

HERKIMER COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

December 31, 2020

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HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

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CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Herkimer County Industrial Development Agency

Report on the Financial Statements

We have audited the accompanying financial statements of Herkimer County Industrial Development Agency (the "Agency"), a New York Public Benefit Corporation and a discretely presented component unit of Herkimer County, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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 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 financial position of Herkimer County Industrial Development Agency, as of December 31, 2020, and the 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.

Correction of Error

As described in Note 11 to the financial statements, a sale of a parcel of land was recorded as a liability incorrectly while it should have been recorded as revenue for the year ended December 31, 2019. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

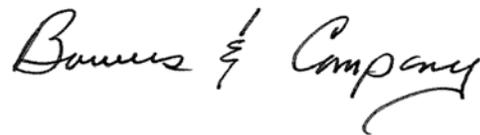
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 the Schedule of Changes in the Agency's Total OPEB Liability and Related Ratios on page 37, the Schedule of the Agency's Proportionate Share of the Net Pension Liability –NYSLRS Pension Plan on page 38, and the Schedule of the Agency's Contributions – NYSLRS Pension Plan on page 39 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 opinions on the financial statements that collectively comprise the Herkimer County Industrial Development Agency's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on page 46 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Expenditures of Federal Awards on page 46 is 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 March 15, 2021, on our consideration of Herkimer 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 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 Herkimer County Industrial Development 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 Herkimer County Industrial Development Agency's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in black ink and is positioned to the right of the main text block.

Watertown, New York
March 15, 2021

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

The following is a discussion and analysis of Herkimer County Industrial Development Agency for the fiscal year ended December 31, 2020. This section is a summary of the Agency's financial activities based on currently known facts, decisions, or conditions. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented in conjunction with the financial statements, which immediately follow this section. Responsibility for completeness and fairness of the information contained rests with the Agency.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's financial statements, which are composed of the basic financial statements, the notes to the financial statements and other supplemental information as described below. The financial statements of the Agency report information about the Agency using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. Responsibility for the completeness and fairness of the information contained rests with the Agency's management.

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the Agency's assets, deferred outflows of resources, deferred inflows of resources, and liabilities. Net position, the difference between the Agency's assets, deferred outflows of resources, deferred inflows of resources, and liabilities, is one way to measure the Agency's health or *position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without corresponding increases to liabilities, will also result in increased net position, which indicates an improved financial position.

The statement of revenues, expenses, and changes in net position presents information showing how the Agency's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT’S DISCUSSION AND ANALYSIS

December 31, 2020

BASIC FINANCIAL STATEMENTS – Continued

The statement of cash flows provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used from operating, investing, capital, and non-capital financing activities.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Supplemental Information

In addition to the basic financial statements and accompanying notes, this report presents Supplemental Schedules on pages 37 - 39, which are presented for purposes of additional analysis only.

Statement of Net Position

The following table shows all of the assets and liabilities of the Agency and is presented on the accrual basis. Total net position decreased approximately \$29,000 from the prior year. See the financial highlights section for some of the details relating to this income.

	2020	2019
Current Asset	\$ 361,816	\$ 1,644,015
Capital and Other Assets	3,726,035	2,464,080
TOTAL ASSETS	<u>\$ 4,087,851</u>	<u>\$ 4,108,095</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 410,212</u>	<u>\$ 36,791</u>
Current Liabilities	\$ 179,976	\$ 77,006
Long-Term Liabilities	3,975,534	3,690,456
TOTAL LIABILITIES	<u>\$ 4,155,510</u>	<u>\$ 3,767,462</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,679</u>	<u>\$ 8,589</u>
TOTAL NET POSITION	<u>\$ 339,874</u>	<u>\$ 368,835</u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT’S DISCUSSION AND ANALYSIS

December 31, 2020

FINANCIAL ANALYSIS – Continued

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2020	2019
Operating Revenues		
Operating Subsidy - Herkimer County	\$ 65,000	\$ 165,000
Empire Zone Grant - Herkimer County	35,000	35,000
Other Operating Revenues	251,468	135,000
Total Operating Revenue	<u>351,468</u>	<u>335,000</u>
Operating Expenses		
General and Administrative	372,983	338,760
Depreciation	77,199	76,303
Professional Fees	82,414	56,657
Other Expenses	39,294	29,355
Total Operating Expenses	<u>571,890</u>	<u>501,075</u>
Net Loss from Operations	<u>(220,422)</u>	<u>(166,075)</u>
Non-Operating Revenues (Expenses)	<u>191,461</u>	<u>(311,462)</u>
CHANGE IN NET POSITION	(28,961)	(477,537)
NET POSITION, BEGINNING OF YEAR	<u>368,835</u>	<u>846,372</u>
NET POSITION, END OF YEAR	<u>\$ 339,874</u>	<u>\$ 368,835</u>

Refer to the Statement of Revenues, Expenses, and Changes in Net Position in the financial statements for more detail.

The Agency’s main revenue comes from fees generated through loan administrative fees and interest earned on loan program receivables. Interest earned on the loan programs during this fiscal period was \$5,249. Other revenue is generated through grants for the various projects the Agency is administering. Grant income consisted of government grants passed through the Agency.

Operating expenses typically relate to the various projects the Agency is working on (other grant projects). In the prior year there were large business park improvements that are included in non-operating revenues (expenses).

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT’S DISCUSSION AND ANALYSIS

December 31, 2020

FINANCIAL ANALYSIS – Continued

Capital Assets

The Agency owns property located in the Towns of Frankfort, Schuyler, and Manheim. All of these sites are intended to be sold or leased to new or existing businesses. The impetus is to develop business growth and job opportunities for residents of Herkimer County.

The following schedule shows the investment in these properties:

	Frankfort	Schuyler	Manheim	Mohawk
Land and Site Improvements	\$ 469,788	\$ 1,813,991	\$ 230,725	\$ 9,018
Buildings	2,143,643	-	-	-
	<u>2,613,431</u>	<u>1,813,991</u>	<u>230,725</u>	<u>9,018</u>
Less:				
Less: Accumulated Depreciation	<u>(1,116,320)</u>	<u>(224,443)</u>	<u>(1,095)</u>	-
Net Book Value	<u>\$1,497,111</u>	<u>\$1,589,548</u>	<u>\$ 229,630</u>	<u>\$ 9,018</u>

The Agency’s investment in capital assets, net of accumulated depreciation as of December 31, 2020, amounts to \$3,500,074. This investment in capital assets includes land, buildings, improvements, and other infrastructure.

	2020	2019
Land and Improvements	\$ 186,327	\$ 186,327
Work In Progress	1,466,653	194,090
Building and Infrastructure	3,188,952	3,171,397
Total Capital Assets	<u>4,841,932</u>	<u>3,551,814</u>
Less: Accumulated Depreciation	<u>(1,341,858)</u>	<u>(1,264,659)</u>
Total Capital Assets, Net	<u>\$ 3,500,074</u>	<u>\$ 2,287,155</u>

Major capital asset events during the current year included the acquisition of land and site improvements for the Schuyler Business Park II.

Long-Term Debt

The Agency has long-term debt associated with the properties detailed in the above schedule of investment properties. Details of these debt instruments are more fully described in the footnotes to the financial statements.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

ECONOMIC FACTORS AND FUTURE OUTLOOK

The Herkimer County Industrial Development Agency, on behalf of Herkimer County, continues to pursue business opportunities for the residents of Herkimer County. The Agency has taken a proactive role in this regard by being the lead agency for Herkimer County in property development to entice businesses to locate and grow in Herkimer County. While the success of these endeavors is also affected by economic conditions outside the control of this Agency, it will still continue to optimize Herkimer County's opportunities for economic expansion.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances. If you have questions about this report or need additional information, contact the Agency's board at the Herkimer County Industrial Development Agency, 420 East German St., Suite 101A, Herkimer, New York 13350. You may also visit their website at www.herkimercountyida.org.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

AUDITED BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

December 31, 2020

ASSETS		
CURRENT ASSETS		
Cash		\$ 170,482
Certificates of Deposit		165,101
Prepaid Expense		6,798
Loans Receivable, Current Portion		19,435
Total Current Assets		<u>361,816</u>
RESTRICTED ASSETS		
Cash		148,159
Total Restricted Assets		<u>148,159</u>
NONCURRENT ASSETS		
Loans Receivable		77,802
Capital Assets, Net		3,500,074
Total Noncurrent Assets		<u>3,577,876</u>
TOTAL ASSETS		<u>\$ 4,087,851</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other Post Employment Benefits		\$ 313,221
Pensions		96,991
Total Deferred Outflows of Resources		<u>\$ 410,212</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable		\$ 423
Unearned Revenue		11,730
Other Accrued Expenses		148,800
Long-Term Debt, Current Portion		19,023
Total Current Liabilities		<u>179,976</u>
NONCURRENT LIABILITIES		
Postemployment Benefits Payable Other Than Pension		1,694,387
Net Pension Liability - ERS		114,275
Long-Term Debt		2,166,872
Total Noncurrent Liabilities		<u>3,975,534</u>
TOTAL LIABILITIES		<u>\$ 4,155,510</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - Pensions		\$ 2,679
NET POSITION		
Net Investment in Capital Assets		\$ 1,468,502
Restricted		148,159
Unrestricted		(1,276,787)
TOTAL NET POSITION		<u>\$ 339,874</u>

See notes to audited basic financial statements.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2020**REVENUES**

OPERATING REVENUES

Operating Subsidy - Herkimer County	\$ 65,000
Empire Zone Grant - Herkimer County	35,000
Interest Earned on Loans Receivable	5,064
Rental Income	173,250
Miscellaneous Fees	73,154
Total Operating Revenues	<u>351,468</u>

EXPENSES

OPERATING EXPENSES

Salaries and Benefits	197,038
Pension	47,658
Health Insurance and Other Fringe Benefits	100,072
Insurance	7,311
Professional Fees	82,414
Office Rent	17,700
Office and Administrative	10,515
Travel	9,422
Depreciation	77,199
Business Park Marketing	345
Business Park Improvements and Maintenance	8,365
Miscellaneous	13,851
Total Operating Expenses	<u>571,890</u>
Net Operating Loss	<u>(220,422)</u>

NON-OPERATING REVENUES AND EXPENSES

Grant Income	851,075
Interest Income	185
Interest Expense	(1,732)
Grants Expense	(995,355)
Grants Received for Business Park Improvements	337,288
Total Non-Operating Revenues	<u>191,461</u>

CHANGE IN NET POSITION	(28,961)
NET POSITION, BEGINNING OF YEAR (As Restated)	<u>368,835</u>
NET POSITION, END OF YEAR	<u>\$ 339,874</u>

See notes to audited basic financial statements.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Administrative and Agency Fees	\$ 73,154
Cash Received from Operating Subsidy - Herkimer County	100,000
Cash Received from Interest Earned on Loans Receivable	5,064
Cash Received from Rental Income	173,250
Cash Payments for Salaries and Benefits	(306,796)
Cash Payments for Professional Fees	(107,218)
Cash Payments for Business Park Expenditures	(8,710)
Revolving Loans Collected and Paid Out, Net	5,024
Cash Payments for Supplies and Services	(41,099)
Cash Payments for Rent	(17,700)
Net Cash Used In Operating Activities	<u>(125,031)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Nonoperating Grants Received	851,075
Nonoperating Grants Expended	(995,355)
Net Cash Used In Noncapital Financing Activities	<u>(144,280)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash Payments for Interest Paid	(1,732)
Advance From Herkimer County	148,354
Loan Repayments to USDA	(18,833)
Acquisition of Land and Site Improvements	(1,280,118)
Capital Grants	316,519
Repayments to Herkimer County	(120,000)
Net Cash Used in Capital and Related Financing Activities	<u>(955,810)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Certificate of Deposit	(164,916)
Redemption of Certificate of Deposit	80,000
Net Cash Used In Investing Activities	<u>(84,916)</u>

Net Decrease in Cash (1,310,037)

Cash, Beginning of Year 1,628,678

Cash, End of Year \$ 318,641

RECONCILIATION TO THE STATEMENT OF NET POSITION

Cash	\$ 170,482
Restricted Cash	148,159
Total Cash	<u>\$ 318,641</u>

See notes to audited basic financial statements.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2020

**RECONCILIATION OF CHANGE IN NET OPERATING LOSS TO
NET CASH USED IN OPERATING ACTIVITIES**

Net Operating Loss	\$ (220,422)
Adjustments to Reconcile Change in Net Operating Loss to Net Cash Used In Operating Activities:	
Depreciation Expense	77,199
(Increase) Decrease in:	
Loans Receivable	5,024
Prepaid Expenses	(6,798)
Deferred Outflow - Pension	(60,200)
Deferred Outflow - OPEB	(313,221)
Increase (Decrease) in:	
Accounts Payable	(24,804)
Postemployment Benefits Payable Other Than Pension	330,728
Pension Related Deferrals and Liabilities	93,373
Deferred Inflow - Pension	(5,910)
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (125,031)</u></u>

See notes to audited basic financial statements.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Description

The Herkimer County Industrial Development Agency (the Agency) was created by a resolution passed by the County of Herkimer, New York (the County) Legislature on October 5, 1970 under the provisions of Chapter 410 of the 1970 Laws of New York State for the purpose of encouraging economic growth in the County of Herkimer.

Reporting Entity

The Agency was formed to promote and develop the economic growth of the County and to assist in attracting industry to the County through bond and sale/leaseback financing programs and other activities. As defined by Governmental Accounting Standards Board (“GASB”) Statement No. 39, *Determining Whether Certain Organizations are Components Units*, the Agency is financially accountable to Herkimer County and is considered a component unit of the Herkimer County. The County Legislature appoints the entire governing board.

Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The Agency’s financial statements are reported using the economic resources measurement’s focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements. In accordance with GASB Statement No. 62, the Agency’s proprietary funds follow all FASB statements issued prior to November 30, 1989 until subsequently amended, superseded or rescinded. The Agency also applies all FASB statements issued after November 30, 1989 that are developed for business enterprises, unless those statements conflict with or contradict a GASB statement.

The Agency’s basic financial statements are presented in conformance with the provisions of GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments”.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus, Basis of Accounting and Financial Statements Presentation – Continued

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted.

These classifications are defined as follows:

Net Investment in Capital Assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements of those assets.

Restricted Net Position - reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - reports the balance of net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the Agency.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Agency considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Agency reported no cash equivalents for the year ended December 31, 2020.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Certificates of Deposit

At December 31, 2020, the Agency has certificates of deposit totaling approximately \$165,000. The certificates bear interest at 0.45% and have maturities of ten months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Loans Receivable

Loans receivable are stated at unpaid principal balance. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Loans receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management considers loans receivable to be full collectible; it is the Agency’s policy to charge off uncollectible loans receivable when management determines the receivable will not be collected accordingly, no allowance for loan losses has been established.

Capital Assets

Capital assets are reported at actual cost or estimated historical cost. Donated assets are reported at estimated fair market value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital assets accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Furniture & Equipment	\$1,000	Straight-line	5-10
Building	\$1,000	Straight-line	10

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Compensated Absences

Employees of the Agency are entitled to paid vacation, sick days and personal days depending on their job classifications, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying statement of net position. The Agency's policy is to recognize the costs of compensated absences when actually paid.

Revenues and Expenses

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the Agency's principal ongoing operations. Operating expenses include the costs associated with the loan services, administrative expenses and depreciation on capital assets. Expenses that are for the development of economic activities are included in program expenses under operating expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Unearned Revenue

Unearned revenue consists of funds received to be used as micro loans and grants to small business.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Agency's changes of assumptions or other inputs to the New York State Employees' pension systems and to Other Postemployment Benefit (OPEB) fall into this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. Pensions reported in the Statement of Net Position falls into this category. This represents the effect of the net changes of assumptions or other inputs.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Impact of COVID-19 Pandemic on Financial Statements

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Agency and financial results will depend on future developments, which are highly uncertain and cannot be predicted, including but not limited to the duration, spread, severity, and impact of the outbreak, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Agency's financial position and changes in net position and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Tax-Exempt Status

The Agency is exempt from taxation under the Internal Revenue Code of 1986. All required filings are handled through the County. Management has determined that the Agency does not have any uncertain tax positions.

Date of Management's Review

Management has evaluated subsequent events and transactions that occurred between December 31, 2020 through March 15, 2021, which is date the financial statements were available to be issued. Management has determined no such events have occurred.

NOTE 2 – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency's investments policies are included in their *Deposit and Investment of Agency Funds Policy*. The Agency's monies must be deposited in banks or trust companies located within the State or obligations of the U.S. Treasury and U.S. Agencies. Collateral is required for demand and time deposits and certificates of deposit not covered by insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities. The Agency's aggregate bank balances (disclosed in the financial statements) were fully covered by depository insurance at year-end.

The Agency does not typically purchase investments and is not exposed to any material interest rate risk. The Agency does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 3 – LOANS RECEIVABLE

Revolving Loan Fund Program

The Agency has established a Revolving Loan Fund Program offering low interest loans to area businesses. The loans are approved by the governing board after giving consideration to the major criteria, i.e., enhancement of the economic environment. Revenue recognition on these loans is limited to the receipt of interest. At December 31, 2020, there has been no allowance for doubtful accounts established based on management's judgment.

The following is a schedule of the outstanding Revolving Loan Fund Program receivable at December 31, 2020:

Revolving Loan Program:

Timothy Day	\$ 676
Bartlett Excavating, LLC	15,638
Route 51 Beer Belly Bob's	72,296
Cuda Counseling	1,342
Elite Fitness	1,590
PK's Pub	1,507
Body Siense	1,009
Colleen Groom	1,507
Crazy Otto's	1,672
Total Revolving Loans Receivable	<u>\$ 97,237</u>

These notes bear interest at 0% - 3% with terms as low as one year and up to ten years. Future principal payments as of December 31 are as follows:

2021	\$ 19,435
2022	16,519
2023	13,937
2024	14,360
2025	11,429
Thereafter	21,557
	<u>\$ 97,237</u>

As of December 31, 2020, all revolving loans are current.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 4 – RESTRICTED ASSETS

Restricted cash, which is invested in interest-bearing and non-interest bearing accounts, consisted of the following at December 31, 2020:

Revolving Loan Fund	\$ 147,500
PILOT Program	<u>659</u>
Total Restricted Cash	<u><u>\$ 148,159</u></u>

Payment in lieu of Taxes (PILOT) Program

The Agency, as a pass-through party for various PILOT agreements, received PILOT payments through year-end that are due to other governments. As of December 31, 2020, the cash balance of the PILOT monies received was \$659.

Loan Programs

In addition to restricted cash, the Agency has a loan program in which the loan receivable balances are also considered restricted as of year-end. The Revolving Loan Program was established with grants from the New York State Governor's Office for Small Cities (GOSC) and is reported as restricted assets. The restricted assets are used to improve economic development in the County. Refer to Note 3 for the year-end balances for the revolving loan program.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 5 – CAPITAL ASSETS

Capital assets at December 31, 2020 consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets That Are Not Depreciated:				
Land and Improvements	\$ 186,327	\$ -	\$ -	\$ 186,327
Work in Progress	194,090	1,272,563	-	1,466,653
	<u>380,417</u>	<u>1,272,563</u>	<u>-</u>	<u>1,652,980</u>
Total Nondepreciable Assets				
Capital Assets That Are Depreciated:				
Building and Infrastructure	3,171,397	17,555	-	3,188,952
Total Depreciable Assets	<u>3,171,397</u>	<u>17,555</u>	<u>-</u>	<u>3,188,952</u>
Less: Accumulated Depreciation	1,264,659	77,199	-	1,341,858
Total Depreciated Assets, Net	<u>1,906,738</u>	<u>(59,644)</u>	<u>-</u>	<u>1,847,094</u>
Capital Assets, Net	<u><u>\$ 2,287,155</u></u>	<u><u>\$ 1,212,919</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,500,074</u></u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 6 – LONG-TERM DEBT

The following notes payable were in effect at December 31, 2020:

Note payable, dated August 21, 1998, from Herkimer County, at 0% interest. Repayment of this note will occur as the Agency sells land and buildings to the public.	\$ 1,301,572
Note payable, dated January 2, 2020, from Herkimer County, at 0% interest. Repayment of this note will occur as the Agency receives rental income from purchased properties or if the properties are sold.	730,000
Note payable, dated September 29, 1998, from the United States Department of Agriculture, interest at 1.00%. Annual payments commenced on September 29, 2001, for thirty years. Security consists of the entire portfolio of investments derived from the proceeds of the loan, including all funds in the Intermediary Relending Fund.	154,323
	2,185,895
Less: Current Portion	(19,023)
Total Long-Term Debt	\$ 2,166,872

The future principal and interest payments on the notes payable as of December 31, 2020 are summarized as follows:

Year Ending December 31	Principal	Interest	Total
2021	\$ 19,023	\$ 1,542	\$ 20,565
2022	19,212	1,353	20,565
2023	19,404	1,161	20,565
2024	19,598	967	20,565
2025	19,794	771	20,565
Thereafter	2,088,864	1,117	2,089,981
	\$ 2,185,895	\$ 6,911	\$ 2,192,806

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 6 – LONG-TERM DEBT – Continued

In recent years, the Agency has received funds from Herkimer County that were used for the development of business parks. These notes are expected to be repaid to Herkimer County as rental income is received by the Agency or if the Agency sells these properties. These notes presently bear no interest. The balance owed to Herkimer County at December 31, 2020 was \$2,031,572.

Summary of changes in long-term debt:

	January 1, 2020	Additions	Reductions	December 31, 2020
Notes Payable	<u>\$ 2,324,728</u>	<u>\$ -</u>	<u>\$ 138,833</u>	<u>\$ 2,185,895</u>

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Federal and State Grant Programs

The Agency participates in Federal and State grant programs. These programs are audited in accordance with the provisions of applicable Federal and State requirements. No cost disallowances are expected as a result of these audits, however, these programs are subject to further examination by the grantors. Expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The Agency expects such amounts, if any, to be immaterial.

As of December 31, 2020, in the opinion of the Agency management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the Agency.

Legal Liabilities

The Agency is subject to various claims and legal actions that arise in the ordinary course of business. In the opinion of management, any potential additional liability in all pending actions and claims, in the aggregate, is not material to the financial statements at December 31, 2020.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 8 – RISK MANAGEMENT

The Agency has the responsibility for making and carrying out decisions that will minimize the adverse effects of accidental losses that involve the Agency’s assets. Accordingly, commercial insurance coverage is obtained to include general liability, property and casualty, and certain other risks. The amounts of settlements during each of the past three fiscal years have not exceeded insurance coverage.

NOTE 9 – PENSION PLAN

Employees’ Retirement System (“ERS”) Plan Description

The Agency participates in the New York State and Local Employees’ Retirement System. This is a cost-sharing, multiple-employer retirement system. The System provides retirement benefits, as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the “Fund”), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System.

System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

The System is included in the State’s financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

ERS Benefits Provided

Benefits

The System provides retirement benefits as well as death and disability benefits.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 9 – PENSION PLAN - Continued

ERS Benefits Provided – Continued

Tier 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year's compensation used in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous 2 years.

Tier 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have 5 years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 3, 4 and 5 is 62.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 9 – PENSION PLAN – Continued

ERS Benefits Provided – Continued

Tier 3, 4, and 5 – Continued

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the 3 highest consecutive years of employment. For Tier 3, 4 and 5 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous 2 years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years of employment. For Tier 6 members, each year's compensation used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous four years.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 9 – PENSION PLAN – Continued

ERS Benefits Provided – Continued

Vested Benefits

Members who joined the System prior to January 1, 2010 need five years of service to be 100 percent vested. Members who joined on or after January 1, 2010 require ten years of service credit to be 100 percent vested.

Disability Retirement Benefits

Disability retirement benefits are available to ERS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offset of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for 10 years; (iii) all disability retirees, regard less of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor but cannot be less than 1 percent or exceed 3 percent.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 9 – PENSION PLAN – Continued

Funding Policies

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The Agency paid 100% of the required contributions as billed by ERS for the current year and preceding two years (the Agency chose to prepay the required contributions by December 15, 2020 and received an overall discount of \$232).

The Agency's share of the required contributions based on covered payroll paid for the current and two preceding years were:

2020	\$	27,193
2019		23,445
2018		16,671

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the Agency has exercised.

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020, the Agency reported the following asset (liability) for its proportionate share of the net pension asset (liability) for the System. The net pension asset (liability) was measured as of March 31, 2020. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation.

The Agency's proportion of the net pension asset (liability) was based on a projection of the Agency's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 9 – PENSION PLAN – Continued

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

This information was provided by the ERS System in reports provided to the Agency.

Measurement Date	March 31, 2020
Agency's Proportionate Share of the Net Pension Asset (Liability)	\$ (114,275)
Agency's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0004315%
Change in Proportion Since the Prior Measurement Date	0.0001365%

For the year ended December 31, 2020, the Agency's recognized pension expense of \$20,465 for ERS. At December 31, 2020, the Agency's reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 6,726	\$ -
Changes of Assumptions	2,301	1,987
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	58,583	-
Changes in Proportion and Differences Between the Employer Contribution and Proportionate Share of Contributions	8,986	692
Agency's Contributions Subsequent to the Measurement Date	<u>20,395</u>	<u>-</u>
Total	<u>\$ 96,991</u>	<u>\$ 2,679</u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 9 – PENSION PLAN – Continued

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended as follows:

2021	\$	13,803
2022		18,104
2023		23,061
2024		18,949

Actuarial Assumptions

The total pension asset (liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension asset (liability) to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

Measurement Date	March 31, 2020
Actuarial Valuation Date	April 1, 2019
Interest Rate	6.80%
Salary Scale	4.20%
Decrement Tables	April 1, 2010 - March 31, 2015
	System's Experience
Inflation Rate	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 9 – PENSION PLAN – Continued

Actuarial Assumptions – Continued

The long-term rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	March 31, 2020
Asset Type	
Domestic Equity	4.05%
International Equity	6.15%
Private Equity	6.75%
Real Estate	4.95%
Absolute Return Strategies	3.25%
Opportunistic Portfolio	4.65%
Real Assets	5.95%
Bonds and Mortgages	0.75%
Cash	0.00%
Inflation - Indexed Bonds	0.50%

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 6.80% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 9 – PENSION PLAN – Continued

Sensitivity of the Proportionate Share of the Net Pension Asset (Liability) to the Discount Rate Assumption

The following presents the Agency’s proportionate share of the net pension asset (liability) calculated using the discount rate of 6.80% for ERS, as well as what the Agency’s proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (5.80%) or 1-percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Assumption (6.80%)	1% Increase (7.80%)
	<u> </u>	<u> </u>	<u> </u>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ 209,727	\$ 114,275	\$ 26,363

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset (liability) of the employers as of the measurement date, are as follows:

	(In Thousands)
	ERS
	<u> </u>
Measurement Date	March 31, 2020
Employer's Total Pension Asset (Liability)	\$ (194,596,261)
Plan Net Position	<u>168,115,682</u>
Employer's Net Pension Asset (Liability)	<u>\$ (26,480,579)</u>
Ratio of Plan Net Position to the Employer's Total Pension Asset (Liability)	86.39%

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan Description – The Agency’s defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the Agency. The plan is a single-employer defined benefit OPEB plan administered by the Agency and funded on a pay-as-you go basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The Agency administers its Health Plan (the plan) as a single-employer, self-insured benefit plan. The Agency provides postemployment healthcare benefits to certain employees that are eligible to retire under the New York State Retirement Systems. The plan provides medical and prescription drug coverage to certain retirees. Substantially all the Agency’s employees may become eligible for these benefits if they reach normal retirement age while working for the Agency. The financial information for the Agency’s plan is contained solely within these basic financial statements.

Benefits Provided - The Agency provides healthcare benefits to current and future retirees and their dependents through Excellus Blue Cross/ Blue Shield. Benefits are dependent upon hire date and years of service.

Contributions – The Agency, per its policies, will pay 90% of the premium costs for the health insurance coverage provided by Excellus Blue Cross/Blue Shield for an employee of the Agency at retirement and until the employee attains age 65, provided the employee is 62 years old and has been employed with the Agency for at least fifteen consecutive years prior to the date of retirement. After the employee attains the age of 65, the Agency will pay 90% of premium costs for individual health insurance coverage provided by Medicare Supplemental Plan. The Agency pays 100% of the premium for Employees hired before April 29, 2015. This includes two retirees. The three active employees were hired after April 29, 2015.

Employees Covered by Benefit Terms – As of the Valuation Date, the following employees were covered by the benefit terms:

Inactive Members or Beneficiaries Currently Receiving Payments	2
Active Members	<u>3</u>
Total Covered Employees	<u><u>5</u></u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – Continued

Total OPEB Liability

The Agency has obtained an actuarial valuation report as of December 31, 2020 which indicates that the total liability for other postemployment benefits is \$1,694,387 which is reflected in the Statement of Net Position. The OPEB liability was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2019.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions

Measurement Date	12/31/20
Rate of Compensation Increase	3.00%
Discount Rate	2.02%

Assumed Health Care Trend Rates at December 31

Health Care Cost Trend Rate Assumed for Next Fiscal Year	8.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	5.00%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2027

Additional Information

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period (Years)	15
Method Used to Determine Actuarial Value of Assets	N/A

The discount rate was based on an average of three 20-year bond indices (Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index and Fidelity GA AA 20 years) as of December 31, 2020.

Mortality rates were based on the Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2019.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – Continued

The actuarial valuation was based upon the plan data and the actuarial valuation as of January 1, 2019 and financial data and actuarial rollforward techniques to calculate the results as of December 31, 2020 (the measurement date).

Changes in the Total OPEB Liability

Balance at December 31, 2019	<u>\$ 1,363,659</u>
Changes for the Year:	
Service Cost	25,480
Interest	27,191
Changes of Assumptions or Other Inputs	313,221
Benefit Payments	<u>(35,164)</u>
Net Changes	<u>330,728</u>
Balance at December 31, 2020	<u><u>\$ 1,694,387</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92 percent as of December 31, 2019 to 2.02 percent as of December 31, 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Agency, as well as what the Agency’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.02 percent) or 1 percentage point higher (3.02 percent) than the current discount rate:

	<u>1% Decrease</u> <u>1.02%</u>	<u>Discount Rate</u> <u>2.02%</u>	<u>1% Increase</u> <u>3.02%</u>
Total OPEB Liability	\$ 2,194,905	\$ 1,694,387	\$ 1,362,160

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Total OPEB Liability – Continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Agency, as well as what the Agency’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (trend decreasing to 7.00%) or 1 percentage point higher (trend increasing to 9.00%) than the current healthcare cost trend rate:

	1% Decrease (8.00% decreasing to 7.00%)	Healthcare Cost Trend Rates (8.00%)	1% Increase (8.00% increasing to 9.00%)
Total OPEB Liability	\$ 1,364,791	\$ 1,694,387	\$ 2,162,556

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the Agency recognized total OPEB expense of \$17,507. At December 31, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	\$ 313,221	\$ -
Total	\$ 313,221	\$ -

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2020

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Agency benefit payments subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ending December 31

2021	\$ 34,802
2022	34,802
2023	34,802
2024	34,802
2025	34,802
Thereafter	139,211
Total	<u>\$ 313,221</u>

NOTE 11 – PRIOR-PERIOD ADJUSTMENT

In the prior year there was a sale of land to Higby Gold for \$100,000 which was recorded as a liability due to Herkimer County. This amount does not represent a loan with Herkimer County and should have been recorded as income in the prior period.

Beginning Net Position, as Previously Reported	\$ 268,835
Effects of Correction of Error	<u>100,000</u>
Beginning Net Position, As Restated	<u>\$ 368,835</u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

REQUIRED SUPPLEMENTAL SCHEDULES

SCHEDULE OF CHANGES IN THE AGENCY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST TWO FISCAL YEARS

Ended December 31, 2020

	2020	2019
Service Cost	\$ 25,480	\$ 21,521
Interest	27,191	38,535
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions or Other Inputs	313,221	-
Benefit Payments	<u>(35,164)</u>	<u>(32,148)</u>
Net Change in Total OPEB Liability	330,728	27,908
Total OPEB Liability - Beginning	<u>1,363,659</u>	<u>1,335,751</u>
Total OPEB Liability - Ending	<u><u>\$ 1,694,387</u></u>	<u><u>\$ 1,363,659</u></u>
Covered Payroll	\$ 172,011	\$ 172,011
Total OPEB as a Percentage of Covered Payroll	985.05%	792.77%

Ten years of historical data was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – NYSLRS PENSION PLAN
LAST FOUR FISCAL YEARS**

Year Ended December 31, 2020

	2020	2019	2018	2017
Employees' Retirement System (ERS)				
Agency's Proportion of the Net Pension Liability	0.0004315%	0.0002950%	0.0002890%	0.0002969%
Agency's Proportionate Share of the Net Pension Liability (per GASB 68 letter)	\$ 114,275	\$ 20,902	\$ 9,328	\$ 27,893
Agency's Covered Payroll	\$ 182,501	\$ 168,850	\$ 133,492	\$ 119,000
Agency's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	<u>62.6%</u>	<u>12.4%</u>	<u>7.0%</u>	<u>23.4%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>86.4%</u></u>	<u><u>96.3%</u></u>	<u><u>98.2%</u></u>	<u><u>94.7%</u></u>

Ten years of historical data was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

See paragraph on supplementary schedules included in auditor's report.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

**SCHEDULE OF THE AGENCY’S CONTRIBUTIONS – NYSLRS PENSION PLAN
LAST FOUR FISCAL YEARS
Year Ended December 31, 2020**

	2020	2019	2018	2017
Contractually Required Contribution	\$ 27,193	\$ 23,445	\$ 16,671	\$ 15,944
Contributions in Relation to the Contractually Required Contribution	<u>27,193</u>	<u>23,445</u>	<u>16,671</u>	<u>15,944</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's Covered Payroll	\$ 182,501	\$ 168,850	\$ 133,492	\$ 119,000
Contributions as a Percentage of Covered Payroll	14.9%	13.9%	12.5%	13.4%

Ten years of historical data was not available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

FEDERAL AWARDS PROGRAM INFORMATION



**BOWERS & COMPANY
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CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

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

To the Board of Directors
Herkimer 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 Herkimer County Industrial Development Agency, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Herkimer County Industrial Development Agency's basic financial statements, and have issued our report thereon dated March 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Herkimer County Industrial Development 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 Herkimer County Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Herkimer 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.

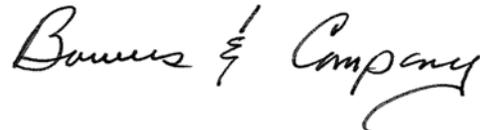
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Herkimer County Industrial Development Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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.

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in black ink and is positioned to the right of the date and location information.

Watertown, New York
March 15, 2021



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Herkimer County Industrial Development Agency

Report on Compliance for Each Major Federal Program

We have audited the Herkimer County Industrial Development Agency's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Herkimer County Industrial Development Agency's major federal programs for the year ended December 31, 2020. The Herkimer County Industrial Development Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Herkimer County Industrial Development Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Herkimer County Industrial Development Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide legal determination of Herkimer County Industrial Development Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, Herkimer County Industrial Development Agency, complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Herkimer County Industrial Development Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Herkimer County Industrial Development Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Herkimer County Industrial Development Agency's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bowers & Company

Watertown, New York
March 15, 2021

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Herkimer County, New York				
Community Development Block Grant	14.228	528ED928-19	\$ 750,000	\$ 734,000
Community Development Block Grant	14.228	528ME136-19	<u>101,075</u>	<u>96,177</u>
Total Community Development Block Grant			<u>851,075</u>	<u>830,177</u>
<u>U.S. Environmental Protection Agency</u>				
Direct Awards:				
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818		<u>148,922</u>	
Total U.S. Environmental Protection Agency			<u>148,922</u>	
Total Federal Assistance			<u>\$ 999,997</u>	<u>\$ 830,177</u>

See paragraph on supplementary schedules included in independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs administered by the Agency, which is described in Note 1 to the Agency's accompanying financial statements, using the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies.

The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

Expenditures reported on the Schedule are reported on the accrual basis of accounting. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable programs and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the Agency's financial reporting system.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source of the data presented. The Agency has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Matching costs (the Agency's share of certain program costs) are not included in the reported expenditures.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2020

NOTE A - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Herkimer County Industrial Development Agency.
2. No significant deficiencies were disclosed during the audit of the basic financial statements of Herkimer County Industrial Development Agency.
3. No instances of noncompliance material to the financial statements of the Herkimer County Industrial Development Agency, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs of the Herkimer County Industrial Development Agency expresses an unmodified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The programs tested as major federal programs were:
Community Development Block Grant – CFDA #14.228
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Herkimer County Industrial Development Agency was determined to not be a low-risk auditee.

NOTE B - FINANCIAL STATEMENT AUDIT FINDINGS

There were no findings to report.

NOTE C - MAJOR FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS

There were no findings to report.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2020

NOTE A – FINDINGS - FINANCIAL STATEMENT AUDIT

2019-1 Adjusting entries, required disclosures and draft financial statements.

Corrective action was taken.

NOTE B – FINDINGS - MAJOR FEDERAL AWARD AUDIT

There was no single audit in the prior year.



BOWERS & COMPANY
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CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

To Management and the Board of Directors
Herkimer County Industrial Development Agency

In planning and performing our audit of the financial statements of Herkimer County Industrial Development Agency as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Herkimer County Industrial Development Agency's internal control over financial reporting (internal control) as a basis for designing auditing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated March 15, 2021, on the financial statements of Herkimer County Industrial Development Agency.

Add Account Numbers to Quick Books Accounts

We noted that general ledger account numbers are not being used in Quick Books.

Recommendation

A standardized chart of accounts with account numbers would enhance the general ledger and ensure accurate reporting between the audited financial statements and the general ledger.

Make Use of QuickBooks Profit and Loss by Class Function

The Profit and Loss by Class feature is available to track revenue and expenses by project or grants in Quick Books.

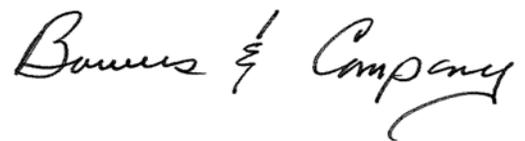
Recommendation

We recommend that the Organization consider using this feature to track business park projects and grants in Quick Books.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in black ink and is positioned to the right of the "Sincerely," text.

Watertown, New York
March 15, 2021



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

March 15, 2021

To the Board of Directors
Herkimer County Industrial Development Agency
Herkimer, NY 13350

We have audited the financial statements of the business-type activities of Herkimer County Industrial Development Agency for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 21, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Herkimer County Industrial Development Agency are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020. We noted no transactions entered into by Herkimer County Industrial Development Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Herkimer County Industrial Development Agency's financial statements were:

Management's estimate of the depreciation is based on the straight-line method over the capital asset's useful life. We evaluated the key factors and assumptions used to develop the depreciation calculations in determining that it is reasonable in relation to the financial statements taken as a whole.

Management estimates actuarial assumptions that are used to determine pension liabilities and annual pension costs for the year in accordance with GASB Statement No. 68.

Management estimates actuarial assumptions that are used to determine annual postretirement cost for the year in accordance with GASB Statement No. 75.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 15, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Herkimer County Industrial Development Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Directors
Herkimer County Industrial Development Agency
March 15, 2021
Page 3

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Herkimer County Industrial Development Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

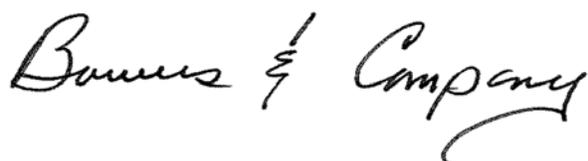
We applied certain limited procedures to Management's Discussion and Analysis, Agency's total OPEB liability and related ratios, schedule of the Agency's proportionate share of the net pension liability – NYSLRS Pension Plan, and the schedule of the Agency's Contributions – NYSLRS Pension Plan which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of expenditure of federal awards, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of Board of Directors and management of Herkimer County Industrial Development Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in black ink and is positioned at the bottom of the page, below the "Very truly yours," text.

To the Board of Directors
Herkimer County Industrial Development Agency
March 15, 2021
Page 4

Adjusting Journal Entries JE # 1		I 01.00	
To record depreciation for the current year./LRG			
400000	Depreciation Expense	77,199.00	
155000	Accum. Depreciation - All Prop.		77,199.00
Total		<u><u>77,199.00</u></u>	<u><u>77,199.00</u></u>
Adjusting Journal Entries JE # 6		RP 03.06/T01.001	
to adjust the OPEB liability to the 12.31.2020 valuation report and record the deferred outflow per the 12.31.2020 report			
130002	Deferred Outflows - OPEB	313,221.00	
400036	Retiree Health Insurance	17,507.00	
195001	OPEB Liability		330,728.00
Total		<u><u>330,728.00</u></u>	<u><u>330,728.00</u></u>
Adjusting Journal Entries JE # 7		RP 03.05	
To record GASB 68 ERS entry			
130000	Deferred Outflows	60,200.00	
130003	Prepaid Expenses	6,798.00	
195000	Deferred Inflows	5,910.00	
400029	Pension	20,465.00	
195002	Pension liability assessment		93,373.00
Total		<u><u>93,373.00</u></u>	<u><u>93,373.00</u></u>
Adjusting Journal Entries JE # 8		S 05.00	
To adjust land sale to proper category from PY./JKR			
185000	Due to HC F5SS Sale HG	100,000.00	
200001	Retained Earnings		100,000.00
Total		<u><u>100,000.00</u></u>	<u><u>100,000.00</u></u>