

**PUTNAM COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE COUNTY OF PUTNAM, NEW YORK)**

FINANCIAL STATEMENTS

DECEMBER 31, 2013

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the County of Putnam, New York)

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INDEPENDENT AUDITOR'S REPORT

Chairman and Board of Directors
Putnam County Industrial Development Agency
34 Gleneida Avenue
Carmel, New York

Report on the Financial Statements

We have audited the accompanying statement of net position of the County of Putnam, New York Industrial Development Agency, a component unit of the County of Putnam, as of and for the year ended December 31, 2013, and the related statements of income, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

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accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the County of Putnam, New York Industrial Development Agency as of December 31, 2013, and the respective changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages four through six 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, or historical context. We have applied certain limited procedures to the required supplementary information for 2013 in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the County of Putnam, New York Industrial Development Agency's basic financial statements. The supplementary schedule of contractual expenses on page 16 and schedule of bond Indebtedness on pages 17 and 18 are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The supplementary schedule of contractual expenses and schedule of bond Indebtedness are the responsibility of management and were derived from and relate directly to the underlying

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accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of contractual expenses and the schedule of bond Indebtedness are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2014, on our consideration of the County of Putnam, New York 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Putnam, New York Industrial Development Agency's internal control over financial reporting and compliance.



Michael R. Quis
Certified Public Accountant

Carmel, New York
June 12, 2014

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012

The following "Management's Discussion and Analysis" report ("MD&A") provides the reader with a narrative overview, discussion and analysis of the financial activities of the Agency for the years ended December 31, 2013 and 2012 respectively. The MD&A provides an assessment of the factors that in management's view significantly affected the Agency's overall financial position. Within this report, there may be assumptions or conclusions by management that should be considered a replacement for the presented financial statements. Information contained in the MD&A must be reviewed in conjunction with the Independent Auditor's Report, the Agency's audited financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

The Agency's total assets exceed its total liabilities by \$26,079 as of December 31, 2013. Operating revenues in the 2013 year were greater than the current year's standard contractual expenses resulting in a net operating income of \$15,507. As a result, total net assets increased in calendar year 2013 by 109% over 2012.

Straight lease revenues consisted of annual lease transaction fee revenues of \$20,000 along with \$5,000 of revenue bond refunding fees. Total current year operating revenues of \$25,000 were greater than the amount received in the 2012 year by \$9,170.

The Agency's operating expenses in the 2013 year decreased by \$55,907 from the prior year. This primarily was a result of the conversion of paid staff to the use of volunteers. In the 2012 year wages and related payroll taxes amounted to \$47,227. It is anticipated that staff wages may be replaced by a diminished amount of outside contractual costs. Additionally there was a decrease of \$5,249 in rent expense in the 2013 year as the landlord, Putnam County, decreased the rent expense from \$525 per month to \$1.00 per year effective March 1, 2013.

The increase of \$875 in the 2013 year ending cash balance is a result of increased operating income and lower operating expenses. The two significant asset of the Agency are the cash balance of \$14,811 held in the local banks and the accounts receivable balance of \$15,000. Accounts receivable consists entirely of straight lease fees billed but not paid as of December 31, 2013. Of those fees, \$10,000 is due from the Fox Ridge Hotel project; of that amount \$7,500 is due from the years 2010, 2011, and 2012. Management strongly believes the entire \$10,000 is collectible based upon the viability of this project. The property and equipment owned has been fully depreciated with no remaining book value. Liabilities of the Agency consist primarily of the accrued auditor's fee and insurance expense of \$500.

Management stated that the cash balance of \$14,811 at December 31, 2013 will allow the Agency to continue its operations for a period of one year or more. It is anticipated in the 2014 year, cash will increase from payments of accounts receivable balances. Along with the annual recurring straight leases revenue fees, it is anticipated that there will be a new bond issuance. There are projects that may utilize industrial revenue bond or straight lease financing should they locate in Putnam County.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012

SUMMARY OF OPERATING/NON-OPERATING ACTIVITIES

| | <u>2013</u> | <u>2012</u> | Increase(Decrease) |
|--|------------------|------------------|--------------------|
| <u>OPERATING REVENUE</u> | | | |
| OPERATING | <u>\$ 25,000</u> | <u>\$ 15,830</u> | <u>\$ 9,170</u> |
| <u>NON-OPERATING REVENUE</u> | | | |
| Interest income | \$ 15 | \$ 130 | \$ (115) |
| Other income | <u>2</u> | <u>15</u> | <u>(13)</u> |
| Total Non-Operating Revenue | <u>\$ 17</u> | <u>\$ 145</u> | <u>\$ (128)</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Agency administration | \$ 9,493 | \$ 65,400 | \$ (55,907) |
| Depreciation | <u>-</u> | <u>-</u> | <u>-</u> |
| Total operating expenses | <u>\$ 9,493</u> | <u>\$ 65,400</u> | <u>\$ (55,907)</u> |
| <u>NON-OPERATING EXPENSES</u> | | | |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>TRANSFER AND CONTRIBUTIONS</u> | | | |
| Contribution from other organizations | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

FUND FINANCIAL STATEMENTS

The Agency, a component unit of Putnam County, New York is within the fund category of a Proprietary Fund; their fund type is considered to be that of an Enterprise Fund. Fund accounting is a method of accountability used to maintain control over resources segregated for specific activities or objectives. Enterprise funds generally reflect business-type activities in which services are provided for a fee; the Agency provides their services for a fee.

OVERVIEW OF FINANCIAL STATEMENTS

The Agency's financial statements are prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB).

The basic financial statements include a statement of net position, a statement of income, expenses and changes in net position, and a statement of cash flows. These are followed by notes to the financial statements. In addition to the basic financial statements, this report also contains required supplementary information.

The statement of net position presents information on the Agency's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the direction of the Agency's financial position.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
Management's Discussion and Analysis
For the Years Ended December 31, 2013 and 2012

The statement of income, expenses and changes in net position reports the operating income and expenses and non-operating income and expenses of the Agency for the fiscal year with the differences (the net increase or decrease) to determine the net change in position for the fiscal year. The change combined with the net position at the end of the previous year total to the net position at the end of the current fiscal year.

The statement of cash flows reports all cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, non-capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance totals to the cash and cash equivalent balance at the end of the current fiscal year.

The accompanying notes to the financial statements provide information essential to an understanding of fund type financial statements and to certain accounting policies, procedures and guidelines followed by the Agency.

REQUESTS FOR INFORMATION FROM THE AGENCY

This financial report is designed to provide the readers of these statements with a general overview of the Agency's finances. All inquiries relating to this report should be addressed to the Chairman of the Putnam County Industrial Development Agency, 34 Gleneida Avenue, Carmel, NY 10512.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the County of Putnam, New York)

Statements of Net Position

| | December 31, | |
|-------------------------------------|---------------------|------------------|
| | 2013 | 2012 |
| ASSETS | | |
| Current Assets | | |
| Cash (including petty cash) | \$ 14,811 | \$ 13,936 |
| Prepaid expenses | 1,036 | 943 |
| Due from NYS W/H | 232 | |
| Accounts Receivable | 15,000 | |
| Total current assets | 31,079 | 14,879 |
| Property and Equipment | | |
| Office equipment | 18,729 | 18,729 |
| Furniture and fixtures | 10,995 | 10,995 |
| Computer equipment | 9,195 | 9,195 |
| | 38,919 | 38,919 |
| Less: accumulated depreciation | (38,919) | (38,919) |
| Total property and equipment | - | - |
| Total Assets | \$ 31,079 | \$ 14,879 |
| LIABILITIES AND NET POSITION | | |
| Current Liabilities | | |
| Accrued liabilities | \$ 5,000 | \$ 4,324 |
| Total current liabilities | 5,000 | 4,324 |
| Net Position, unrestricted | 26,079 | 10,555 |
| Total net position | \$ 31,079 | \$ 14,879 |

The accompanying notes are an integral part of these financial statements.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the County of Putnam, New York)

Statements of Income, Expenses, and Changes in Net Position

| | <u>Years Ended December 31,</u> | |
|--|---------------------------------|------------------|
| | <u>2013</u> | <u>2012</u> |
| Operating Income | | |
| Straight-lease transaction rental income | \$ 20,000 | \$ 10,000 |
| Straight-lease transaction tax savings income | - | 2,580 |
| Bond fee income | 5,000 | - |
| Lease/bond application fees | - | 3,250 |
| Total income | <u>25,000</u> | <u>15,830</u> |
| Operating Expenses | | |
| Contractual expenses (Schedule 1): | | |
| Agency administration | <u>9,493</u> | <u>65,400</u> |
| Total operating expenses | <u>9,493</u> | <u>65,400</u> |
| Net operating Income (loss) | <u>15,507</u> | <u>(49,570)</u> |
| Non-Operating Income (Expense) | | |
| Interest income | 15 | 130 |
| Other income | <u>2</u> | <u>15</u> |
| Total Non-Operating Income (Expense) | <u>17</u> | <u>145</u> |
| Income (loss) before transfers and contributions | 15,524 | (49,425) |
| Unrestricted contributions | <u>-</u> | <u>-</u> |
| Change in Net Position | 15,524 | (49,425) |
| Net Position - beginning of year | <u>10,555</u> | <u>59,980</u> |
| Net Position - end of year | <u>\$ 26,079</u> | <u>\$ 10,555</u> |

The accompanying notes are an integral part of these financial statements.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the County of Putnam, New York)

Statements of Cash Flows

| | <u>Years Ended December 31,</u> | |
|---|---------------------------------|--------------------|
| | <u>2013</u> | <u>2012</u> |
| Cash Flows from Operating Activities | | |
| Cash received from straight-lease rentals | \$ 20,000 | \$ 10,000 |
| Bond fee income | 5,000 | - |
| Straight-lease transaction tax savings income | - | 2,580 |
| Lease/bond application fees | - | 3,250 |
| Payments to vendors | (24,142) | (23,535) |
| Payments to employees | - | (43,594) |
| Net cash flows from operating activities | <u>858</u> | <u>(51,299)</u> |
| Cash Flows from Capital and Related Financing Activities | <u>-</u> | <u>-</u> |
| Net cash flows from capital and related financing activities | <u>-</u> | <u>-</u> |
| Cash Flows from Investing Activities | | |
| Interest income | 15 | 130 |
| Other income | 2 | 15 |
| Net cash flows from investing activities | <u>17</u> | <u>145</u> |
| Net Change in Cash and Cash Equivalents | 875 | (51,154) |
| Cash and Cash Equivalents – Beginning | <u>13,936</u> | <u>65,090</u> |
| Cash and Cash Equivalents – Ending | <u>\$ 14,811</u> | <u>\$ 13,936</u> |
| Reconciliation of Change in Net Position to Net Cash Flows from Operating Activities | | |
| Change in net position | \$ 15,524 | \$ (49,425) |
| Adjustments | | |
| Interest income | \$ (17) | \$ (145) |
| Change in assets and liabilities: | | |
| Prepaid expenses | (325) | (34) |
| Accounts Receivable | (15,000) | |
| Accrued operating liabilities | 676 | (1,695) |
| Net cash used by operating activities | <u>\$ 858</u> | <u>\$ (51,299)</u> |

The accompanying notes are an integral part of these financial statements.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the County of Putnam, New York)

Notes to Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies

a. Organization

The County of Putnam, New York Industrial Development Agency was created August 31, 1995, by the Putnam County Legislature under the authority of General Municipal Law, Section 856.1A of the State of New York. The Agency is a public benefit corporation of the state of New York and was established to attract new businesses and encourage them to relocate to Putnam County. Additionally, as stated by the Agency, its purpose is to promote the economic welfare, recreational opportunities, and prosperity of its inhabitants; and to promote, attract, encourage and develop recreation and economically sound commerce and industry through governmental action for the purpose of preventing unemployment and economic deterioration.

The Agency is a component unit of the County of Putnam, New York.

b. Basis of Accounting and Financial Statement Presentation

The Agency's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Agency follows the provisions of the Governmental Accounting Standards Board, the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Agency is determined by its measurement focus. The transactions of the Agency are accounted for on a flow of economic resources measurement focus. The accounts of the Agency are maintained on the accrual basis of accounting. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel and depreciation.

c. 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 the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Taxes

The Agency is exempt from federal, state, and local income taxes on income generated.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the County of Putnam, New York)

Notes to Financial Statements

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

e. Cash and Cash Equivalents

For the purposes of the balance sheets and statements of cash flows, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash held in a checking account. The Agency's cash balances were deposited at Putnam County Savings Bank. The Board of Directors believes the Agency is not exposed to any significant credit risk on cash and cash equivalents. Uninsured/uncollateralized balances are approximately \$0 at December 31, 2013. Cash balances at December 31, 2013 were fully insured by the FDIC.

f. Accounts Receivable

Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

g. Payment in Lieu of Taxes (PILOT)

The Agency enters into and administers PILOT agreements for various unrelated business entities located in Putnam County. Under the terms of the PILOT agreements, title to property owned by the unrelated business entity is transferred to the Agency for a certain period of time. During the period in which the Agency holds title, the business entity pays a PILOT to the Agency based on a calculation defined by the specific agreement. The PILOTs allow the companies to make payments that are less than the property taxes that would be paid on the related property's assessed value. Once the PILOT is received, the Agency remits the PILOT to the respective taxing authorities. Certain requirements, as defined by each agreement, are to be met by the company to be able to maintain its PILOT. These requirements, as stated in the PILOT agreement, can be comprised of reaching and maintaining certain employment goals and paying its PILOT in a timely fashion. At the completion of the PILOT, title to the property is transferred back to the third-party business owner, and the property goes back on the tax rolls.

As part of the PILOT program, the Agency generates fees for administering the PILOT agreement. These fees are reported as "charges for services" in these financial statements. The Agency also administers bonds for several projects and receives an administrative fee upon issuance of the bond.

PILOT receipts and PILOT payments are accounted for as pass-through transactions and are not included in the revenues or expenses of the Agency. The Agency is responsible for collecting and remitting the funds, and the City ultimately bears the risk of loss if PILOT payments are not paid to the Agency by the respective companies.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the County of Putnam, New York)

Notes to Financial Statements

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

h. Revenue Recognition

Revenue is generated from project application and administrative fees, as well as long-term leases. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues are determined based on the services provided by the Agency. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Note 2 – Industrial 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 are retired by the underlying lease payments. The bonds and notes are not obligations of the Agency of the State of New York or New York State. The Agency 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 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 when the bond is initially issued. Such administration fee income is recognized immediately upon issuance of bonds and notes. Such bond issuances outstanding at December 31, 2013 and 2012 are summarized in the schedule of bond Indebtedness.

The Agency is authorized to issue the following bonds:

Industrial Development Bonds

These are revenue bonds issued to finance the construction or purchase of manufacturing or commercial facilities.

Civic Facility Bonds

These are revenue bonds issued to finance the construction or financing needs of not-for-profit organizations that are categorized by the Internal Revenue Service as 501(c)(3) entities. These bonds are tax exempt unless otherwise stated.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the County of Putnam, New York)

Notes to Financial Statements

Note 3 - Straight-Lease Transactions

In addition to the issuance of bonds and notes, the Agency has the authority to provide straight-lease financing for a project. This authority is granted under Article 18-A and Section 927-F of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York. This type of financing provides financial assistance primarily in the form of exemption of sales and use taxes, mortgage recording taxes, abatements of certain real property tax payments in lieu of taxes (PILOT), and utility discounts. The company developing the project enters into a lease with the Industrial Development Agency (termed the Agency Lease) and also enters into a sublease with the “Agency” with respect to the premises, all as part of the straight-lease transaction. The term of the Agency lease expires on the earlier of the termination of the Project Agreement or termination of the sublease. In essence, there is a lease entered into between the Agency and a company developing a project whereby leasehold title is transferred to the Agency by the company. A sublease is then entered into whereby the Agency subleases its interest back to the company. An annual base lease payment is made to the Agency that is the greater of \$2,500 or 10% of the benefits received by the company during the year.

The following straight-lease transactions are in effect for the years ended December 31, 2013 and 2012:

| Client | Lease Inception Date | Max Aggregate Straight-lease Financing | Expiration Date | Annual Lease Payments | | 10% of Benefit Received | |
|---------------------|----------------------|--|-------------------|-----------------------|------------------|-------------------------|-----------------|
| | | | | 2013 | 2012 | 2013 | 2012 |
| Materion | * July 16, 1999 | (b) \$ 6,000,000 | July 1, 2009 | \$ - | \$ - | \$ - | \$ - |
| Columbia PHC | June 30, 2000 | (a) \$ 16,200,000 | June 30, 2040 | \$ - | \$ - | \$ - | \$ - |
| Fryer Realty, LLC | August 1, 2004 | (c) \$ 4,600,000 | July 1, 2016 | \$ 2,500 | \$ 2,500 | \$ - | \$ - |
| Materion | December 29, 2006 | (b) \$ 5,500,000 | April 15, 2022 | \$ 2,500 | \$ 2,500 | \$ - | \$2,580 |
| Jaral Putnam LLC | March 26, 2009 | (d) \$ - | March 26, 2019 | \$ - | \$ - | \$ - | \$ - |
| Fox Ridge Hotel | March 1, 2009 | \$ 3,850,000 | March 1, 2019 | \$10,000 | \$ - | \$ - | \$ - |
| Seven Sutton Pl | April 28, 2009 | \$ 5,120,000 | April 28, 2018 | \$ 2,500 | \$ 2,500 | \$ - | \$ - |
| Highland Group, LLC | December 23, 2010 | \$ 4,700,000 | December 22, 2020 | \$ 2,500 | \$ 2,500 | \$ - | \$ - |
| Totals | | <u>\$ 45,970,000</u> | | <u>\$ 20,000</u> | <u>\$ 10,000</u> | <u>\$ -</u> | <u>\$ 2,580</u> |

- (a) Effective December 6, 2001, there was an addition of \$1,500,000 to the existing straight lease transaction, increasing the total amount financed from \$14,700,000 to \$16,200,000. Officially, the annual payment of \$2,500 due to the Agency over the remaining 30-year term was satisfied with a “one-time” straight lease payment of \$50,000. However, the Agency has a continuing legal obligation under the terms of the straight lease agreement until the earlier of the termination of the Project Agreement or termination of the sublease.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the County of Putnam, New York)

Notes to Financial Statements

Note 3 - Straight-Lease Transactions - Continued

(b) Effective December 29, 2006, there was an addition of \$5,500,000 to the existing straight lease transaction, increasing the amount financed from \$6,000,000 to \$11,500,000.

(c) Effective June 19, 2006, there was an addition of \$600,000 to the existing straight lease transaction, increasing the total amount financed from \$4,000,000 to \$4,600,000.

(d) The proposed Jaral Putnam, LLC project has been postponed due to poor economic and difficult financing conditions. The total project is expected to cost approximately \$24,000,000.

* Presented for historical purposes only.

Note 4 – Leases

In October 2013 the Agency entered into a \$1 per year office space lease agreement with the County of Putnam. It is anticipated that the lease will be renewed in the following calendar year (2014) at the existing rate of \$1 per year. Prior rent was at \$525 per month.

Note 5 – Property and Equipment

Property and equipment acquired by the Agency are stated at historical cost and consists of the following at December 31, 2013:

| | <u>Cost</u> | <u>Estimated Useful Lives</u> |
|--------------------------------|-----------------|-----------------------------------|
| Office equipment | \$18,729 | 5 years |
| Furniture and fixtures | 10,995 | 7 years |
| Computer equipment | <u>9,195</u> | 5 years |
| Sub-total | <u>\$38,919</u> | |
| Less, accumulated depreciation | (38,919) | |
| Property and Equipment – net | <u>\$ 0</u> | |

Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets.

Depreciation expense amounted to \$0 and \$0 for the years ended December 31, 2013 and 2012, respectively. The assets were fully depreciated in 2003.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the County of Putnam, New York)

Notes to Financial Statements

Note 6 – Payments In Lieu of Taxes (PILOTS)

The Agency, under the provisions of Section 412-a of the Real Property tax law of the State of New York is not required to pay real estate taxes on any of the property acquired by it or under its jurisdiction, supervision or control. In order to insure the receipt of real estate tax revenues, the agency entered into a “Payment In Lieu of Tax Agreement” with the lessees of various projects. The lessees have agreed to make payments in lieu of taxes until the agency’s tax exemption is no longer in effect, at which time, title will be conveyed to the lessee. Under Section 485-b of NYS Real Property tax law, tax payments for all real estate taxes will be paid directly by the lessees in a reduced manner as provided for in the Project Agreements. In 2013, these payments amounted to \$1,106,916 as follows:

| | |
|-----------------------|---------------------|
| County PILOT | \$ 89,262 |
| Local PILOT | 174,480 |
| School District PILOT | <u>843,174</u> |
| Total PILOTS | <u>\$ 1,106,916</u> |

Note 7 – Tax Exemptions

Total other tax exemptions received on the various projects for the year ended December 31, 2013 were as follows:

| | |
|----------------------|------|
| Sales Tax Exemptions | \$ 0 |
|----------------------|------|

Note 8 – Limited Coverage of The Financial Statements and Auditor’s Report

The financial statements of the Putnam County Industrial Development Agency are intended to present the financial position and results of operations and cash flows of proprietary fund types of only that portion of the financial reporting entity of the County of Putnam, State of New York that is attributable to the transactions of the Agency.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the County of Putnam, New York)

Notes to Financial Statements

Note 9 – Current Liabilities

Current liabilities are comprised of the following items for the years ended Dec. 31:

| | <u>2013</u> | <u>2012</u> |
|------------------|-----------------|----------------|
| Accrued expenses | \$ 5,000 | \$ 4,150 |
| Payables – other | <u>0</u> | <u>174</u> |
| Total | <u>\$ 5,000</u> | <u>\$4,324</u> |

Note 10 – Evaluation of Subsequent Events

The Agency has evaluated subsequent events through June 12, 2014, the date which the financial statements were available to be issued.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the County of Putnam, New York)

Supplementary Information

Schedule of Contractual Expenses

| <u>AGENCY ADMINISTRATION:</u> | <u>December 31,</u> | |
|---|---------------------|------------------|
| | <u>2013</u> | <u>2012</u> |
| Rent | \$ 1,051 | \$ 6,300 |
| Professional fees - accounting and auditing | 4,500 | 5,900 |
| Insurance | 3,301 | 3,035 |
| Legal notices | 155 | 84 |
| Travel | 77 | - |
| Service charges | 10 | - |
| Wages | - | 43,594 |
| Payroll related expenses | - | 3,633 |
| Website | - | 1,245 |
| Office supplies | - | 109 |
| Postage and delivery | - | 3 |
| Printing and reproduction | - | 85 |
| Registration Fees | - | 70 |
| Donation | - | 25 |
| Meals | 70 | 455 |
| Hotel and Lodging | - | 312 |
| Telephone | 329 | 550 |
| Total Agency Administrative Expenses | <u>\$ 9,493</u> | <u>\$ 65,400</u> |

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of the County of Putnam, New York)**

Supplementary Information

**Schedule of Bond Indebtedness
For the Year Ended December 31, 2013**

| <u>Name of Project</u> | <u>Principal Amount Of Issue</u> | <u>Issue Date</u> | <u>Outstanding Beginning Fiscal Year</u> | <u>Principal Paid During Fiscal Year</u> | <u>Outstanding End Of Fiscal Year</u> |
|--|--|-------------------|--|--|---|
| (A) Broad Reach LLC Project (Materion) | \$ 6,685,000 | 12/29/2006 | \$ 5,885,000 | \$ 180,000 | \$ 5,705,000 |

The Variable Rate Industrial Development Revenue Bond total issue of \$6,685,000 consists of two bonds issued on December 29, 2006 as follows:

| <u>No.</u> | <u>Tax Series</u> | <u>Interest Rate</u> | <u>Amount</u> | <u>Maturity Date</u> | <u>Tax Status</u> |
|------------|-------------------|----------------------|---------------|----------------------|-----------------------------------|
| R-1 | 2006A | Variable | \$ 915,000 | 7/1/2014 | Taxable |
| R-2 | 2006B | Variable | \$ 5,770,000 | 7/1/2032 | Taxable - converted to tax exempt |

Note: Bond interest paid during the year amounted to \$34,418.

| | | | | | |
|--------------------------------------|--------------|-----------|--------------|--------------|------|
| (B) Sincerity +, LLC Facility | \$ 9,990,000 | 12/1/2004 | \$ 8,640,000 | \$ 8,640,000 | \$ - |
|--------------------------------------|--------------|-----------|--------------|--------------|------|

The Variable Rate Demand Industrial Development Revenue Bond, Series 2004 total issue of \$9,990,000 consists of one bond issued on December 1, 2004 as follows:

| <u>No.</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Tax Status</u> |
|------------|----------------------|----------------------|-------------------|
| R-1 | Variable | 12/1/2024 | Taxable |

Note: Bond interest paid during the year amounted to \$13,483.

| | | | | | |
|--|--------------|----------|--------------|------------|--------------|
| (C) Mahopac Volunteer Fire Department, Inc Project | \$ 5,700,000 | 6/1/2005 | \$ 4,330,000 | \$ 260,000 | \$ 4,070,000 |
|--|--------------|----------|--------------|------------|--------------|

The Variable Rate Civil Facility Revenue Bond, Series 2005 total issue of \$5,700,000 consists of one bond issued on June 1, 2005 as follows:

| <u>No.</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Tax Status</u> |
|------------|----------------------|----------------------|-------------------|
| R-1 | Variable | 7/1/2025 | Tax Exempt |

Note: Bond interest paid during the year amounted to \$62,905.

| | | | | | |
|---|---------------|-----------|---------------|------------|---------------|
| (D) United Cerebral Palsy of Putnam and Southern Dutchess Project | \$ 12,565,000 | 12/1/2005 | \$ 10,810,000 | \$ 385,000 | \$ 10,425,000 |
|---|---------------|-----------|---------------|------------|---------------|

The Variable Rate Civil Facility Revenue Bond, Series 2005 total issue of \$12,565,000 consists of three bonds issued on December 1, 2005 as follows:

| <u>No.</u> | <u>Tax Series</u> | <u>Interest Rate</u> | <u>Amount</u> | <u>Maturity Date</u> | <u>Tax Status</u> |
|------------|-------------------|----------------------|---------------|----------------------|-------------------------------------|
| R-1 | 2005A | Variable | \$ 4,300,000 | 12/1/2030 | Tax Exempt |
| R-2 | 2005B | Variable | \$ 8,025,000 | 12/1/2030 | Taxable - convertible to tax exempt |
| R-3 | 2005C | Variable | \$ 240,000 | 12/1/2008 | Taxable |

Note: Bond interest paid during the year amounted to \$10,926.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A Component Unit of the County of Putnam, New York)

Supplementary Information

Schedule of Bond Indebtedness - continued
For the Year Ended December 31, 2013

| <u>Name of Project</u> | <u>Principal Amount Of Issue</u> | <u>Issue Date</u> | <u>Outstanding Beginning Fiscal Year</u> | <u>Principal Paid During Fiscal Year</u> | <u>Outstanding End Of Fiscal Year</u> |
|--------------------------------|----------------------------------|-------------------|--|--|---------------------------------------|
| (E) Dunmore Corporation | \$ 8,000,000 | 12/13/2011 | \$ 7,640,000 | \$ 7,640,000 | \$ - |

The Industrial Revenue Bond total issue of \$8,000,000 consists of one bond issued on December 13, 2011 as follows:

| <u>No.</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Tax Status</u> |
|------------|----------------------|----------------------|-------------------|
| R-1 | Variable | 11/1/2021 | Tax Exempt |

Note: Bond interest paid during the year amounted to \$44,883.

| | | | | | |
|---|--------------|-----------|------|------|------|
| *(F) Brewster Plastics, Inc (Highland Group, LLC) | \$ 3,430,000 | 6/12/1996 | \$ - | \$ - | \$ - |
|---|--------------|-----------|------|------|------|

The Industrial Revenue Bond total issue of \$3,430,000 consisted of two bonds issued on June 12, 1996 as follows:

| <u>No.</u> | <u>Interest Rate</u> | <u>Amount</u> | <u>Maturity Date</u> | <u>Tax Status</u> |
|------------|----------------------|---------------|----------------------|-------------------|
| R-1 | 7.375% | \$ 1,440,000 | 12/1/2008 | Taxable |
| R-2 | 8.500% | \$ 1,990,000 | 12/1/2016 | Taxable |

Note: The bond issued in 1996 for \$1,990,000 was satisfied early in May of 2009.

| | | | | | |
|--------------------------------------|--------------|-----------|------|------|--------------|
| (G) Sincerity +, LLC Facility | \$ 8,130,000 | 12/1/2013 | \$ - | \$ - | \$ 8,130,000 |
|--------------------------------------|--------------|-----------|------|------|--------------|

The Industrial Development Revenue Bond total issue of \$8,130,000 consists of one bond issued on December 1, 2013 as follows:

| <u>No.</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Tax Status</u> |
|------------|----------------------|----------------------|-------------------|
| R-1 | Variable | 12/1/2024 | Taxable |

This bond is an Index Interest Rate Industrial Refunding Revenue Bond, Series 2013. The proceeds were used to refinance the \$8,130,000 balance of the original \$9,900,000 Industrial Development Revenue Bonds, Series 2004 (Sincerity +, LLC Facility)(the "Prior Bonds").

Contemporaneously with the execution of the bond, Issuer and Borrower entered into an Amended and Restated Lease Agreement dated December 1, 2013. The bonds were purchased by Wells Fargo Bank, National Association required the Borrower to enter into a Continuing Covenant Agreement also dated December 1, 2013.

Note: Bond interest paid during the year amounted to \$0.

* Presented for historical purposes only.

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Member, New York State Society of Certified Public Accountants

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

Chairman and Board of Directors
Putnam County Industrial Development Agency
34 Gleneida Avenue
Carmel, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of net position of the County of Putnam, New York Industrial Development Agency (Agency), a component unit of the County of Putnam, New York, as of and for the year ended December 31, 2013, and the related statements of income, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Putnam County, New York Industrial Development Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Chairman and Board of Directors
Putnam County Industrial Development Agency
34 Gleneida Avenue
Carmel, New York

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Michael R. Quis
Certified Public Accountant

Carmel, New York
June 12, 2014