

HERKIMER COUNTY INDUSTRIAL
DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

December 31, 2023

Table of Contents

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
AUDITED BASIC FINANCIAL STATEMENTS	10
STATEMENT OF NET POSITION	10
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	11
STATEMENT OF CASH FLOWS	12
NOTES TO AUDITED BASIC FINANCIAL STATEMENTS	14
REQUIRED SUPPLEMENTARY SCHEDULES	40
SCHEDULE OF CHANGES IN THE AGENCY’S TOTAL OPEB LIABILITY AND RELATED RATIOS	40
SCHEDULE OF THE AGENCY’S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN	41
SCHEDULE OF THE AGENCY’S CONTRIBUTIONS – NYSLRS PENSION PLAN	42
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 <i>GOVERNMENT AUDITING STANDARDS</i>	43

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Herkimer County Industrial Development Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Herkimer County Industrial Development Agency (the "Agency"), a component unit of Herkimer County, New York as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Herkimer County Industrial Development Agency, as of December 31, 2023, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Herkimer County Industrial Development Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Herkimer County Industrial Development Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Herkimer County Industrial Development Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Herkimer County Industrial Development Agency's ability to continue as a going concern for a reasonable period of time.

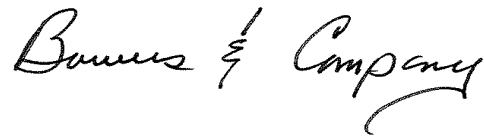
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-9 the Schedule of Changes in the Agency's Total OPEB Liability and Related Ratios on page 40, the Schedule of the Agency's Proportionate Share of the Net Pension Liability (Asset) – NYSLRS Pension Plan on page 41, and the Schedule of the Agency's Contributions – NYSLRS Pension Plan on page 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024, on our consideration of the 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 the 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.

The image shows 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 main text block.

Watertown, New York
February 27, 2024

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2023

The following is a discussion and analysis of Herkimer County Industrial Development Agency for the fiscal year ended December 31, 2023. 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 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 *net 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, 2023

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.

FINANCIAL ANALYSIS

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents Supplementary Schedules on pages 40-42, which are presented for the purposes of additional analysis only.

Condensed Statement of Net Position

The following table shows all of the assets, liabilities, deferred outflows and deferred inflows of the Agency and is presented on the accrual basis. Total net position increased approximately \$711,000 from the prior year. See the condensed financial analysis section for some of the details relating to this income.

	2023	2022
Current Asset	\$ 996,693	\$ 943,022
Capital and Other Assets	5,665,841	5,327,218
TOTAL ASSETS	<u>\$ 6,662,534</u>	<u>\$ 6,270,240</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 543,477</u>	<u>\$ 119,414</u>
Current Liabilities	\$ 79,807	\$ 197,375
Long-Term Liabilities	2,060,722	1,745,546
TOTAL LIABILITIES	<u>\$ 2,140,529</u>	<u>\$ 1,942,921</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 520,194</u>	<u>\$ 612,812</u>
TOTAL NET POSITION	<u>\$ 4,545,288</u>	<u>\$ 3,833,921</u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT’S DISCUSSION AND ANALYSIS

December 31, 2023

FINANCIAL ANALYSIS – Continued

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

	2023	2022
Operating Revenues		
Operating Subsidy - Herkimer County	\$ 165,000	\$ 165,000
Empire Zone Grant - Herkimer County	35,000	35,000
Other Operating Revenues	1,135,796	483,477
Total Operating Revenue	<u>1,335,796</u>	<u>683,477</u>
Operating Expenses		
General and Administrative	458,782	174,601
Depreciation and Amortization	129,609	136,105
Professional Fees	62,199	33,997
Other Expenses	254,459	401,022
Total Operating Expenses	<u>905,049</u>	<u>745,725</u>
Net Income (Loss) from Operations	<u>430,747</u>	<u>(62,248)</u>
Non-Operating Revenues	<u>280,620</u>	<u>1,983,591</u>
CHANGE IN NET POSITION	711,367	1,921,343
NET POSITION, BEGINNING OF YEAR	<u>3,833,921</u>	<u>1,912,578</u>
NET POSITION, END OF YEAR	<u>\$ 4,545,288</u>	<u>\$ 3,833,921</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 are from fees generated through administrative and agency fees and subsidies from the County. Interest earned on the loan programs during this fiscal period was \$1,700. Other revenue is generated through grants for the various projects the Agency is administering. Grant income consisted of government grants passed through to the Agency.

Operating expenses typically relate to the various projects the Agency is developing (business park).

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MANAGEMENT’S DISCUSSION AND ANALYSIS

December 31, 2023

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	All Others
Land, Buildings, and Infrastructure	\$ 519,662	\$ 4,124,533	\$ 359,548	\$ 1,314,445
Less: Accumulated Depreciation	<u>(338,646)</u>	<u>(402,172)</u>	<u>(21,203)</u>	<u>(16,582)</u>
Net Book Value	<u>\$ 181,016</u>	<u>\$ 3,722,361</u>	<u>\$ 338,345</u>	<u>\$ 1,297,863</u>

The Agency’s investment in capital assets, net of accumulated depreciation and amortization as of December 31, 2023, amounts to \$5,617,529. This investment in capital assets includes land, buildings, improvements, other infrastructure, and intangible lease assets.

	2023	2022
Land and Improvements	\$ 1,013,066	\$ 1,037,567
Work In Progress	543,730	487,923
Building and Infrastructure	4,761,392	4,299,226
Intangible Lease Assets	<u>107,290</u>	<u>107,290</u>
Total Capital Assets	6,425,478	5,932,006
Less: Accumulated Depreciation and Amortization	<u>(807,949)</u>	<u>(718,791)</u>
Total Capital Assets, Net	<u>\$ 5,617,529</u>	<u>\$ 5,213,215</u>

Major capital asset events during the current year included 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, 2023

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, 2023

ASSETS	
CURRENT ASSETS	
Cash	\$ 872,119
Prepaid Expense	9,042
Grants Receivable	115,532
Total Current Assets	<u>996,693</u>
RESTRICTED ASSETS	
Cash	678
Loans Receivable	47,634
Total Restricted Assets	<u>48,312</u>
NONCURRENT ASSETS	
Capital Assets, Net	5,617,529
Total Noncurrent Assets	<u>5,617,529</u>
TOTAL ASSETS	<u><u>\$ 6,662,534</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Other Post Employment Benefits	\$ 423,085
Pensions	120,392
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 543,477</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 388
Unearned Revenue	9,522
Current Portion of Lease Liability	16,728
Due to Herkimer County	53,169
Total Current Liabilities	<u>79,807</u>
NONCURRENT LIABILITIES	
Postemployment Benefits Payable Other Than Pension	1,362,310
Net Pension Liability - Proportionate Share	134,326
Long-Term Lease Liability	57,556
Long-Term Debt	506,530
Total Noncurrent Liabilities	<u>2,060,722</u>
TOTAL LIABILITIES	<u><u>\$ 2,140,529</u></u>
DEFERRED INFLOWS OF RESOURCES	
Other Post Employment Benefits	\$ 5,282
Pensions	514,912
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>\$ 520,194</u></u>
NET POSITION	
Net Investment in Capital Assets	\$ 4,981,606
Restricted	48,312
Unrestricted	(484,630)
TOTAL NET POSITION	<u><u>\$ 4,545,288</u></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, 2023

REVENUES

OPERATING REVENUES

Operating Subsidy - Herkimer County	\$ 165,000
Empire Zone Grant - Herkimer County	35,000
Interest Earned on Loans Receivable	1,700
Administrative and Agency Fees	<u>1,134,096</u>
Total Operating Revenues	<u>1,335,796</u>

EXPENSES

OPERATING EXPENSES

Salaries and Payroll Taxes	305,927
Pension	57,795
Health Insurance and Other Fringe Benefits	83,043
Other Postemployment Benefit	(20,208)
Insurance	6,687
Professional Fees	62,199
Office and Administrative	32,225
Travel	34,557
Depreciation	114,936
Amortization	14,673
Business Park Marketing	39,130
Business Park Improvements and Maintenance	150,621
Miscellaneous	<u>23,464</u>
Total Operating Expenses	<u>905,049</u>
Net Operating Income	<u>430,747</u>

NON-OPERATING REVENUES AND EXPENSES

Grant Income	529,810
Interest Income	21,192
Loss on Disposal of Asset	(542,697)
Interest Expense	(2,418)
Grants Expense	(535,439)
Grants Received for Business Park Improvements	<u>810,172</u>
Total Non-Operating Revenues	<u>280,620</u>

CHANGE IN NET POSITION	711,367
NET POSITION, BEGINNING OF YEAR	<u>3,833,921</u>
NET POSITION, END OF YEAR	<u><u>\$ 4,545,288</u></u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Administrative and Agency Fees	\$ 1,134,096
Cash Received from Operating Subsidy - Herkimer County	200,000
Cash Received from Interest Earned on Loans Receivable	1,700
Cash Payments for Salaries and Benefits	(463,213)
Cash Payments for Professional Fees	(62,805)
Cash Payments for Business Park Expenditures	(189,751)
Revolving Loans Collected and Paid Out, Net	18,044
Cash Payments for Supplies and Services	(116,067)
Net Cash Provided By Operating Activities	<u>522,004</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Nonoperating Grants Received	573,794
Nonoperating Grants Expended	(535,439)
Net Cash Provided By Noncapital Financing Activities	<u>38,355</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash Payments for Interest Paid	(2,418)
Repayment of Long Term Debt	(32,946)
Acquisition of Land and Site Improvements	(1,335,715)
Sale of Land	178,108
Capital Grants	736,378
Net Cash Used In Capital and Related Financing Activities	<u>(456,593)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	<u>21,192</u>
Net Cash Provided By Investing Activities	<u>21,192</u>

Net Increase in Cash 124,958

Cash, Beginning of Year 747,839Cash, End of Year \$ 872,797**RECONCILIATION TO THE STATEMENT OF NET POSITION**

Cash	\$ 872,119
Restricted Cash	<u>678</u>
Total Cash	<u>\$ 872,797</u>

See notes to audited basic financial statements.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2023

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

Net Operating Income	\$ 430,747
Adjustments to Reconcile Change in Net Operating Income to Net Cash Provided By Operating Activities:	
Depreciation Expense	114,936
Amortization Expense	14,673
(Increase) Decrease in:	
Loans Receivable	18,044
Prepaid Expenses	(2,521)
Deferred Outflow - OPEB	(423,085)
Deferred Outflow - Pension	(978)
Increase (Decrease) in:	
Accounts Payable	(606)
Operating Lease Liability	(16,613)
Net Pension Liability - ERS	181,987
Postemployment Benefits Other Than Pension	298,038
Deferred Inflow - OPEB	64,243
Deferred Inflow - Pension	(156,861)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 522,004</u>

See notes to audited basic financial statements.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

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 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, 2023

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

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

GASB 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 and amortization) 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 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 is deemed to be available for general use by the Agency.

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, 2023.

Statement of Cash Flows

Supplemental disclosures of noncash investing and financing activities are as follows at December 31, 2023:

Proceeds from Sale of Capital Asset Paid Directly to Herkimer County to	
Liquidate Debt	<u>\$ 67,514</u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

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

Loans Receivable

Loans receivables are stated at the 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 receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management’s assessment of the credit history with businesses having outstanding balances and current relationships with them, it has concluded that credit losses on balances outstanding at year-end will be immaterial.

Grants Receivable

Grants receivable represent amounts that have been billed under grant agreements but not collected as of the date of the financial statements. Grants receivable are stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2023, management has determined based on historical experience, that all amounts are fully collectible and no allowance is necessary. Grants receivable are shown gross, with uncollectible amounts recognized under the direct write-off method.

Capital Assets and Intangible Lease 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	40

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

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

Capital Assets and Intangible Lease Assets – Continued

Intangible lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service. A capitalization threshold of \$1,000 is used for lease acquisitions that are prepaid and have no corresponding lease liability. Intangible lease assets are amortized over the lease term (3-5 years) consistent with the decrease in the related lease liability or using the straight-line method if there is no corresponding lease liability.

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. The estimate of the amount of compensation for future absences is not material to the financial statements 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 and amortization 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 businesses.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

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

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, Agency contributions to the pension system subsequent to the measurement date, and other inputs to the New York State Employees' pension systems fall into this category. The Agency's changes of assumptions relating to other post employment benefits are also included in deferred outflows.

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 and other postemployment benefits ("OPEB") reported in the Statement of Net Position fall into this category. This represents the effect of the net changes of assumptions or other inputs.

Tax-Exempt Status

The Agency is exempt from taxation under the Internal Revenue Code. Management has determined that the Agency does not have any uncertain tax positions.

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, deferred outflow of resources, and liabilities and deferred inflow of resources 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.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

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

Recently Adopted Accounting Standards

Effective January 1, 2023, the Agency adopted ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Agency adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. Financial assets held by the Agency that are subject to ASU 2016-13 include loans receivable. The adoption of this ASU did not have a material impact on the Agency's financial statements but did change how the allowance for credit losses is determined.

Date of Management's Review

Management has evaluated subsequent events and transactions that occurred between December 31, 2023 through February 27, 2024, which is date the financial statements were available to be issued, and has determined that there are no additional adjustments and/or disclosures necessary.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

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 and collateral 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.

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, 2023, there has been no allowance for credit losses established based on management’s judgment that all loans are deemed collectible.

The following is a schedule of the outstanding Revolving Loan Fund Program receivable at December 31, 2023:

Revolving Loan Program:	
Bartlett Excavating, LLC	\$ 4,577
Route 51 Beer Belly Bob's	42,768
Grippe's Contracting	289
Total Revolving Loans Receivable	<u><u>\$ 47,634</u></u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 3 – LOANS RECEIVABLE – Continued

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:

2024	\$ 14,649
2025	11,429
2026	11,092
2027	10,464
	<u>\$ 47,634</u>

As of December 31, 2023, all revolving loans are current.

NOTE 4 – RESTRICTED ASSETS

Restricted cash, which is invested in interest-bearing and non-interest bearing accounts, consisted of the following at December 31, 2023:

PILOT Program	<u>\$ 678</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, 2023, the cash balance of the PILOT monies received was \$678.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 5 – CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS

Capital assets at December 31, 2023 consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Capital Assets:				
Land and Improvements	\$ 1,037,567	\$ 57,720	\$ (82,221)	\$ 1,013,066
Work in Progress	487,923	55,807	-	543,730
Total	<u>1,525,490</u>	<u>113,527</u>	<u>(82,221)</u>	<u>1,556,796</u>
Other Capital Assets:				
Building and Infrastructure	4,299,226	1,222,188	(760,022)	4,761,392
Intangible Lease Assets	107,290	-	-	107,290
Total	<u>4,406,516</u>	<u>1,222,188</u>	<u>(760,022)</u>	<u>4,868,682</u>
Less:				
Accumulated Depreciation	704,118	114,936	(40,451)	778,603
Accumulated Amortization	14,673	14,673	-	29,346
Total Depreciation and Amortization	<u>718,791</u>	<u>129,609</u>	<u>(40,451)</u>	<u>807,949</u>
Total Other Capital Assets, Net	<u>3,687,725</u>	<u>1,092,579</u>	<u>(719,571)</u>	<u>4,060,733</u>
Capital Assets, Net	<u>\$ 5,213,215</u>	<u>\$ 1,206,106</u>	<u>\$ (801,792)</u>	<u>\$ 5,617,529</u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 6 – LONG-TERM DEBT

The following notes payable were in effect at December 31, 2023:

Note payable, dated April 14, 2021, 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.	\$ 245,000
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. The outstanding principal will be due on January 2, 2030.	261,530
Total Long-Term Debt	<u>\$ 506,530</u>

The future principal and interest payments on the notes payable as of December 31, 2023 are summarized as follows:

Year Ending December 31	Principal	Interest	Total
2030	\$ 261,530	\$ -	\$ 261,530
Thereafter	245,000	-	245,000
	<u>\$ 506,530</u>	<u>\$ -</u>	<u>\$ 506,530</u>

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, 2023 was \$506,530.

	January 1, 2023	Additions	Reductions	December 31, 2023
Notes Payable	<u>\$ 606,990</u>	<u>\$ -</u>	<u>\$ 100,460</u>	<u>\$ 506,530</u>

Changes in net pension asset (liability) – ERS and changes in postemployment benefits other than pension are reported in Notes 9 and 10, respectively.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

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, 2023, 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, 2023.

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.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 9 – PENSION PLAN – Continued

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.

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.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 9 – PENSION PLAN – Continued

ERS Benefits Provided – Continued

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 5 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.

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 5 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 5 percent greater than the average of the previous two 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 5 or more years of service can retire as early as age 55 with reduced benefits.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 9 – PENSION PLAN – Continued

ERS Benefits Provided – Continued

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.

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. As of April 9, 2022, legislation was passed that reduced the number of years of service credit from 10 years to 5 years. Therefore, all members are vested when they reach 5 years of service credit.

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.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 9 – PENSION PLAN – Continued

Post-Retirement Benefit Increases – Continued

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.

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, 2023 and received an overall discount of \$274).

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

2023	\$	36,168
2022		26,084
2021		33,458

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, 2023, 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, 2023. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 9 – PENSION PLAN – Continued

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

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.

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

Measurement Date	March 31, 2023
Agency's Proportionate Share of the Net Pension Asset (Liability)	\$ (134,326)
Agency's Portion (%) of the Plan's Total Net Pension Asset (Liability)	0.0006264%
Change in Proportion Since the Prior Measurement Date	0.0000434%

For the year ended December 31, 2023, the Agency’s recognized a pension expense of \$57,795 for ERS. At December 31, 2023, 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	\$ 14,307	\$ 3,772
Changes of Assumptions	65,237	721
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	789
Changes in Proportion and Differences Between the Employer Contribution and Proportionate Share of Contributions	13,722	-
Agency's Contributions Subsequent to the Measurement Date	<u>27,126</u>	<u>-</u>
Total	<u>\$ 120,392</u>	<u>\$ 5,282</u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

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 years ended as follows:

2024	\$ 23,820
2025	(2,821)
2026	29,798
2027	37,187

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, 2023
Actuarial Valuation Date	April 1, 2022
Interest Rate	5.90%
Salary Scale	4.40%
Decrement Tables	April 1, 2015 - March 31, 2020 System's Experience
Inflation Rate	2.9%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021.

For ERS, the actuarial assumptions used in the April 1, 2022 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

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, 2023
Asset Type	
Domestic Equity	4.30%
International Equity	6.85%
Private Equity	7.50%
Real Estate	4.60%
Opportunistic/ Absolute Return Strategies Portfolio	5.38%
Credit	5.43%
Real Assets	5.84%
Fixed Income	1.50%

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 5.90% 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, 2023

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 5.90% 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 (4.90%) or 1-percentage point higher (6.90%) than the current rate:

	1% Decrease	Current	1% Increase
	(4.90%)	Assumption	(6.90%)
	<u> </u>	<u> </u>	<u> </u>
Employer's Proportionate Share of the Net Pension Asset (Liability)	\$ (324,608)	\$ (134,326)	\$ 24,677

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)
	<u>ERS</u>
Measurement Date	March 31, 2023
Employer's Total Pension (Asset) Liability	\$ (232,627,259)
Plan Net Position	<u>211,183,223</u>
Employer's Total Pension (Asset) Liability	<u>\$ (21,444,036)</u>
Ratio of Plan Net Position to the Employer's Total Pension (Asset) Liability	90.78%

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

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 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 three retirees. The four 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	3
Active Members	<u>4</u>
Total Covered Employees	<u><u>7</u></u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – Continued

Total OPEB Liability

The Agency has obtained an actuarial valuation report as of December 31, 2023 which indicates that the total liability for other postemployment benefits is \$1,362,310 which is reflected in the Statement of Net Position. The OPEB liability was measured as of December 31, 2023 and was determined by an actuarial valuation as of January 1, 2023.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2023 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	12/31/23
Rate of Compensation Increase	3.00%
Discount Rate	3.88%

Assumed Pre-65 Health Care Trend Rates at December 31

Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.50%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2035

Assumed Post-65 Health Care Trend Rates at December 31

Health Care Cost Trend Rate Assumed for Next Fiscal Year	7.00%
Rate to Which the Cost Trend Rate is Assumed to Decline (the Ultimate Trend Rate)	4.50%
Fiscal Year that the Rate Reaches the Ultimate Trend Rate	2035

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

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – Continued

The discount rate was based on an average of two 20-year bond indices (S&P Municipal Bond 20 Year High Grade Rate Index and Fidelity GO AA 20 years) as of December 31, 2023.

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-2021.

The actuarial valuation was based upon the plan data and the actuarial valuation as of January 1, 2023 to calculate the results as of December 31, 2023 (the measurement date).

Changes in the Total OPEB Liability

Balance at December 31, 2022	<u>\$ 1,064,272</u>
Changes for the Year:	
Service Cost	32,267
Interest	40,352
Changes of Assumptions or Other Inputs	273,979
Benefit Payments	<u>(48,560)</u>
Net Changes	<u>298,038</u>
Balance at December 31, 2023	<u><u>\$ 1,362,310</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.18 percent as of December 31, 2022 to 3.88 percent as of December 31, 2023.

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Total OPEB Liability – Continued

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 (2.88 percent) or 1 percentage point higher (4.88 percent) than the current discount rate:

	1% Decrease 2.88%	Discount Rate 3.88%	1% Increase 4.88%
Total OPEB Liability	\$ 1,619,868	\$ 1,362,310	\$ 1,168,701

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 6.00%) or 1 percentage point higher (trend increasing to 8.00%) than the current healthcare cost trend rate:

	1% Decrease (7.00% decreasing to 6.00%)	Healthcare Cost Trend Rates (7.00%)	1% Increase (7.00% increasing to 8.00%)
Total OPEB Liability	\$ 1,161,019	\$ 1,362,310	\$ 1,630,400

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS – Continued

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

For the year ended December 31, 2023, the Agency recognized total OPEB credit of (\$60,804). At December 31, 2023, 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	<u>\$ 423,085</u>	<u>\$ 514,912</u>
Total	<u><u>\$ 423,085</u></u>	<u><u>\$ 514,912</u></u>

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	
2024	\$ (17,764)
2025	(17,764)
2026	(17,764)
2027	(17,764)
2028	(17,761)
Thereafter	<u>(3,010)</u>
Total	<u><u>\$ (91,827)</u></u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 11 – LEASE LIABILITY

The Agency has leases for office space and a copier machine. The office space lease agreement is dated September 1, 2014, through August 31, 2024 with an option to extend the leases for up to 5 years. The copier machine is dated September 1, 2021, through August 31, 2025. The agreement includes two sixty-month options to extend the original term.

The components of lease expense for the year ended December 31, 2023 is as follows:

Office Space	\$ 13,372
Copy Machine	<u>1,301</u>
Total amortization expense	14,673
Interest on lease liabilities	<u>2,417</u>
Total	<u><u>\$ 17,090</u></u>

Other information related to leases for the year ended December 31, 2023 is as follows:

Description	Interest Rate	Issue Date	Final Maturity	Balance
Office Space	2.95%	9/1/2014	8/31/2029	\$ 72,057
Copy Machine	2.95%	8/1/2021	8/31/2025	<u>2,227</u>
				<u><u>\$ 74,284</u></u>

	January 1, 2023	Additions	Reductions	December 31, 2023
Lease Liability	<u>\$ 90,897</u>	<u>\$ -</u>	<u>\$ 16,613</u>	<u>\$ 74,284</u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO AUDITED BASIC FINANCIAL STATEMENTS

December 31, 2023

NOTE 11 – LEASE LIABILITY – Continued

Future minimum lease payments as of December 31, 2023 are as follows:

	Principal	Interest	Total
2024	\$ 16,728	\$ 1,956	\$ 18,684
2025	12,620	1,524	14,144
2026	12,067	1,163	13,230
2027	12,428	802	13,230
2028	12,799	431	13,230
Thereafter	<u>7,642</u>	<u>75</u>	<u>7,717</u>
Total	<u><u>\$ 74,284</u></u>	<u><u>\$ 5,951</u></u>	<u><u>\$ 80,235</u></u>

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

REQUIRED SUPPLEMENTARY SCHEDULES

**SCHEDULE OF CHANGES IN THE AGENCY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FIVE FISCAL YEARS
Ended December 31, 2023**

	2023	2022	2021	2020	2019
Service Cost	\$ 32,267	\$ 27,954	\$ 44,750	\$ 25,480	\$ 21,521
Interest	40,352	60,808	34,289	27,191	38,535
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	-	-	-	-	-
Changes of Assumptions or Other Inputs	273,979	(450,669)	(246,588)	313,221	-
Benefit Payments	<u>(48,560)</u>	<u>(57,118)</u>	<u>(43,541)</u>	<u>(35,164)</u>	<u>(32,148)</u>
Net Change in Total OPEB Liability	298,038	(419,025)	(211,090)	330,728	27,908
Total OPEB Liability - Beginning	<u>1,064,272</u>	<u>1,483,297</u>	<u>1,694,387</u>	<u>1,363,659</u>	<u>1,335,751</u>
Total OPEB Liability - Ending	<u>\$ 1,362,310</u>	<u>\$ 1,064,272</u>	<u>\$ 1,483,297</u>	<u>\$ 1,694,387</u>	<u>\$ 1,363,659</u>
Covered Payroll	\$ 277,350	\$ 212,783	\$ 212,783	\$ 172,011	\$ 172,011
Total OPEB as a Percentage of Covered Payroll	491.19%	500.17%	697.09%	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.

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

HERKIMER COUNTY INDUSTRIAL DEVELOPMENT AGENCY

SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) – NYSLRS PENSION PLAN

LAST EIGHT FISCAL YEARS

Ended December 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016
Employees' Retirement System (ERS)								
Agency's Proportion of the Net Pension Asset (Liability)	0.0006264%	0.0005830%	0.0005090%	0.0004315%	0.0002950%	0.0002890%	0.0002969%	0.0223700%
Agency's Proportionate Share of the Net Pension Asset (Liability) (per GASB 68 letter)	\$ (134,326)	\$ 47,661	\$ (507)	\$ (114,275)	\$ (20,902)	\$ (9,328)	\$ (27,893)	\$ (35,912)
Agency's Covered Payroll	\$ 282,277	\$ 241,641	\$ 197,838	\$ 182,501	\$ 168,850	\$ 133,492	\$ 119,000	\$ 114,472
Agency's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of its Covered Payroll	<u>47.6%</u>	<u>19.7%</u>	<u>0.3%</u>	<u>62.6%</u>	<u>12.4%</u>	<u>7.0%</u>	<u>23.4%</u>	<u>31.4%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset (Liability)	<u>90.78%</u>	<u>103.65%</u>	<u>99.95%</u>	<u>86.39%</u>	<u>96.27%</u>	<u>98.24%</u>	<u>94.70%</u>	<u>90.68%</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 EIGHT FISCAL YEARS

Ended December 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 36,168	\$ 26,084	\$ 33,458	\$ 27,193	\$ 23,445	\$ 16,671	\$ 15,944	\$ 19,918
Contributions in Relation to the Contractually Required Contribution	<u>36,168</u>	<u>26,084</u>	<u>33,458</u>	<u>27,193</u>	<u>23,445</u>	<u>16,671</u>	<u>15,944</u>	<u>19,918</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Agency's Covered Payroll	\$ 282,277	\$ 241,641	\$ 197,838	\$ 182,501	\$ 168,850	\$ 133,492	\$ 119,000	\$ 114,472
Contributions as a Percentage of Covered Payroll	12.8%	10.8%	16.9%	14.9%	13.9%	12.5%	13.4%	17.4%

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.

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

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, 2023, 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 February 27, 2024.

Report on 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 opinion 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.

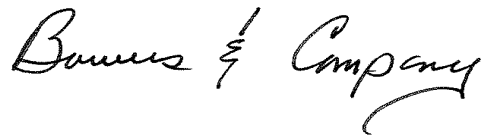
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on 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 "Banner & Company". The signature is written in black ink and is positioned to the right of the date and location information.

Watertown, New York
February 27, 2024