

***COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY***

FINANCIAL STATEMENTS

DECEMBER 31, 2009

**COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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COOPER, NIEMANN & CO., LLP

Certified Public Accountants



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tomorrow

GREG M. COOPER, CPA, CSEP
ANNA M. NIEMANN, CPA, Cr.FA, DABFA
SUSAN M. KRAYCER, CPA
ANDREW J. ARIAS, CPA, Cr.FA,

SUSAN M. PETERS, CPA

INDEPENDENT AUDITORS' REPORT

To The Members of the County
Of Sullivan Industrial Development Agency
Monticello, NY 12701

We have audited the accompanying statement of net assets of the County of Sullivan Industrial Development Agency, a component unit of the County of Sullivan, as of December 31, 2009 and the related statements of revenues, expenses and changes in net assets and cash flows for the year 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 audits.

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 County of Sullivan Industrial Development Agency, as of December 31, 2009, 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.

The accompanying management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

740 State Route 17B, P.O. Box 190
Mongaup Valley, New York 12762
www.cooperandniemann.com

Phone (845) 796-1800

Fax (845) 796-1826

email: info@cooperandniemann.com

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2010, on our consideration of the County of Sullivan Industrial Development Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 an opinion on the financial statements taken as a whole. The accompanying 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 of the County of Sullivan Industrial Development Agency. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Cooper, Nemann & Co, CPA's LLP

Mongaup Valley, New York

April 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2009

This section of the County of Sullivan Industrial Development Agency's annual financial report presents our discussion and analysis of the Agency's financial performance during the fiscal year ended on December 31, 2009. Please read it in conjunction with the Agency's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$39,920 (2%)
- Cash decreased \$33,761 (1%)
- Liabilities decreased \$89,446 (9%)
- Operating revenues increased \$82,508 (23%)
- Operating expenses increased \$45,381 (12%)
- Operating income increased \$37,127 (99%)

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Agency's statements follow the accrual basis of accounting and are presented in a manner similar to a private business.

FINANCIAL ANALYSIS OF THE AGENCY

Net Assets. The following table summarizes the changes in Net Assets between December 31, 2009 and 2008.

	<u>2009</u>	<u>2008</u>	<u>% increase/ (decrease)</u>
Current Assets	\$ 2,449,607	\$ 2,594,721	(5.59%)
Capital Assets	2,936	319	820.38%
Restricted Assets	<u>745,162</u>	<u>652,191</u>	14.26%
Total Assets	<u>3,197,705</u>	<u>3,247,231</u>	(1.53%)
Total Liabilities	<u>951,622</u>	<u>1,041,068</u>	(8.59%)
Invested In Capital Assets, net of related debt	2,936	319	820.38%
Restricted	604,280	513,605	17.65%
Unrestricted	<u>1,638,867</u>	<u>1,692,239</u>	(3.15%)
Total Net Assets	<u>\$ 2,246,083</u>	<u>\$ 2,206,163</u>	1.81%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2009

The balance of restricted net assets consists of the cash balances in the various escrow accounts and revolving loan accounts, plus the revolving loans outstanding, less any liabilities being held in the restricted accounts:

	<u>2009</u>	<u>2008</u>
Escrow Accounts - Cash	\$ 249,026	\$ 170,694
Revolving Loan Account – Cash	438,199	406,022
Revolving Loans Outstanding	57,937	75,475
Less: Due to Village of Monticello	-	(18,625)
Less: Liabilities Held In Escrow Accounts	<u>(140,882)</u>	<u>(119,961)</u>
 Restricted Net Assets	 <u>\$ 604,280</u>	 <u>\$ 513,605</u>

Operating Income. The following table summarizes the changes in Operating Income between fiscal years 2009 and 2008.

	<u>2009</u>	<u>2008</u>	<u>% increase/ (decrease)</u>
Rental Income	\$ 34,736	\$ 37,643	(7.72%)
Administrative Fees	327,029	244,293	33.87%
Reimbursed Expenses	63,878	67,363	(5.17%)
Other Revenues	<u>9,545</u>	<u>3,381</u>	182.31%
 Total Operating Revenues	 <u>435,188</u>	 <u>352,680</u>	 23.39%
 Legal and Professional Fees	 103,699	 105,953	 (2.13%)
Salaries and Benefits	135,492	127,655	6.14%
Other Expenses	<u>196,384</u>	<u>156,586</u>	25.42%
 Total Operating Expenses	 <u>435,575</u>	 <u>390,194</u>	 11.63%
 Operating Income (Loss)	 <u>\$ (387)</u>	 <u>\$ (37,514)</u>	 98.97%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ending December 31, 2009

BUSINESS ACTIVITY

The year 2009 was an active one for the County of Sullivan Industrial Development Agency (IDA). During the year, the IDA approved and finalized the closing on three new projects and approved two other projects. These projects were the Poley Paving Corporation project located in the Town of Liberty, the Dancing Cat Distillery project located in the Town of Bethel, the MG Catskill LLC project located in the Village of Monticello, and two projects to assist camps in the Town of Bethel and the Town of Tusten that will eventually put them back on the tax rolls.

In the spring of 2009, the IDA collected its Payment in Lieu of Tax (PILOT) payments from its projects and dispersed them back out to the local taxing jurisdictions. Over the last nine years the IDA has increased its PILOT disbursements from \$413,694 in 2001 to \$3,292,609 in 2009; an increase of over 695%.

The IDA continued its funding in 2009 for the Partnership for Economic Development in the amount of \$100,000, and it assisted the Sullivan County Chamber of Commerce with its Sullivan Hospitality Program in the amount of \$5,000.

Working on a new initiative to improve the economic climate in Sullivan County, in 2009 the IDA partnered with the Sullivan County Planning Department to help develop a red meat processing facility within the County. Prior to IDA involvement, three grants had been submitted and approved for the undertaking. In order to fully fund the project, the IDA made applications to US Department of Commerce through the Economic Development Assistance Program, and to the New York State Empire State Development Corporation through the Upstate Regional Blueprint Fund. The Upstate Regional Blueprint Fund application was approved, and the IDA is still waiting to hear about final approval for the Economic Development Assistance Program funds. To move the process along, the IDA also hired an engineering firm to develop a site plan, and it worked on obtaining the property and approvals from the Village of Liberty.

In an effort to further assist IDA projects, in 2009 the IDA made an application for project funding to the US Department of Agriculture for equipment needed for the Dancing Cat Distillery project, and it worked assisting the Holiday Mountain Fun Park with its request for funds through the New York State Dormitory Authority.

Additionally, in 2009, the Agency was involved in the following projects:

- The administration of 8 loans to small local businesses through the Agency's Revolving Loan Program and Main Street Façade Loan Program. During 2009, 4 loans were retired having been paid in full and 4 were outstanding as of December 31, 2009. One new loan was approved in 2009.
- The administration of 13 outstanding Industrial Development Bonds. Two of the bonds were for for-profit businesses and 11 were for not-for-profit agencies.
- The administration of 54 projects with IDA agreements, including 42 projects with property tax exemption agreements and 10 projects with valid sales tax exemption letters.

**COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
DECEMBER 31,**

ASSETS	<u>2009</u>	<u>2008</u>
Current Assets		
Cash	\$ 2,420,255	\$ 2,564,525
Accounts Receivable	19,002	12,676
Pre-Paid Expenses	<u>10,350</u>	<u>17,520</u>
Total Current Assets	<u>2,449,607</u>	<u>2,594,721</u>
Non-Current Assets		
Restricted Cash	687,225	576,716
Notes Receivable - Restricted	<u>57,937</u>	<u>75,475</u>
	<u>745,162</u>	<u>652,191</u>
Property, Plant and Equipment		
Equipment	10,162	6,791
Less: Accumulated Depreciation	<u>(7,226)</u>	<u>(6,472)</u>
Net Property, Plant and Equipment	<u>2,936</u>	<u>319</u>
Total Non-Current Assets	<u>748,098</u>	<u>652,510</u>
TOTAL ASSETS	<u>\$ 3,197,705</u>	<u>\$ 3,247,231</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

**COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
DECEMBER 31,**

	<u>2009</u>	<u>2008</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 2,295	\$ 6,760
Accrued Liabilities	31,931	46,977
Due To Other Governments	681,820	756,169
Deferred Revenues	94,694	111,201
Escrow Balances	<u>140,882</u>	<u>119,961</u>
Total Current Liabilities	<u>951,622</u>	<u>1,041,068</u>
TOTAL LIABILITIES	<u>951,622</u>	<u>1,041,068</u>
NET ASSETS		
Invested In Capital Assets, Net of Related Debt	2,936	319
Restricted	604,280	513,605
Unrestricted	<u>1,638,867</u>	<u>1,692,239</u>
TOTAL NET ASSETS	<u>2,246,083</u>	<u>2,206,163</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,197,705</u>	<u>\$ 3,247,231</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

**COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31,**

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Rental Income	\$ 34,736	\$ 37,643
Interest on Notes Receivable	1,933	3,381
Administrative Fees	327,029	244,293
Reimbursed Expenses	63,878	67,363
Grant Income	<u>7,612</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>435,188</u>	<u>352,680</u>
OPERATING EXPENSES		
Salaries And Benefits	135,492	127,655
Legal and Professional Fees	103,699	105,953
Accounting Fees	6,500	6,750
Consulting Fees	38,994	26,000
Dues, Publications and Subscriptions	6,382	5,620
Office Expense	7,544	5,052
Business Promotion	105,000	80,000
Rent Expense	14,904	14,361
Telephone	2,454	2,175
Insurance	9,536	9,103
Repairs And Maintenance	601	299
Miscellaneous	1,783	1,788
Travel	1,932	1,541
Depreciation	754	342
Bad Debt Expense	<u>-</u>	<u>3,555</u>
TOTAL OPERATING EXPENSES	<u>435,575</u>	<u>390,194</u>
NET OPERATING REVENUE (LOSS)	(387)	(37,514)
NON-OPERATING REVENUE (LOSS)		
Interest Income	<u>40,307</u>	<u>75,032</u>
NET REVENUE (LOSS)	39,920	37,518
NET ASSETS - Beginning of Year	<u>2,206,163</u>	<u>2,168,645</u>
NET ASSETS - End of Year	<u>\$ 2,246,083</u>	<u>\$ 2,206,163</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

**COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31,**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from providing services	\$ 490,814	\$ 438,072
Cash payments for contractual expenses	(410,973)	(259,098)
Cash payments for personal services and benefits	<u>(150,538)</u>	<u>(105,586)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(70,697)</u>	<u>73,388</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(3,371)	(399)
Interest Income	<u>40,307</u>	<u>75,032</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>36,936</u>	<u>74,633</u>
NET INCREASE (DECREASE) IN CASH	(33,761)	148,021
CASH- BEGINNING OF YEAR	<u>3,141,241</u>	<u>2,993,220</u>
CASH- END OF YEAR	<u>\$ 3,107,480</u>	<u>\$ 3,141,241</u>
Reconciliation of operating revenue (loss) to net cash provided (used) by operating activities:		
Operating Revenue (Loss)	\$ (387)	\$ (37,514)
Depreciation	754	342
Decrease (Increase) in Operating Assets:		
Accounts Receivable	(6,326)	178
Pre-Paid Expenses	7,170	(3,550)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(4,465)	3,094
Accrued Liabilities	(15,046)	22,069
Deferred Revenues	(16,507)	32,369
Due To Other Governments	(74,349)	26,298
Escrow Balances	20,921	2,269
Repayment of Notes Receivable	17,538	24,278
Bad Debt Expense	<u>-</u>	<u>3,555</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (70,697)</u>	<u>\$ 73,388</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

**COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the County of Sullivan Industrial Development Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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 the government's accounting policies are described below.

The County of Sullivan Industrial Development Agency follows the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred. Fixed Assets and Long-Term Liabilities related to these activities are recorded within the funds.

Financial Reporting Entity

The County of Sullivan Industrial Development Agency (the "Agency") was created in 1970 as public benefit corporation through state legislation to promote the economic welfare, recreation opportunities, and prosperity of the County's inhabitants. The Agency is exempt from federal, state, and local income taxes. The County's governing body appoints members of the Agency, and the County exercises some oversight responsibility for management of the Agency. Although the management is not accountable directly to the County for fiscal matters, a budget is submitted to the County, and the County assumes a financial burden from the Agency by assuming certain expenses incurred by the Agency through its bonding transactions. Accordingly, the Agency is considered a component unit of the County of Sullivan, and reports as such.

Administrative Fee Income

Administrative fees for Agency costs relating to the project are recognized as income upon consummation of the related transactions. The fees charged by the Agency are based on a percentage of the financing, individual negotiations, the size of the project, and/or on an "as incurred" basis.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would be immaterial. Accounts receivable at December 31, 2009 and 2008 amounted to \$19,002 and \$12,676, respectively.

**COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

The Agency records equipment at historical cost and depreciates the assets on a straight-line basis over periods of 5 and 7 years.

Expenses

Certain payroll and payroll related expenses for one of the employees of the Agency are paid and recorded by the County of Sullivan, the primary government, and the Agency reimburses the County for these expenses. All reporting and filing requirements for payroll taxes and benefits related to this employee are the responsibility of the County.

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.

Cash

For the statement of cash flows, the Agency considers all highly liquid investments of three months or less as cash.

NOTE 2 – DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Cash and Investments

The state statutes govern the Agency's investment policies. 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 Chief Executive Officer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State of its localities.

Collateral is required for demand deposits and certificates of deposit at 105 percent of 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.

**COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 2 – DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

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. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

Notes Receivable

Notes receivable consist of amounts due from various business entities within Sullivan County. The purpose of these notes is to help local businesses expand and develop. The Agency receives a fee for providing the notes, which is 1% for revolving loans of \$15,000 or less, and 2% for loans over \$15,000.

A schedule of notes receivable at December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
TFC Flooring, Inc. – 84 month term loan, due in equal installments of \$548 per month, with interest at 3.00% per annum.	\$ 7,635	\$ 13,876
Main Street Food Inc. – 84 month term loan, due in 84 equal installments of \$345 per month with interest at 4.25% per annum.	-	16,910
Shelburne Playhouse – 60 month term loan, due in equal installments of \$114 per month, with interest at 5.0% per annum.	-	450
Rock Hill Pharmacy – 84 month term loan, due in equal installments of \$535 per month, with interest at 3.375% per annum.	8,810	14,333
ADM Interiors – 84 month term loan, due in equal installments of \$563 per month, with interest at 4.875% per annum.	-	23,940

**COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 2 – DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

	<u>2009</u>	<u>2008</u>
Mark and Scott Vrancich – 60 Month term loan, due in equal installments of \$114 per month, with interest at 5.0% per annum.	\$ -	\$ 1,324
Karen Van Craenenbroeck – 60 month term loan, due in equal installments of \$107 per month, with interest at 5.0% per annum.	4,642	4,642
Sara’s Gourmet – 60 month term loan, due in equal installments of \$709 per month, with interest at 2.438% per annum.	<u>36,850</u>	<u>-</u>
Total Notes Receivable	<u>\$ 57,937</u>	<u>\$ 75,475</u>

NOTE 3 – COMMITMENTS

Industrial Revenue Bonds

Certain industrial revenue bonds and notes issued by the Agency are secured by property that is leased to companies. The lease payments are used to retire the bonds and notes. 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 its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents. For providing this service, the Agency receives bond administration fees from the borrowing companies. Generally, the fee received by the Agency for the revenue bonds are based on one percent of the issue. Agency fees for other types of financing are 1% up to \$2 million and ½% thereafter. However, these fees are negotiated on a project by project basis.

**COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 3 – COMMITMENTS (Continued)

Industrial revenue bond activity for the year ended December 31, 2009 is as follows:

<u>PROJECT NAME</u>	<u>JANUARY 1, 2009</u>	<u>ISSUED</u>	<u>REDEEMED</u>	<u>DECEMBER 31, 2009</u>
KS Realty Associates, LLC	\$ 590,466	\$ -	\$ -	\$ 590,466
Sullivan Diagnostic Treatment Center	9,965,000	-	-	9,965,000
Sullivan Diagnostic Treatment Center	1,585,000	-	355,000	1,230,000
Sullivan Diagnostic Treatment Center	2,150,000	-	385,000	1,765,000
Sullivan Diagnostic Treatment Center	4,180,000	-	745,000	3,435,000
Sullivan Diagnostic Treatment Center	6,645,000	-	445,000	6,200,000
Sullivan Diagnostic Treatment Center	5,130,000	-	175,000	4,955,000
Sullivan Diagnostic Treatment Center	15,380,000	-	-	15,380,000
Sullivan Diagnostic Treatment Center	20,685,000	-	525,000	20,160,000
Crystal Run Village	1,557,500	-	185,000	1,372,500
Sullivan County Community College Dormitory Corp.	8,150,000	-	215,000	7,935,000
Hebrew Academy For Special Children	4,373,167	-	72,500	4,300,667
Frontier Insurance	<u>26,000,000</u>	<u>-</u>	<u>-</u>	<u>26,000,000</u>
Total	<u>\$ 106,391,133</u>	<u>\$ -</u>	<u>\$ 3,102,500</u>	<u>\$ 103,288,633</u>

**COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 – DEFERRED REVENUE

The Agency had \$94,694 and \$111,201 in deferred revenue at December 31, 2009 and 2008, respectively. The balance in this account is made up of the following items:

	<u>2009</u>	<u>2008</u>
Administrative Fees	\$ 45,247	\$ 59,587
Reimbursed Legal Expenses	<u>49,447</u>	<u>51,614</u>
	<u>\$ 94,694</u>	<u>\$ 111,201</u>

NOTE 5 – BAD DEBT EXPENSE

During the year ended December, 31 2008, the revolving loan to Casa DeGiovannis, in the amount of \$3,555, was deemed uncollectible and written off by the Agency.

COUNTY OF SULLIVAN
INDUSTRIAL DEVELOPMENT AGENCY
INDUSTIAL REVENUE BONDS
DECEMBER 31, 2009

PROJECT NAME	TAX STATUS	ISSUE DATE	INTEREST RATE	ISSUE AMOUNT	COUNTY	TAX EXEMPTIONS		
						LOCAL	SCHOOL	
Hebrew Academy For Special Children, Inc. Brooklyn, NY 11219	Not-For-Profit	6/02	7.50%	\$ 4,750,000	0	0	0	0
KS Realty Associates, LLC Goshen, NY 10924	Taxable	12/91	8.00%	16,000,000	27,524	35,489	115,396	
Frontier Insurance Rock Hill, NY 12775	Taxable	11/93	PRIME	26,000,000	33,642	18,106	81,537	
Sullivan Diagnostic Treatment Center Harris, NY 12742	Not-Profit-Profit	2/02	7.75%	9,965,000	0	0	0	0
Sullivan County Community College Dormitory Corporation Loch Sheldrake, NY 12759	Not-For-Profit	6/02	7.25%	8,725,000	0	0	0	0
Sullivan Diagnostic Treatment Center Harris, NY 12742	Not-For-Profit	2/02	7.25%	3,035,000	0	0	0	0
Sullivan Diagnostic Treatment Center Harris, NY 12742	Not-For-Profit	2008	6.00%	15,380,000	0	0	0	0
Sullivan Diagnostic Treatment Center Harris, NY 12742	Not-For-Profit	2008	5.875%	20,685,000	0	0	0	0

COUNTY OF SULLIVAN
 INDUSTRIAL DEVELOPMENT AGENCY
 INDUSTRIAL REVENUE BONDS
 DECEMBER 31, 2009

<u>PROJECT NAME</u>	<u>TAX STATUS</u>	<u>ISSUE DATE</u>	<u>INTEREST RATE</u>	<u>ISSUE AMOUNT</u>	<u>COUNTY</u>	<u>LOCAL</u>	<u>SCHOOL</u>
Sullivan Diagnostic Treatment Center Harris, NY 12742	Not-For-Profit	5/06	5.625%	\$ 2,855,000	0	0	0
Sullivan Diagnostic Treatment Center Harris, NY 12742	Not-For-Profit	5/06	5.625%	5,550,000	0	0	0
Sullivan Diagnostic Treatment Center Harris, NY 12742	Not-For-Profit	5/06	6.00%	7,450,000	0	0	0
Sullivan Diagnostic Treatment Center Harris, NY 12742	Not-For-Profit	5/06	6.50%	5,445,000	0	0	0
Crystal Run Village Middletown, NY 10941	Not-For-Profit	6/06	4.15%	1,980,000	0	0	0

COOPER, NIEMANN & CO., LLP

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GREG M. COOPER, CPA, CSEP
ANNA M. NIEMANN, CPA, Cr.FA, DABFA
SUSAN M. KRAYCER, CPA
ANDREW J. ARIAS, CPA, Cr.FA,

SUSAN M. PETERS, CPA

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 Members of the County
Of Sullivan Industrial Development Agency
Monticello, New York

We have audited the accompanying statement of net assets of the County of Sullivan Industrial Development Agency, a component unit of the County of Sullivan, as of December 31, 2009, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended and have issued our report thereon dated April 22, 2010. 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 County of Sullivan Industrial Development Agency'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 the County of Sullivan Industrial Development Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Sullivan Industrial Development Agency's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

740 State Route 17B, P.O. Box 190
Mongaup Valley, New York 12762
www.cooperandniemann.com

Phone (845) 796-1800

Fax (845) 796-1826

email: info@cooperandniemann.com

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Sullivan Industrial Development Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Sullivan Industrial Development Agency's financial statements that is more than inconsequential will not be prevented or detected by the County of Sullivan Industrial Development Agency's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

The Agency lacks the proper segregation of duties consistent with appropriate control objectives.

Management Response: Due to the size of the Agency, management does not feel that it would be cost effective to hire additional personnel just to achieve a proper segregation of duties. However, the Agency has implemented mitigating controls to lessen the impact of the lack of segregation of duties.

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 Agency'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.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Sullivan Industrial Development Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Sullivan Industrial Development Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 additional matters that we reported to management of the County of Sullivan Industrial Development Agency in a separate letter dated April 22, 2010.

This report is intended solely for the information and use of management 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 County of Sullivan Industrial Development Agency's, written responses to the significant deficiencies identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Cooper, Nemann & Co, CPA's LLP

Mongaup Valley, New York
April 22, 2010

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SUSAN M. PETERS, CPA

April 22, 2010

To the Chairman and Members of the
County of Sullivan Industrial Development Agency
Monticello, New York 12701

As part of our planning and performing our audit of the component unit financial statements of the County of Sullivan Industrial Development Agency, for the year ended December 31, 2009, we considered the internal control system in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and to report on the internal control system in accordance with *Government Auditing Standards*.

The management of the County of Sullivan Industrial Development Agency is responsible for establishing and maintaining an internal control structure. An internal control system consists of five elements: the control environment, risk assessment, information and communication, monitoring, and control activities. Our consideration of the internal control structure policies and procedures would not necessarily disclose all matters in the internal control structure that might be reportable conditions, since an audit is based on selective tests of the accounting records and related data.

The accompanying recommendations are those which came to our attention during our examination, and no assurances can be drawn that there may be weaknesses that have not been found. However, we did not uncover any reportable conditions that we consider to be material weaknesses in the internal control system. Certain matters involving the internal control structure and its operation, of a more routine nature, have been discussed with the appropriate administrative personnel.

Management has addressed our previous recommendations.

In conclusion, we would like to thank the Staff who assisted us during our examination, and provided us with all the necessary records.

Very truly yours,

Cooper, Niemann & Co., CPA's LLP

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