9, June 9, September 9. Interest only of \$284 then on December 9, 2012, the unpaid principal and accrued interest is due in full.	35,000	35,000
\$35,000 capital lease receivable with monthly payments of \$315 including interest at 7%, from July 25, 2001 through August 25, 2016. The Agency holds the title to the property until all principal payments have been made.	13,373	16,108
Subtotal – Operating Fund	278,243	347,479
<u>Micro Enterprise Fund</u>		
\$24,000 note receivable with monthly payments of \$206, including interest at 6% from October 1, 2006 through October 1, 2012; collateralized by a mortgage.	684	3,338
\$35,000 note receivable with monthly payments of \$338 including interest at 3% from December 6, 2003 through December 6, 2008 with a balloon payment due January 6, 2009; collateralized by a mortgage. This loan has been in default since January 2009.	10,320	12,388
\$40,000 note receivable with monthly payments of \$424 including interest at 5% from October 14, 2004 through September 14, 2016; collateralized by equipment.	28,509	30,612
\$10,000 note receivable with monthly payments of \$107 including interest at 5.25% from October 27, 2005 to October 27, 2015; collateralized by a mortgage.	4,019	5,065
\$35,000 note receivable with monthly payments of \$371 including interest at 5.00% from December 28, 2005 to November 28, 2010 with a balloon payment due December 28, 2011; collateralized by equipment. This loan is currently in default. No payments have been received since August 2011.	17,324	19,382
\$30,550 note receivable with monthly payments of \$407 including interest at 3.25% from January 1, 2010 to December 1, 2016; collateralized by a mortgage.	20,427	24,575

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 NOTES AND CAPITAL LEASES RECEIVABLE (Cont'd.)

	<u>2012</u>	<u>2011</u>
<p>\$88,942 note receivable with monthly payments of \$1,086 including interest at 5.5% from January 31, 2009 to August 31, 2015 with a balloon payment due August 31, 2015; collateralized by a mortgage. The original terms were \$100,000 note receivable with monthly payments \$1,085 including interest at 5.50% from June 28, 2006 to July 28, 2013 with a balloon payment due June 28, 2013; collateralized by a mortgage. No payments have been received since the inception of the note.</p>	\$ 88,942	\$ 88,942
<p>\$20,000 note receivable with monthly payments of \$362 including interest at 3.25% from May 15, 2010 to April 15, 2015; collateralized by a mortgage.</p>	12,056	17,517
<p>\$75,976 note receivable with monthly payments of \$641 including interest at 6.25% from January 1, 2011 through May 1, 2026; collateralized by a mortgage. The original terms were \$75,000 note receivable with monthly payments of \$548 including interest at 6.25% No payments were received since refinancing; collateralized by a mortgage. Interest in the amount of \$8,769 was capitalized as of June 30, 2012.</p>	84,745	75,976
<p>\$99,553 note receivable with monthly payments of \$1,020 including interest at 3% from August 2010 through November 1, 2019; collateralized by two second mortgages. The original terms were \$100,000 note receivable with monthly payments of \$1,123 including interest at 6.25% from January 1, 2008 through January 1, 2018; collateralized by two second mortgages. Due to economic hardship, the Agency agreed to accept interest only payments for the fiscal year ended June 30, 2012.</p>	99,553	99,553
<p>\$23,620 note receivable with monthly payments of \$500 including interest at 5.25% from July 8, 2010 through September 8, 2014 then a payment of \$433 on October 8, 2014; collateralized by equipment. The original terms were \$35,000 note receivable with monthly payments of \$1,022 including interest at 3.25% from April 3, 2008 through April 3, 2011; collateralized by equipment.</p>	18,422	22,857

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 NOTES AND CAPITAL LEASES RECEIVABLE (Cont'd.)

	2012	2011
\$67,000 note receivable with monthly payments of \$885 including interest at 3.00% from October 16, 2008 through October 16, 2015; collateralized by land and building. This property was foreclosed upon and sold, resulting in net proceeds of \$5,166. The remainder was written of as uncollectible.	\$ -	\$ 62,093
\$100,000 note receivable with monthly payments of \$977 including interest at 3.25% from November 7, 2008 through November 7, 2018; collateralized by land and building.	70,101	79,382
\$100,000 note receivable with monthly payments of \$966 including interest at 3.00% from November 30, 2008 through November 30, 2018; collateralized by land and building.	83,116	85,441
\$17,500 note receivable with monthly payments of \$177 including interest at 4.00% from November 3, 2008 through November 3, 2018; collateralized by land and building.	11,879	13,494
Subtotal – Micro Enterprise Fund	550,097	640,615
<u>Revolving Loan Fund</u>		
\$20,000 note receivable with monthly payments of interest only at 6.25% from March 1, 2007 to October 1, 2009. This note was renegotiated on June 28, 2010 to monthly payments of \$334 including interest at 3.25% ending June 28, 2015. The loan is secured with a personal guarantee.	10,878	14,943
\$49,750 note receivable with monthly payments of \$480 including interest at 3% from March 5, 2004 through March 5, 2009 with a balloon payment due April 5, 2009; collateralized by a mortgage. This loan is currently in default. No payments have been received since March 2012.	12,078	16,079
\$155,000 note receivable with monthly payments of \$1,497 including interest of \$3.0% from June 30, 2010 to July 1, 2020; collateralized by a mortgage.	128,775	142,645
\$80,000 note receivable with monthly payments of \$562 including interest at 3.25% from June 24, 2009 through June 24, 2024; collateralized by a mortgage.	70,707	75,435

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 NOTES AND CAPITAL LEASES RECEIVABLE (Cont'd.)

	2012	2011
\$12,500 note receivable with no interest from June 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage.	\$ 12,500	\$ -
\$25,000 note receivable with no interest from April 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage.	25,000	-
\$25,000 note receivable with no interest from April 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage.	25,000	-
\$25,000 note receivable with no interest from May 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage.	25,000	-
\$35,000 note receivable with no interest from June 2012 through December 2013, with a balloon payment due on December 31, 2013; collateralized by a mortgage.	35,000	-
Subtotal – Revolving Loan Fund	344,938	249,102
Total all funds	1,173,278	1,237,196
Current	(313,647)	(270,342)
Total long-term notes and capital leases receivable	\$ 859,631	\$ 966,854

The aggregate maturities of long-term receivables mature as follows:

Years ending June 30	Amount
2013	\$ 313,647
2014	286,550
2015	128,296
2016	142,608
2017	88,928
Thereafter	213,249
Total	\$ 1,173,278

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 LAND HELD FOR RESALE

The Agency has entered into a verbal agreement with SCRPC regarding land purchased during the prior fiscal year. The land is to be resold to SCRPC in the fiscal year ended June 30, 2013.

NOTE 6 NOTE PAYABLE

At June 30, 2012, the Agency's note payable consisted of a \$200,000, zero percent interest promissory note from National Grid. The funds are to be reloaned to eligible applications pursuant to the National Grid Emergency Economic Development Bridge Loan Program. The funds are to be repaid without interest on or before December 31, 2013 or if and to the extent that the applicants have not repaid the Agency by such date, the earlier of the repayment of such funds or June 30, 2014.

NOTE 7 RELATED PARTIES

The Agency and the Schoharie County Rural Preservation Corp. (the "SCRPC") are related through common board members.

At June 30, 2012 and 2011, the Agency had \$0- and \$1,773, respectively, in notes receivable due from SCRPC (See Note 4). In addition, the Agency has reflected \$26 and \$319 in interest income from the SCRPC for the years ended June 30, 2012 and 2011, respectively.

At June 30, 2012 and 2011, the Agency had entered into a verbal agreement to purchase land for the purpose of reselling it to SCRPC.

The Agency entered into a lease with Schoharie County whereby the Agency leases office space to Schoharie County. This agreement ended December 2011. Schoharie County paid \$5,450 and \$14,775 for rent for the years ended June 30, 2012 and 2011, respectively.

NOTE 8 INDUSTRIAL DEVELOPMENT REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes issued by the Agency are secured by property, which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency or the State. The Agency does not record the assets or liabilities resulting from completed bond and note issues in the accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders and funds arising there from are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes. The original balance of the Bassett Hospital Project was in the amount of \$2,400,000 and was issued on February 1, 2001. The outstanding bond issuance of the Bassett Hospital Project at June 30, 2012 and 2011 was \$1,530,000 and \$1,650,000, respectively.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 CREDIT RISK

Cash

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 to the United States and its agencies and obligations of the State and its municipalities and school districts.

Total financial institution balances at June 30, 2012 and 2011, were either covered by FDIC insurance or collateralized by securities.

Notes Receivable

Notes receivable consist of numerous notes with businesses in Schoharie County. The Agency has collateralized its interest in these notes by retaining the reversionary rights to the property or by additional liens and mortgages on the property.

* * * * *

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINING SCHEDULE OF NET ASSETS

June 30, 2012

With comparative totals for 2011

<u>ASSETS</u>	Operating Fund	Micro Enterprise Fund	Revolving Loan Fund
Current assets:			
Cash and cash equivalents	\$ 432,144	\$ 152,763	\$ 138,344
Certificates of deposit	352,642	-	-
Accrued interest receivable	174	-	-
Prepaid expenses	7,714	-	-
Notes and capital leases receivable - Current portion	118,148	162,822	32,677
Total current assets	<u>910,822</u>	<u>315,585</u>	<u>171,021</u>
Fixed assets:			
Land	82,257	-	-
Buildings and improvements	150,449	-	-
Office equipment	8,092	7,985	-
Total fixed assets	<u>240,798</u>	<u>7,985</u>	<u>-</u>
Less: Accumulated depreciation	(78,044)	(7,985)	-
Total net fixed assets	<u>162,754</u>	<u>-</u>	<u>-</u>
Other assets:			
Land held for resale	167,315	-	-
Notes and capital leases receivable - Long term	160,095	387,275	312,261
Total other assets	<u>327,410</u>	<u>387,275</u>	<u>312,261</u>
Total assets	<u>\$ 1,400,986</u>	<u>\$ 702,860</u>	<u>\$ 483,282</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accrued expenses	\$ 143	\$ -	\$ -
Total current liabilities	<u>143</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:			
Note payable	-	-	200,000
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>200,000</u>
Total liabilities	<u>143</u>	<u>-</u>	<u>200,000</u>
Net assets:			
Invested in capital assets, net of related debt	162,754	-	-
Unrestricted	1,238,089	702,860	283,282
Total net assets	<u>1,400,843</u>	<u>702,860</u>	<u>283,282</u>
Total liabilities and net assets	<u>\$ 1,400,986</u>	<u>\$ 702,860</u>	<u>\$ 483,282</u>

See auditors' report.

Totals

2012	2011
\$ 723,251	\$ 588,129
352,642	351,517
174	260
7,714	9,659
313,647	270,342
<u>1,397,428</u>	<u>1,219,907</u>

82,257	82,257
150,449	131,526
16,077	16,077
<u>248,783</u>	<u>229,860</u>
(86,029)	(79,956)
<u>162,754</u>	<u>149,904</u>

167,315	96,330
859,631	966,854
<u>1,026,946</u>	<u>1,063,184</u>
<u>\$ 2,587,128</u>	<u>\$ 2,432,995</u>

\$ 143	\$ 1,046
<u>143</u>	<u>1,046</u>

200,000	-
<u>200,000</u>	<u>-</u>
<u>200,143</u>	<u>1,046</u>

162,754	149,904
2,224,231	2,282,045
<u>2,386,985</u>	<u>2,431,949</u>
<u>\$ 2,587,128</u>	<u>\$ 2,432,995</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

Year ended June 30, 2012

With comparative totals for 2011

	Operating Fund	Micro Enterprise Fund	Revolving Loan Fund	Totals	
				2012	2011
Operating revenues:					
Interest and earnings	\$ 7,457	\$ -	\$ -	\$ 7,457	\$ 9,542
Interest on notes	7,147	19,449	7,428	34,024	35,871
Lease income	5,450	-	-	5,450	14,775
Administrative fees	37,750	-	-	37,750	21,512
Miscellaneous	2	-	-	2	133
Total operating revenues	<u>57,806</u>	<u>19,449</u>	<u>7,428</u>	<u>84,683</u>	<u>81,833</u>
Operating expenses:					
Payroll and related expenses	26,774	-	-	26,774	24,148
Travel	1,033	-	-	1,033	981
Insurance	4,268	-	-	4,268	4,173
Legal and accounting	6,494	3,510	1,980	11,984	7,319
Bad debts	-	56,927	-	56,927	10,979
Maintenance and supplies	10,397	-	-	10,397	15,043
Miscellaneous	713	-	150	863	-
Depreciation	6,073	-	-	6,073	5,298
Administrative	5,821	5,485	-	11,306	8,073
Fire tax	22	-	-	22	25
Total operating expenses	<u>61,595</u>	<u>65,922</u>	<u>2,130</u>	<u>129,647</u>	<u>76,039</u>
Net operating income (loss)	(3,789)	(46,473)	5,298	(44,964)	5,794
Net assets, beginning of year	1,404,632	749,333	277,984	2,431,949	2,426,155
NET ASSETS, END OF YEAR	<u>\$ 1,400,843</u>	<u>\$ 702,860</u>	<u>\$ 283,282</u>	<u>\$ 2,386,985</u>	<u>\$ 2,431,949</u>

See auditors' report.

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF OUTSTANDING STRAIGHT LEASE AGREEMENTS

Year ended June 30, 2012

Project Owner Project Owner Address	Purpose	Issue Date	Due Date	Tax		
				Sales Tax Exemption State	Local	Real County
Wal-Mart Distribution Center 1301 Southeast 10th Street Bentonville, AR 72716-8013	Retail Trade and Other	1995	2015	\$ -	\$ -	\$ 629,715
Kintz Plastic P.O. Box 127 Howes Caves, NY 12092	Manufacturing	2001	2012	-	-	8,645
AMT P.O. Box 338 Sharon Springs, NY 13459	Manufacturing	2001	2011	-	-	-
Cobleskill Stone Products P.O. Box 220 Cobleskill, NY 12043	Construction	2002	2013	-	-	8,883
Tennessee Gas Pipeline 1001 Louisiana Street Houston, Texas 77002	Gas Line	2007	2016	-	-	528,811
Schoharie Business Park, Inc. USDA Service Center 199 Morning Sun Drive Schoharie, NY 12157	Services	2010	2021	-	-	6,897
Howe Caves Development Svcs. 225 Discovery Drive Howes Caves, NY 12092	Services	2011	2013	-	-	-
Actes, LLC 197 Elm Street Cobleskill, NY 12043	Services	2011	2023	-	-	-
				\$ -	\$ -	\$ 1,182,951

See auditors' report.

Exemptions			Payment in Lieu of Taxes			
Property Taxes		Total	County	Payment in Lieu of Taxes		
Local	School	Exemptions		Local	School	Total
\$ 761,767	\$ 1,547,015	\$ 2,938,497	\$ 10,800	\$ 72,800	\$ 36,400	\$ 120,000
3,899	19,559	32,103	7,781	3,509	17,603	28,893
-	7,866	7,866	-	-	7,866	7,866
4,005	20,097	32,985	7,995	3,604	18,087	29,686
308,656	1,248,266	2,085,733	548,832	318,896	1,132,874	2,000,602
2,698	16,833	26,428	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,081,025</u>	<u>\$ 2,859,636</u>	<u>\$ 5,123,612</u>	<u>\$ 575,408</u>	<u>\$ 398,809</u>	<u>\$ 1,212,830</u>	<u>\$ 2,187,047</u>

SCHOHARIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FULL-TIME EQUIVALENT (FTE)
JOBS CREATED AND RETAINED

Year ended June 30, 2012

Project Owner:	# of FTE Employees at Project Location before IDA Status	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	# of Current FTE Employees	# of FTE Jobs Created During Fiscal Year
Wal-Mart Distribution Center	0	360	0	537	0
Kintz Plastics	128	20	128	86	0
AMT	22	10	22	28	0
Cobleskill Stone Products	0	10	3	22	0
Howe Caverns	45	40	0	58	4
Schoharie Business Park (USDA Service Center)	14	9	14	17	0
	<u>209</u>	<u>449</u>	<u>167</u>	<u>748</u>	<u>4</u>

See auditors' report.

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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

Schoharie County Industrial Development Agency
349 Mineral Springs Road
Cobleskill, New York

We have audited the financial statements of Schoharie County Industrial Development Agency (the "Agency") as of and for the year ended June 30, 2012, and have issued our report thereon dated August 29, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Agency's in a separate letter, dated August 29, 2012.

This report is intended solely for the information and use of the Board of Directors, management and others within the Schoharie County Industrial Development Agency, federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Gruva, Jureifel & Scott, LLP

Oneonta, New York
August 29, 2012