DATED: MARCH 10, 2020

UCIDA

Ulster County Industrial Development Agency
P. O. Box 4265, Kingston, NY 12402-4265

March 11, 2020 – 8:30 AM
SUNY Ulster – 94 Marys Avenue, Room 101, Kingston, NY

AUDIT COMMITTEE MEETING AGENDA

1. Call to Order
2. Roll Call **(page 2)**
3. Approval of Minutes of the October 1, 2019 Audit Committee Meeting **(page 3)**
4. Presentation of 2019 Audit – UHY, LLP
    - Review of 2019 Audit Required Communication Letter **(page 7)**
    - Review of 2019 Annual Financials (draft)
    - Review of 2019 Mission and Goals Measurement Report **(page 25)**
    - Review of 2019 Internal Controls Assessment **(page 26)**
    - Review of 2019 Investment Report **(page 28)**
    - Review of 2019 Real Property Report **(page 29)**
5. Recommendation to Approve 2019 Annual Audit & Report Documents
6. Adjournment

REMINDER: This meeting is being recorded and/or live-streamed: Please turn off your cell phones and remember to speak clearly.

The mission of the Ulster County Industrial Development Agency is to advance the job opportunities, general prosperity and long-term economic vitality of Ulster County residents by targeting tax incentives, bonding and other assistance to foster creation and attraction of new business and the retention and expansion of existing business.

Item 2.

Roll Call

	Present	Absent
Richard O. Jones, Committee Chair	_____	_____
Faye Storms	_____	_____
James Malcolm	_____	_____

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Ulster County Industrial Development Agency

ULSTER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
AUDIT COMMITTEE MINUTES
October 1, 2019

A meeting of the Audit Committee of the Ulster County Industrial Development Agency was held on Tuesday, October 1, 2019, at 4:00 P.M. at SUNY Ulster, 94 Mary's Avenue, Room 204, Kingston, NY.

Roll Call:

The following agency members were present:

Richard Jones	Committee Chair
Faye Storms	

The following agency members were absent (with notice):

James Malcolm

Additional Attendees:

Rose Woodworth	Agency Staff
Randall Leverette	Chairman of the Board

The meeting was called to order at 4:00 P.M by Committee Chair Richard Jones.

Roll was called, and a quorum was present.

MINUTES

Motion: Faye Storms seconded by Richard Jones, moved to approve the minutes of the March 29, 2019 meeting. A copy of said minutes is on file.

Vote: The motion was unanimously adopted.

UPDATED ANNUAL REPORTING REQUIREMENTS AND CERTIFICATION

The committee reviewed the changes made to the cover letter to be sent to each project regarding annual reporting requirements and the accompanying reporting form. On the cover letter, the date has been changed so that the letter can be mailed out earlier this year. Wording that advises the project that the reporting is mandatory has been added. All four quarters of form NYS-45 are now being requested, instead of just the last quarter, due to form changes. A payroll journal showing the number of hours that employees worked will also be requested. The Committee discussed that some closing documents, usually older ones, are not done by full-time equivalent so the payroll journal will be useful to check the varying contracts. The Committee discussed enclosing the schedule of fees to highlight the due date and inform projects of fees associated with submitting the information late.

The Committee examined the changes made to the reporting form. The most prevalent change was updating the year to 2019. They discussed personalizing the reporting form by adding the number of promised jobs per project but decided to leave the form as presented. Wording similar to the wording on the background check form was added to the end of the reporting form to ensure that a shareholder, owner, or member reviewed and signed the form. The letters will be sent via certified mail.

AUDIT ENGAGEMENT LETTER FROM PKHB

The Committee reviewed the engagement letter provided by Pattison, Koskey, Howe & Bucci, CPAs ("PKHB"), a copy of which is on file. The Agency has a contract in place with PKHB which was negotiated in 2017, and set the fees for the audit for tax years 2017, 2018, and 2019. The fee to complete both 2019 audits is $12,900. The engagement does not need to be approved by the Committee or the Board since the contract is already in place. The Agency will be working with a new Managing Director for the 2019 audit due to the New York State law that only allows the same Managing Director for five consecutive years. PKHB sent an email to introduce the new Managing Director. Since this is the last year of the contract with PKHB, Agency policy requires it to request bids from at least three accounting firms. A three-year contract is ideal to help mitigate cost.

ANNUAL PROJECT SITE VISITS

The Committee reviewed the Enforcement of Corporation Projects Policy, Section 4, a copy of which is on file. The policy calls for a Certified Public Accountant, at the expense to the project, to verify and certify that the numbers submitted are consistent with payroll data submitted via NYS-45 and Proof of Workers Compensation Coverage. The Executive Director had previously reviewed this section with Agency Counsel, who agreed that this policy, which is signed by each project, gives the Agency the ability to charge projects for the monitoring fees. The policy also states the Agency to request copies of the NYS-45, Proof of Workers' Compensation coverage, proof of Disability Insurance coverage and proof of Unemployment Insurance. The Committee discussed adding information about the new monitoring fee to the letter being sent to each project this month. The Committee discussed requesting bids from CPAs in accordance with the Agency's Procurement Policy. For any public works contracts $500-$2,999, two

verbal quotations are required, for anything between $3,000 and $4,999, two written or faxed quotations are required and for anything $5,000 and above, three written or faxed quotations or written request for proposals are required. The Committee estimates the cost for the site visits to total approximately $15,000, so three written quotations or requests for proposals are required. The Committee considered the possibility of paying for the site visits out of Agency funds, or collecting a larger fee at closing to go towards the cost of site visits. Another option discussed was to have staff conduct the site visits and pay a CPA only to review the payroll information submitted with the PARIS reporting. The Committee requested that Ms. Woodworth submits a quote to conduct site visits as administrative staff at the next Board Meeting. Ms. Woodworth was also asked to obtain three quotes from CPAs to completed the review of information. The Committee pointed out Section 3, Part B, numbers 5 and 6, and the fact that in the past the Agency has not asked projects to furnish a certificate of an authorized representative of the applicant stating that no Event of Default under the Installment Sale Agreement has occurred. The Committee considered using the annual reporting form to satisfy this requirement.

DISCUSSION OF PROCESS OF AUDITING/MONITORING OF CONSTRUCTION JOBS AT PROJECTS

The Committee reviewed a proposal from Loewke-Brill to construction labor.

EXECUTIVE SESSION

Motion: Faye Storms, seconded by Richard Jones, made a motion to enter into executive session to discuss contractual matters regarding the proposal from Loewke-Brill.

Vote: The motion was unanimously adopted (2-0).

The Committee entered Executive Session at 5:00 P.M.

Motion: Faye Storms, seconded by Richard Jones, made a motion to come out of Executive Session.

Vote: The motion was unanimously adopted (2-0).

The Committee came out of Executive Session at 5:16 P.M.

No action was taken during Executive Session.

Motion: Richard Jones, seconded by Faye Storms, made a motion to accept the material that was presented by the Executive Director as to how Loewke-Brill would conduct the site visits for an applicant that is receiving the tax inducement from the Ulster County IDA. The

motion further recommends that the contents of the material presented be presented to the full Board for their consideration.

Vote: The motion was unanimously adopted (2-0).

ADJOURNMENT

Motion: Faye Storms, seconded by Richard Jones, moved to adjourn the meeting.

Vote: The motion was unanimously adopted (2-0).

The meeting was adjourned at 5:18 P.M.

Respectfully submitted,

_____
Richard Jones, Committee Chair

ULSTER COUNTY
INDUSTRIAL DEVELOPMENT AGENCY

(a component unit of Ulster County, New York)

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

Draft

ULSTER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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DRAFT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ulster County Industrial Development Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the Ulster County Industrial Development Agency (a component unit of Ulster County, New York), (the "Agency") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Ulster County Industrial Development Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Ulster County Industrial Development Agency's 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ulster County Industrial Development Agency as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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 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 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 financial statements that collectively comprise Ulster County Industrial Development Agency's basic financial statements. The Schedule of Revenues and Expenditures – Budget and Actual, Schedule of Conduit Debt Obligations, Schedule of Projects and Exemptions and the Schedule of PILOTS are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues and Expenditures – Budget and Actual, Schedule of Conduit Debt Obligations, Schedule of Projects and Exemptions and the Schedule of PILOTS are the responsibility of management and were derived from and relate directly to the underlying 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 Schedule of Revenues and Expenditures – Budget and Actual, Schedule of Conduit Debt Obligations, Schedule of Projects and Exemptions and the Schedule of PILOTS are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Full Time Equivalent Jobs has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Financial Statements for the Year Ended December 31, 2018

The financial statements of Ulster County Industrial Development Agency for the year ended December 31, 2018 were audited by Pattison, Koskey, Howe, & Bucci, CPAs, P.C., who combined with UHY LLP effective January 1, 2020, and expressed an unmodified opinion on those financial statements on March 29, 2019.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March ___, 2020 on our consideration of Ulster County 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 Ulster County Industrial Development Agency's internal control over financial reporting and compliance.

Kingston, New York
March ___, 2020

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ULSTER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

(a component unit of Ulster County, New York)
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2019 and 2018

Introduction

Our discussion and analysis of Ulster County Industrial Development Agency's (the Agency) financial performance provides an overview of the Agency's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the Agency's financial statements that follow this discussion and analysis. Ulster County Industrial Development Agency is a New York State public authority and industrial development agency operating in the County of Ulster, New York. This summary discussion and analysis includes only the financial and general business of the Agency.

Financial Highlights

The Agency's net position increased by $156,044 (or 21%) as a result of operations in 2019.

In 2019, revenues decreased $192,967 compared to 2018, or (37)%.
In 2018, revenues increased $408,901 compared to 2017, or 347.5%.

In 2019, expenses increased $5,694 compared to 2018, or 3%.
In 2018, expenses increased $14,933 compared to 2017, or 9.5%.

Agency Highlights

For the year ended December 31, 2019, the Agency authorized incentives for two (2) new projects and one (1) reassignment of benefits of an existing project for new ownership. The new development projects benefited applicants in the distillery and event venue, bottling, and hotel/resort/golf course sectors. Each project is expected to retain and create new job opportunities and contribute to Ulster County's economic diversity and vitality. The Agency collected $239,530 in administrative fees. The benefit from the new projects to the Mid-Hudson Economic Development Region are the retention of 136 existing jobs, and the potential for 30 new jobs.

For the year ended December 31, 2018, the Agency authorized incentives for five (5) new projects. The new development projects benefited applicants in the film, manufacturing, and natural foods sectors. Each project is expected to retain and create new job opportunities and contribute to Ulster County's economic diversity and vitality. The Agency collected $519,249 in administrative fees. The benefit from the new projects to the Mid-Hudson Economic Development Region are the retention of 11 existing jobs, and the potential for 70 new jobs.

Using This Annual Report

This Annual Report consists primarily of the Statements of Net Position, Statements of Revenues, Expenses, and Changes of Net Position and the Statements of Cash Flows, which provide information about the activities of the Agency only.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The statements report the Agency's net position and changes in net position. One way to measure the Agency's financial position is to look at the net position - the difference between assets and liabilities.

Condensed Comparative Financial Statements and Analysis

The Agency's net position at the end of the 2019 was $903,035, an increase of $156,044 over $746,991 in 2018. The Agency's net position at the end of the 2018 was $746,991, an increase of $354,705 over $392,286 in 2017.

Our analysis below focuses on net position (Table 1) and the changes in net position (Table 2).

Table 1 – Net Assets

	2019	2018	2017
Current Assets	$ 940,787	$ 759,626	$ 406,452
Current Liabilities	$ 37,752	$ 12,635	$ 14,166
Net Position - Unrestricted	$ 903,035	$ 746,991	$ 392,286

Current Assets:

Cash totals at the end of 2019 were $679,202 versus $737,612 at the end of 2018. The decrease is a direct result of allocating money to time deposits in 2019. Cash totals at the end of 2018 were $737,612 versus $375,036 at the end of 2017. The increase in cash was a direct result of increased administrative fees in 2018.

The Agency purchased certificates of deposit to obtain a better interest rate return given the increase in assets over the past three years.

Current Liabilities:

Outstanding payables were for services performed in the current fiscal year and paid for in the subsequent fiscal year.

During the year ended December 31, 2019, the Agency began collecting an additional fee held in escrow for labor audits. As those labor audit fees are incurred, the IDA recognizes revenue and expense. Any remaining escrow money not spent at the end of the project is returned to the project owner.

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Condensed Comparative Financial Statements and Analysis (Continued)

Table 2 – Changes in Net Assets

	2019	2018	2017
Revenues:			
Project fees	$ 239,530	$ 519,249	$ 107,575
Project admin fees	4,848	-	-
Application fees	1,000	3,500	5,500
Interest income	8,215	3,811	584
Other income	80,000	-	4,000
Total revenues	333,593	526,560	117,659
Expenses:			
Operating expenses	177,549	171,855	156,922
Total expenses	177,549	171,855	156,922
Changes in Net Position	$ 156,044	$ 354,705	$ (39,263)

The Agency's revenues in 2019 were $333,593 versus $526,560 in 2018. Other income in 2019 includes recovery of legal fees from prior costs incurred in litigation from an applicant that was denied project benefits. Expenses in 2019 were $177,549 versus $171,855 in 2018. The revenue decrease in 2019 over 2018 was caused by a significant decrease in Project closing fees. The expenses increased in 2019 predominantly due to Administrative staff fees from 2019 over 2018. The Agency's revenues in 2018 were $526,560 versus $117,659 in 2017. Expenses in 2018 were $171,855 versus $156,922 in 2017. The revenue increase in 2018 over 2017 was caused by significant increase in Administrative fees. The expenses increased in 2018 predominantly due to an increase in professional fees from 2018 over 2017.

Capital Assets and Long-Term Debt

There were no capital asset additions in 2019 or 2018 and the Agency did not take on any long-term debt in 2019 or 2018.

Budget

In October 2018, the Agency adopted a 2019 budget projecting revenues to be $110,500 and expenses to be $110,500. Actual 2019 revenues totaled $333,593 and actual 2019 expenses totaled $177,549. Much of the increase in actual revenues over budget was the result of more than expected number of projects closing in 2019.

Contacting UCIDA Financial Administrator

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ulster County Industrial Development Agency, P.O. Box 4265, Kingston, New York 12402-4265.

ULSTER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

(a component unit of Ulster County, New York)
STATEMENTS OF NET POSITION
Years Ended December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 679,202	$ 737,612
Certificates of deposit	253,175	-
Accounts receivable	3,609	22,014
Due from UCCRC	4,576	-
Prepaid expenses	225	-
Total assets	$ 940,787	$ 759,626
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 23,077	$ 135
Escrow payable	14,675	-
Due to Ulster County	-	12,500
Total liabilities	37,752	12,635
NET POSITION		
Unrestricted	903,035	746,991
Total liabilities and net position	$ 940,787	$ 759,626

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See notes to financial statements.

ULSTER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

(a component unit of Ulster County, New York)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Project fees	$ 239,530	$ 519,249
Project expense reimbursements	4,848	-
Application fees	1,000	3,500
Recovery of legal fees	80,000	-
Total operating revenues	325,378	522,749
OPERATING EXPENSES		
Administrative	59,689	50,545
Contracts for services	4,770	8,132
Shovel Ready Feasibility studies	-	15,500
Professional	103,766	88,527
Membership dues	858	5,750
Insurance	2,298	2,201
Website	5,831	-
Miscellaneous	337	1,200
Total operating expenses	177,549	171,855
Operating income	147,829	350,894
OTHER REVENUES		
Interest income	8,215	3,811
Total other revenues	8,215	3,811
CHANGE IN NET POSITION	156,044	354,705
NET POSITION, Beginning of year	746,991	392,286
NET POSITION, End of year	$ 903,035	$ 746,991

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See notes to financial statements.

ULSTER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

(a component unit of Ulster County, New York)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Project fees	$ 272,882	$ 528,651
Application fees	1,000	3,500
Recovery of legal fees	80,000	-
Payments for vendors	(4,995)	(9,663)
Payment for website expenses	(5,831)	-
Payments for Shovel Ready feasibility studies	-	(15,500)
Payments for administrative expenses	(57,400)	(50,545)
Payments for professional fees	(95,613)	(88,527)
Payments for membership dues	(858)	(5,750)
Payments for miscellaneous expenses	(2,635)	(3,401)
Net cash provided by operating activities	186,550	358,765
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	8,215	3,811
Purchase of investments	(253,175)	-
Net cash (used for) provided by investing activities	(244,960)	3,811
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(58,410)	362,576
Cash and cash equivalents, beginning of year	737,612	375,036
Cash and cash equivalents, end of year	$ 679,202	$ 737,612
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 147,829	$ 350,894
Changes in operating assets and liabilities		
Decrease in accounts receivable	18,405	9,402
Increase in due from UCCRC	(4,576)	-
Decrease in due to Ulster County	(12,500)	-
Increase in prepaid expenses	(225)	-
Increase (decrease) in accounts payable	22,942	(1,531)
Increase in escrow payable	14,675	-
Net cash provided by operating activities	$ 186,550	$ 358,765

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See notes to financial statements.

NOTE 1 — NATURE OF ORGANIZATION

The Ulster County Industrial Development Agency, a component unit of Ulster County, New York, (the "Agency"), a public benefit corporation, was established by New York State legislation and commenced operations in 1978.

The Agency's present function is to advance the job opportunities, general prosperity and long-term economic vitality of Ulster County residents by targeting tax incentives, bonding and other assistance to foster creation and attraction of new business and the retention and expansion of existing business.

The Agency also has the power to acquire, construct, reconstruct, lease, sell, improve, maintain, equip, or furnish certain properties and facilities.

The members of the Agency are appointed by the County of Ulster's legislature. Agency members have complete responsibility for management of the Agency and accountability for fiscal matters.

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

Payment in lieu of taxes (PILOT):

The Agency enters into and administers PILOT agreements for various companies in the surrounding area. The PILOT agreements are entered into between the Agency and a third-party business. Title to Property owned by the third-party business is transferred to the Agency for a period of time. During the term of the agreement (when the Agency holds the title to the property), the third-party business pays the Agency an annual PILOT amount based on a calculation derived by a formula in the agreement. The calculation is performed by the Agency and sent to the municipalities. The PILOTS allow the participants to make payments at a lower rate than if the company paid the property's assessed value at the current tax rates for county, town and school taxes. Certain requirements are to be met by the company to be able to maintain their PILOT. These requirements, stated in the PILOT agreement, can be comprised of reaching and maintaining certain employment goals and paying their PILOT in a timely fashion. This promotes employment and economic development. The Agency will in turn pay the respective tax authorities. At the completion of the PILOT program, title to the property is transferred back to the third-party business owner and the property goes back on the respective tax rolls.

The Agency generates fees from PILOT agreements called "Administrative and Application Fees." The Agency also administers bonds for several projects and receives an administrative fee upon issuance of the bond.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Agency have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred. In accordance with accounting principles generally accepted in the United States of America, the Agency applies all applicable Governmental Accounting Standards Board (GASB) pronouncements including GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The government-wide financial statements include the Agency's only governmental fund (single enterprise fund).

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets that applies to future period(s), and as such, will not be recognized as an outflow of resources (expense/expenditure) until that time. A deferred inflow of resources is an acquisition of net assets that applies to future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time.

Statement 63 changed how governments organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet).

As a result of Statement 63, financial statements will include deferred outflows of resources and deferred inflows of resources ("deferrals"), in addition to assets and liabilities, and will report net position instead of net assets.

Budgetary Data

The budget policies are as follows:

In October of each year the Chief Financial Officer submits a tentative budget to the Finance Committee and the Finance Committee recommends the budget to the Board of Directors for final approval for the next fiscal year which begins the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of 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.

Revenue Recognition

The Agency recognizes revenue annually in the period services are performed. Revenue is recognized for administrative services performed related to bond issuances in the period the services are performed generally when the related bond issuances are finalized.

PILOT receipts and PILOT payments related to the property not owned by the Agency to the respective taxing authorities are accounted for as pass through transactions and are not included in the revenues or expenses of the Agency. The Agency has the responsibility for administering the program, but the jurisdictions ultimately bear the risk of loss if PILOT payments are not paid by the respective companies. Participants in the PILOT program are instructed to pay the taxing authorities directly.

Net position

Net position is an element of proprietary fund financial statements and is measured by the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflow of resources.

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NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through March ___, 2020, which is the date the financial statements were available to be issued. The UCIDA has hired a new attorney effective February 2020 per inquiry with client no new litigation.

NOTE 3 — CONCENTRATION OF CREDIT RISK

For purposes of reporting cash flows, the Agency considers cash in operating bank accounts, demand deposits, cash on hand, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents. As of December 31, 2019 and 2018, cash and cash equivalents were covered by federal depository insurance up to $250,000. The following is a summary of cash and cash equivalents as included in the statements of net position at December 31, 2019 and 2018:

	2019		2018	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Checking and Savings Accounts	$ 679,202	$ 724,465	$ 737,612	$ 738,728
Certificates of deposit:	253,175	253,175	-	-
Total	$ 932,377	$ 977,640	$ 737,612	$ 738,728
FDIC Coverage		250,000		250,000
Pledged Collateral		920,748		746,235
In Excess		$ (193,108)		$ (257,507)

	2019	2018
Greene County Bank CD (1.85% due 05/10/2020)	$ 126,525	$ -
Greene County Bank CD (2% due 08/10/2020)	126,650	-
Total	$ 253,175	-

The Agency's investment policies are governed by New York State statues. The Agency's funds must be deposited in FDIC insured commercial banks or trust companies located within New York State. The Agency is authorized to use demand accounts and certificates of deposit.

Collateral is required for demand deposits and certificates of deposit for 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 New York State and its municipalities and school districts. The certificates of deposit shown above are covered by pledged collateral.

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NOTE 4 — CONDUIT DEBT OBLIGATIONS

From time to time, the Ulster County Industrial Development Agency issues Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the interest of the public. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County of Ulster Industrial Development Agency, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2019 and 2018, outstanding bonds totaled $10,449,120 and $10,449,120, respectively.

NOTE 5 — RELATED PARTY TRANSACTIONS

As of December 31, 2019, the amount due from Ulster County Capital Resource Corporation (UCCRC) was $4,576. The amount due to the Agency was related to costs to create UCCRC's website along with the Agency's annual site visits and administration.

For the year ended December 31, 2018, the Agency paid Ulster County administration fees totaling $50,000. As of December 31, 2018, the amount due to Ulster County related to the administration fee was $12,500.

During the year ended December 31, 2018, the Agency paid Ulster County Economic Development Agency (UCEDA) $5,000, related to membership dues paid by UCEDA on UCIDA's behalf.

Effective January 1, 2019, the Agency is no longer administered by the County of Ulster.

NOTE 6 — LEGAL SETTLEMENT

During the year ended December 31, 2019, the Agency settled a lawsuit for the denial of benefits to a project applicant. The Agency expensed $33,012 and $61,466 in legal fees for the years ended December 31, 2019 and 2018, respectively, and recovered $80,000 in 2019.

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SUPPLEMENTARY INFORMATION

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ulster County Industrial Development Agency
A Component Unit of Ulster County, New York

We have audited, 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, the financial statements of Ulster County Industrial Development Agency as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Ulster County Industrial Development Agency's basic financial statements, and have issued our report thereon dated March ___, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ulster County Industrial Development 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 Ulster County Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Ulster County 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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ulster County Industrial Development 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kingston, New York
March ___, 2020

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ULSTER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

(a component unit of Ulster County, New York)

SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL

Year ended December 31, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Project fees	$ 225,000	$ 244,378	$ 19,378
Application fees	3,000	1,000	(2,000)
Investment earnings	8,200	8,215	15
Miscellaneous Income	80,000	80,000	-
Total revenues	316,200	333,593	17,393
Expenditures:			
Administrative	57,000	59,689	(2,689)
Contracts for services	10,000	4,770	5,230
Membership dues	750	858	(108)
Professional	104,000	103,766	234
Insurance	2,500	2,298	202
Miscellaneous	4,100	337	3,763
Website	8,000	5,831	2,169
Total expenditures	186,350	177,549	8,801
Total revenues in excess of expenditures (expenditures in excess of revenues)	$ 129,850	$ 156,044	$ 26,194

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See notes to financial statements.

2019 AUTHORITY MISSION AND GOALS MEASUREMENT REPORT

Name of Public Authority: Ulster County Industrial Development Agency

Public Authority's Mission Statement:

The mission of the Ulster County Industrial Development Agency is to advance the job opportunities, general prosperity, and long-term economic vitality of Ulster County residents by targeting assistance to foster creation of new business and the retention and expansion of existing businesses.

List of Performance Goals and Measurement of Progress in Meeting Goals:

1. Advance job opportunities

In 2019, the UCIDA provided incentives to two projects, one in the entertainment, hotel and tourism sector and the other in the industrial sector. Each project is expected to retain or create new job opportunities and contribute to Ulster County's economic diversity and vitality.

2. Promote general prosperity and long-term economic vitality in the County

The Agency continues to review, promote, develop, and encourage projects that will advance job opportunities, health, general prosperity and economic welfare of the people of the state of New York and to improve their recreational opportunities, prosperity and standard of living.

3. Foster creation of new business

The UCIDA partners with various stakeholders in the county to promote, develop, encourage and assist in acquiring constructing, reconstructing, improving, maintaining, equipping and furnishing industrial and manufacturing facilities or educational and cultural facilities for the benefit of residents and taxpayers in the county.

4. Foster retention and expansion of existing businesses

The UCIDA partners with various stakeholders for the purpose of fostering retention and expansion of existing businesses.

5. Identify new opportunities for the local economy

The UCIDA members attend meetings and conduct research on new opportunities to help it meet the goals and objectives of advancing job opportunities, business expansion and retention to help protect jobs that help bolster the Ulster County economy.

6. Enhance the economic wellbeing of Ulster County residents and businesses

UCIDA accomplished this goal with providing incentive to successful projects as well as through contracts for services with the Hudson Valley Agri-Business Development Center and Galileo Technology Group's Food Manufacturing Accelerator.

Internal Controls Assessment as of 12/31/19

A. Define major business functions

- **Enhance economic development potential by**:
  - Offering Payment in Lieu of Tax (PILOT) agreements
  - Issuance of bonds
  - Providing sales and mortgage recording tax exemptions
- **Foster increased living wage jobs by inducing quality projects for residents and tax payers**
- Provide PILOT agreements that adhere to the enabling IDA Statute
- Ensure IDA Applications are correct, and appropriate tracking is in to insure applicants adhere to UTEP awarded point categories
- Ensure the financial stability of the IDA
- Promote a culture of governance through transparency while adhering to and adopting IDA statewide best practices

B. Determine the risks associated with operations

Risks:

• Issuance of Bonds	Low
• Proper Issuance of tax exemptions	High
• Foster Business development while balancing taxpayer concerns	High
• Improper influence of project taxing jurisdictions on UCIDA decisions	Moderate
• Improper political influence on UCIDA decisions	High
• Board conflicts of interest	Moderate
• Improperly implemented Pilots	Moderate
• Negligent or fraudulent administration of UCIDA	Moderate
• Independence of IDA	High
• Project does not accomplish its goals or meet financial obligations	Moderate
• Financial Operations Fraud	Moderate
• Administrative Errors	Moderate

C. Internal and External controls in place to mitigate above risks

- Mission Statement
- By-laws

- Policies
- Rigorous pre-screening and questioning of applicant for suitability of projects
- Strong project compliance by administrative staff to ensure UTEP compliance
- Clear procedures involving approval process
- Rigorous review of contract and contract negotiation
- Annual audit of financials
- Website for information and education
- Rigorous examination and audit of tax bills utilized by municipal taxing entities

D. Assessment of effectiveness of internal controls

- Internal review suggests a more rigorous annual compliance with reporting from Pilot clients that is timely for State Reporting and also requires higher accuracy and precision in data reporting.
- Internal review suggest much more rigorous adherence to some of the UTEP provisions either at the application stage, and/or construction stage and/or during the life of the PILOT.
- Internal review suggests continued effort is needed by the board and relevant committees to ensure review and revisions as needed of the UTEP, Abatement Schedule, and PILOT Points Matrix Calculator.
- Internal review suggests stronger connection made between numbers of jobs and salaries paid for those jobs as qualifiers for obtaining inducements is needed so as to better promote the mission of job creation and development.
- Internal review suggests continuous and rigorous review of policies to insure equitable balance between being “business-fair” and “taxpayer-friendly.”

DI. Corrective Actions

- Actions will be developed where weaknesses have been identified
- Actions are reviewed with appropriate committees with read out to the entire Board
- Corrective Actions are included in public records
- Create and adapt enhanced pre-screen and review process
- Review of process for tax payment confirms as well as bond confirms.
- Annual New York State Authorities Budget Office reporting accuracy

UCIDA

Ulster County Industrial Development Agency

2019 Investment Report

The Ulster County Industrial Development Agency had no investments to report in 2019.

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Randall Leverette, Chairman and CEO
March 11, 2020

UCIDA

Ulster County Industrial Development Agency

2019 Real Property Report

The Ulster County Industrial Development Agency had no real property to report in 2019.

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Randall Leverette, Chairman and CEO
March 11, 2020