

Putnam County Industrial Development Agency

Financial Statements and Supplementary Information

Years Ended December 31, 2022 and 2021

Putnam County Industrial Development Agency

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Independent Auditors' Report

The Board of Directors of the Putnam County Industrial Development Agency

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities of the Putnam County Industrial Development Agency ("Agency"), as of and for the years ended December 31, 2022, and 2021 and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, of the Agency, as of December 31, 2022, and 2021 and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis, that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Supplementary Information

Management is responsible for the other supplementary information included in the annual financial report. The other supplementary information consists of Schedule of Straight-Lease Transactions in Effect in 2022, Schedule of Payments in Lieu of Taxes and Schedule of Indebtedness but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other supplementary information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other supplementary information and consider whether a material inconsistency exists between the other supplementary information and the financial statements, or the other supplementary information otherwise to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other supplementary information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's 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 Agency's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 24, 2023

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Putnam County Industrial Development Agency

Comparative Statement of Net Position December 31,

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and equivalents	\$ 13,157	\$ 21,764
Accounts receivable	535	1,285
Restricted cash	20,933	20,755
Prepaid expenses	<u>654</u>	<u>654</u>
 Total Assets	 <u>35,279</u>	 <u>44,458</u>
LIABILITIES		
Accounts payable	321	-
Accrued expenses	13,000	13,000
Deposits payable	26,079	20,756
Unearned revenues	<u>8,357</u>	<u>12,718</u>
 Total Liabilities	 <u>47,757</u>	 <u>46,474</u>
NET POSITION		
Unrestricted	<u>\$ (12,478)</u>	<u>\$ (2,016)</u>

See notes to financial statements

Putnam County Industrial Development Agency

Comparative Statement of Activities
Year Ended December 31,

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Straight-lease transaction rental income	\$ 5,111	\$ 5,111
Lease application fee	<u>1,000</u>	<u>-</u>
Total Operating Revenues	<u>6,111</u>	<u>5,111</u>
OPERATING EXPENSES		
Professional fees - accounting and auditing	27,416	31,250
Legal	4,275	2,850
Insurance	2,209	2,689
Website	9,395	6,155
Outside labor	-	828
Agency administration	10,292	2,185
Rent	<u>3,000</u>	<u>2,750</u>
Total Operating Expenses	<u>56,587</u>	<u>48,707</u>
Loss from Operations	<u>(50,476)</u>	<u>(43,596)</u>
NON-OPERATING REVENUES		
Interest income	14	11
Contribution from County	<u>40,000</u>	<u>50,000</u>
Total Non-Operating Revenues	<u>40,014</u>	<u>50,011</u>
Change in Net Position	(10,462)	6,415
NET POSITION		
Beginning of year	<u>(2,016)</u>	<u>(8,431)</u>
End of year	<u>\$ (12,478)</u>	<u>\$ (2,016)</u>

See notes to financial statements

Putnam County Industrial Development Agency

Comparative Statement of Cash Flows
Year Ended December 31,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from straight-lease transaction rental income	\$ 5,111	\$ 5,111
Cash paid for contracted services	(58,877)	(56,383)
Cash received from deposits	5,323	11
Cash received from contribution from County	40,000	50,000
	<u>(8,443)</u>	<u>(1,261)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Interest income	14	11
	<u>(8,429)</u>	<u>(1,250)</u>
CASH AND EQUIVALENTS		
Beginning of year	42,519	43,769
End of year	<u>\$ 34,090</u>	<u>\$ 42,519</u>
Cash and equivalents	\$ 13,157	\$ 21,764
Restricted cash	20,933	20,755
	<u>\$ 34,090</u>	<u>\$ 42,519</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Loss from operations	\$ (50,476)	\$ (43,596)
Adjustments to reconcile loss from operations to net cash from operating activities		
Contribution from County	40,000	50,000
Changes in operating assets, inflows of resources and liabilities		
Accounts receivable	750	(1,285)
Accounts payable	321	(2,030)
Deposits payable	5,323	11
Unearned revenue	(4,361)	(4,361)
	<u>(8,443)</u>	<u>(1,261)</u>
Net Cash from Operating Activities	<u>\$ (8,443)</u>	<u>\$ (1,261)</u>

See notes to financial statements

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Putnam County Industrial Development Agency

Notes to Financial Statements
December 31, 2022 and 2021

Note 1 - Organization

The Putnam County Industrial Development Agency ("Agency") was created August 31, 1995, by the Putnam County Legislature under the authority of the 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, New York ("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.

Note 2 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Agency has been identified as an organization related to the County. In accordance with the criteria enumerated in Governmental Accounting Standards Board ("GASB") Statement No. 61, *"The Financial Reporting Omnibus – an amendment of GASB Statements No. 14 and No. 34"*, the Agency is not considered a component unit of the County.

Basis of Accounting

The accounting policies of the Agency conform to generally accepted accounting principles as applicable to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Agency reports its operations on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Agency's principle ongoing operation. The principal operating revenue of the Agency is straight-lease transaction rental income and lease application fees. Operating expenses include professional fees, legal insurance, rent, Agency administration and website. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - consist of funds deposited in time deposit accounts, demand deposit accounts and short-term investments with original maturities of less than three months from the date of acquisition.

The Agency's deposit and investment policies are governed by State statutes. The Agency has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The Agency is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Putnam County Industrial Development Agency

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

Note 2 - Summary of Significant Accounting Policies (Continued)

Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. The Agency has reported unearned revenues of \$8,357 and \$12,718, respectively, for December 31, 2022 and 2021, for straight lease payments received in advance.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

At December 31, 2022 and 2021, no amounts were required to be reported as deferred outflows/inflows of resources.

Revenue Recognition

The Agency charges an application fee based on the amount of financing for each project at a predetermined rate. Such application fees are collected and recognized as revenue at closing.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use. Net position on the statement of net position is classified as unrestricted.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 24, 2023.

Putnam County Industrial Development Agency

Notes to Financial Statements (Continued)
December 31, 2022 and 2021

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 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.

Note 4 - 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 not responsible for collecting and remitting the funds, and ultimately the taxing municipality bears the risk of loss if PILOT payments are not paid by the respective companies.

Note 5 - Industrial Revenue Bonds and Notes

Certain industrial revenue bonds and notes issued by the Agency are secured by property which is leased to companies and are retired by lease payments. The bonds and notes are not obligations of the Agency, the County or the State of New York. The Agency does not record the assets or liabilities resulting from completed bond and note issues in its accounts, since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and fund arising therefrom are controlled by trustees or banks acting as fiscal agents. Trustees maintain the information for these bonds and notes and no default notices have been generated in the current year. For providing this service, the Agency receives bond administration fees from the borrowing companies.

Putnam County Industrial Development Agency

Notes to Financial Statements (Concluded)
December 31, 2022 and 2021

Note 6 - Litigation

The Agency is involved in litigation arising in the normal course of business. Management estimates that the matters will be resolved without material adverse effects on the Agency's future financial position or results from operations.

Note 7 - Risk Management

The Agency purchases conventional insurance coverage for directors and officers liability. The current policy reflects a limit of \$2 million per occurrence or \$2 million for the period of the policy. The Agency also purchased general liability insurance coverage with policy limits of \$2 million per occurrence or \$2 million in the aggregate.

Putnam County Industrial Development Agency

Supplementary Information

December 31, 2022

Putnam County Industrial Development Agency

Supplementary Information
 Statement of Indebtedness - Bonds and Notes
 December 31, 2022

<u>Project Name Owner Name and Address</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance at 1/1/2022</u>	<u>Retired in 2022</u>	<u>Balance at 12/31/2022</u>	<u>Project Purpose Code</u>
Broad Reach LLC 322 Clocktower Commons Brewster NY 10509	12/2006	2032	NA	\$ 6,685,000	\$ 3,210,000	\$ 3,210,000	\$ -	9
Sincerity + LLC 80 International Drive Brewster NY 10509	12/2013	2024	NA	\$ 8,130,000	\$ 2,767,498	\$ 917,498	\$ 1,850,000	4

Project Purpose Codes

- 1 - Services
- 2 - Construction
- 3 - Agriculture, Forestry and Fishing
- 4 - Wholesale Trade
- 5 - Retail Trade
- 6 - Finance, Insurance and Real Estate
- 7 - Transportation, Communication, Electric, Gas and Sanitary Services
- 8 - Other
- 9 - Manufacturing

See independent auditors' report.

Federal Tax Status	Not-for-profit	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	Tax Exemptions							
				Real Property Tax			Sales Tax	Mortgage Recording	Total Exemptions		
				County	Local	School					
Exempt	No	51	31	\$ NA	\$ NA	\$ NA	\$ NA	\$ NA	\$ NA	\$ NA	
Exempt	No	135	224	\$ -	\$ -	\$ -	\$ 121,300	\$ NA	\$ -	\$ -	

Putnam County Industrial Development Agency

Supplementary Information
Statement of Indebtedness - Straight Lease Executed in 2022
December 31, 2022

<u>Project Name</u> <u>Owner Name and Address</u>	<u>Total</u> <u>Amount of</u> <u>Lease</u>	<u>Method of</u> <u>Financial</u> <u>Assistance,</u> <u>Other than</u> <u>the Tax</u> <u>Exemptions</u>	<u>Project</u> <u>Purpose</u> <u>Code</u>	<u>Not-for-profit</u>	<u>Original</u> <u>Estimate of</u> <u>Jobs to be</u> <u>Created</u>	<u>Original</u> <u>Estimate of</u> <u>Jobs to be</u> <u>Retained</u>
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No Straight Lease Transactions executed in 2022.

Project Purpose Codes

- 1 - Services
- 2 - Construction
- 3 - Agriculture, Forestry and Fishing
- 4 - Wholesale Trade
- 5 - Retail Trade
- 6 - Finance, Insurance and Real Estate
- 7 - Transportation, Communication, Electric, Gas and Sanitary Services
- 8 - Other
- 9 - Manufacturing

See independent auditors' report.

Tax Exemptions

<u>Real Property Tax</u>		<u>Tax Exemptions</u>			<u>Total</u>
<u>County</u>	<u>Local</u>	<u>School</u>	<u>Sales Tax</u>	<u>Mortgage Recording</u>	<u>Exemptions</u>

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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

The Board of Directors of the Putnam County Industrial Development Agency

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 financial statements of the Putnam County Industrial Development Agency ("Agency") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Agency basic financial statements, and have issued our report thereon dated March 24, 2023.

Report on 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Agency'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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

March 24, 2023