

SCHOHARIE COUNTY CAPITAL RESOURCE
CORPORATION

FINANCIAL STATEMENTS

For the Period from Inception (July 12, 2011) to
June 30, 2012

SCHOHARIE COUNTY CAPITAL RESOURCE CORPORATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Schoharie County Capital Resource Corporation
Cobleskill, New York

We have audited the accompanying statement of net assets of the Schoharie County Capital Resource Corporation ("SCCRC") (a New York State Corporation), as of June 30, 2012, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the period from inception (July 12, 2011) to June 30, 2012. These basic financial statements are the responsibility of SCCRC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above, present fairly, in all material respects, the financial position of the SCCRC, as of June 30, 2012, and the changes in its fund net assets and the 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 August 29, 2012, on our consideration of the SCCRC'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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on Page 3 – 4 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.

Gruber, Zircifel & Scott, LLP

Oneonta, New York
August 29, 2012

SCHOHARIE COUNTY CAPITAL RESOURCE CORPORATION

MANAGEMENT AND DISCUSSION ANALYSIS

As financial management of the Schoharie County Capital Resource Corporation (“SCCRC”), we offer readers of these financial statements this narrative overview and analysis of the financial activities for SCCRC for the period from inception (July 12, 2011) to 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 SCCRC encourages its readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Overview of the Financial Statements

This discussion and analysis accompanies SCCRC’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 SCCRC’s financial statements provide readers with a comprehensive reporting of the organizations 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

The year ended June 30, 2012 was SCCRC’s first year of operations. Operating revenue for SCCRC was \$10,000 for fiscal year 2012. Net income produced an increase in net assets of \$4,658. At the close of fiscal year 2012, SCCRC had net assets of \$4,658, which was attributable to project fees.

SCCRC’s prime objective is to provide assistance to not-for-profits through the issuance of tax exempt bond financing. Currently, SCCRC does not administer any direct business assistance.

Accomplishments

The SCCRC was established and has completed and adopted Agency policies and formed Agency committees.

Economic Factors

2011-2012 was a difficult economic environment, on the global, national and local level. Commercial lending continued to lag, hampering the access to capital many businesses need for growth and stability. However, historic low interest rates created a market for local Not-for-Profits to continue to finance and refinance debt associated with expansion projects. The following is a summary of SCCRC financial statements, showing the increase in net assets, at June 30, 2012:

SCHOHARIE COUNTY CAPITAL RESOURCE CORPORATION

MANAGEMENT AND DISCUSSION ANALYSIS

SCHOHARIE COUNTY CAPITAL RESOURCE CORPORATION'S NET ASSETS

Current assets	\$ 4,658	
Total assets		\$ 4,658
Current liabilities	\$ -	
Total liabilities	-	
Net assets	4,658	
Total liabilities and net assets		\$ 4,658

SCHOHARIE COUNTY CAPITAL RESOURCE CORPORATION'S
CHANGES IN NET ASSETS

Operating revenues	\$ 10,000	
Operating expenses	(5,345)	
Operating income		\$ 4,655
Non-operating revenue		3
Net assets, beginning of year		-
Net assets, end of year		\$ 4,658

2013 GOALS

The SCCRC expects to continue working with a local College affiliated non-profit in anticipation of the construction of a new College housing facility.

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 Capital Resource Corporation, 349 Mineral Springs Road, Cobleskill, New York 12043.

SCHOHARIE COUNTY CAPITAL RESOURCE CORPORATION

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS

Current assets:

Cash and cash equivalents

\$ 4,658

Total current assets

4,658

Total assets

\$ 4,658

LIABILITIES AND NET ASSETS

Net assets:

Unrestricted net assets

\$ 4,658

Total liabilities and net assets

\$ 4,658

See accompanying notes.

SCHOHARIE COUNTY CAPITAL RESOURCE CORPORATION

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the Period from Inception (July 12, 2011) to June 30, 2012

Operating revenues:		
Project fees	<u>\$ 10,000</u>	
Total operating revenues		10,000
Operating expenses:		
Professional fees	5,013	
Miscellaneous	<u>332</u>	
Total operating expenses		<u>5,345</u>
Net income from operations		4,655
Non-operating revenues:		
Interest income		<u>3</u>
Net income		4,658
Net assets, beginning of year		<u>-</u>
NET ASSETS, END OF YEAR		<u><u>\$ 4,658</u></u>

See accompanying notes.

SCHOHARIE COUNTY CAPITAL RESOURCE CORPORATION

STATEMENT OF CASH FLOWS

For the Period from Inception (July 12, 2011) to June 30, 2012

Cash flows from operating and non-operating activities:		
Net income	\$	4,658
Adjustments to reconcile net income to net cash provided by operating and non-operating activities:		<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>4,658</u>
INCREASE IN CASH AND CASH EQUIVALENTS		4,658
Cash and cash equivalents, beginning of year		<u>-</u>
Cash and cash equivalents, end of year	\$	<u><u>4,658</u></u>

See accompanying notes.

SCHOHARIE COUNTY CAPITAL RESOURCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION

Schoharie County Capital Resource Corporation (“SCCRC”) is a New York State Corporation – incorporated July 12, 2011 - organized under New York State Not-for-Profit Corporation Law and is located in Cobleskill, New York. SCCRC’s mission is to assist local economic development efforts by promoting community and economic development and the creation of jobs in non-profit and the for profit institutions. SCCRC provides access to low interest tax-exempt and non tax-exempt financing for eligible projects in Schoharie County. Schoharie County is the sole member of the corporation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting – SCCRC follows enterprise fund reporting. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of SCCRC’s enterprise fund is bond fees. Operating expenses for the enterprise fund includes bond issuance costs and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Income Tax - SCCRC is a governmental instrumentality of Schoharie County under IRS revenue ruling 57-128 and therefore pursuant to Section 115 of the Internal Revenue Code is exempt from filing income tax returns. No provision for income taxes has been provided for in the financial statements.

Statement of Cash Flows - For the purposes of the statement of cash flows SCCRC considers cash to be all unrestricted and restricted cash accounts including demand accounts.

Use of Estimates in Preparation of Financial Statements - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. This affects the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

SCHOHARIE COUNTY CAPITAL RESOURCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

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

Contributed Facilities and Services – SCCRC is authorized to use and share employees, facilities, and equipment of the Schoharie County Industrial Development Agency (SCIDA) and may reimburse the Agency an agreed upon proportion of the compensation or costs of the services provided.

Component Unit - Management has evaluated the provisions of Government Accounting Standards Board Statement No. 61 - *The Financial Reporting Entity* and has determined they are not a component unit of the SCIDA.

Subsequent Events – SCCRC has evaluated subsequent events through August 29, 2012, which is the date these financial statements were available to be issued.

NOTE 3 REVENUE BONDS

SCCRC facilitates the issuance of tax-exempt and non-tax-exempt revenue bonds and notes. The bonds and notes are not the obligations of SCCRC or the State of New York. SCCRC does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and the funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, SCCRC receives bond administration fees from the borrowing organizations. During the year ended June 30, 2012, SCCRC received bond issuance fees of \$10,000.

NOTE 4 RELATED PARTIES

SCCRC and SCIDA are related through common board members and management.

NOTE 5 CASH AND CASH EQUIVALENTS

All funds in non-interest bearing transaction accounts are insured in full by the Federal Deposit Insurance Corporation (FDIC) from December 31, 2010 through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, of at least \$250,000 available to depositors under the FDIC's general insurance rules. The SCCRC's had no uninsured balances at June 30, 2012.

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

Board of Directors
Schoharie County Capital Resource Corporation
Cobleskill, New York

We have audited the financial statements of Schoharie County Capital Resource Corporation ("SCCRC") (a New York State Corporation) for the period from inception (July 12, 2011) to 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 SCCRC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCCRC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SCCRC'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 weakness 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 SCCRC'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*.

This report is intended solely for the information and use of the Board of Directors, management and others within the Schoharie County Capital Resource Corporation, 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, Jurcic & Scott, LLP

Oneonta, New York
August 29, 2012