

**Sherburne Area
Local Development Corporation**

(A New York Public Authority)

Financial Report

December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Sherburne Area Local Development Corporation
Sherburne, New York

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Sherburne Area Local Development Corporation (Corporation) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (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 Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Corporation'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 Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2022, on our consideration of the Corporation'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 Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

BST+Co.CPAs, LLP

Albany, New York
March 3, 2022

**Sherburne Area
Local Development Corporation**

Statements of Net Position

		December 31,	
		2021	2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 31,448	\$ 30,012
NONCURRENT ASSETS			
Capital assets			
Non-depreciable		789,139	793,314
Depreciable, net		1,234,749	1,276,899
Total capital assets, net		2,023,888	2,070,213
		\$ 2,055,336	\$ 2,100,225
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accrued interest		\$ 64,497	\$ 59,848
NONCURRENT LIABILITIES			
Unearned rental income		-	393,881
Mortgage payable		190,531	190,531
		190,531	584,412
NET POSITION			
Net investment in capital assets		1,833,357	1,879,682
Unrestricted		(33,049)	(423,717)
		1,800,308	1,455,965
		\$ 2,055,336	\$ 2,100,225

See accompanying Notes to Financial Statements.

Sherburne Area Local Development Corporation

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2021	2020
OPERATING REVENUES		
Rental income	\$ 393,881	\$ 222,151
OPERATING EXPENSES		
Professional services	4,700	4,700
Loan fees	-	162
Depreciation	42,150	42,150
	46,850	47,012
Operating income	347,031	175,139
NONOPERATING INCOME (EXPENSE)		
Interest income	14	33
Gain on sale of land	1,947	-
Interest expense	(4,649)	(18,599)
	(2,688)	(18,566)
CHANGE IN NET POSITION	344,343	156,573
NET POSITION, <i>beginning of year</i>	1,455,965	1,299,392
NET POSITION, <i>end of year</i>	\$ 1,800,308	\$ 1,455,965

See accompanying Notes to Financial Statements.

Sherburne Area Local Development Corporation

Statements of Cash Flows

	Years Ended December 31,	
	2021	2020
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash received from rents	\$ -	\$ 352,250
Cash paid to vendors	(4,700)	(4,862)
	(4,700)	347,388
CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on bonds payable	-	(13,950)
Principal paid on bonds payable	-	(338,300)
	-	(352,250)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Proceeds on sale of land	6,122	-
Interest income	14	33
	6,136	33
Net increase (decrease) in cash and cash equivalents	1,436	(4,829)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	30,012	34,841
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 31,448	\$ 30,012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	\$ 347,031	\$ 175,139
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	42,150	42,150
Increase (decrease) in unearned rental income	(393,881)	130,099
	\$ (4,700)	\$ 347,388

See accompanying Notes to Financial Statements.

Sherburne Area Local Development Corporation

Notes to Financial Statements
December 31, 2021 and 2020

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization and Purpose

The Sherburne Area Local Development Corporation (Corporation) was created in February 2008, under the provisions of Section 1411 of the Not-For-Profit Law of the State of New York, for the purpose of relieving and reducing unemployment by promoting and providing job opportunities in the Village of Sherburne, New York (Village) and surrounding communities. This is accomplished by making revolving loans to local businesses to enhance redevelopment, as well as further development of the central business district of the Village, including real estate and infrastructure development and management, real estate, and infrastructure project finance, and other community-based economic development.

The Corporation is governed by a voting Board of Directors (Board) consisting of no less than three and no more than seven with the exact number established by resolution. The Mayor of the Village serves as an ex officio member of the Corporation's Board. At the Corporation's annual meeting, the Board appoints directors for positions where directorship is created, or the term of a director has expired.

b. Basis of Accounting and Financial Statement Presentation

The Corporation's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to the Corporation is determined by its measurement focus. The transactions of the Corporation are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations are included on the statements of net position. Net position is presented in the following categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation less the outstanding indebtedness used to finance those capital assets.
- Restricted consists of assets with externally placed constraints net of liabilities that will be liquidated from these assets. The Corporation did not have any restricted net assets at December 31, 2021 and 2020.
- Unrestricted consists of assets and liabilities that do not meet the definition of "net investment in capital assets" or "restricted."

Revenues are recognized when earned, and expenses are recognized when incurred. The Corporation distinguishes operating revenues and expenses from nonoperating items. Operating revenues are determined based on the services provided by the Corporation. Operating expenses include the costs associated with providing those services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Sherburne Area Local Development Corporation

Notes to Financial Statements
December 31, 2021 and 2020

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

c. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Capital Assets

Capital assets are reported at cost. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs, if any, are expensed as incurred. Donated capital assets are recorded at estimated fair value at the date of the donation. When capital assets are retired or disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is credited to operations. The Corporation incurred start-up costs related to its creation and organization. These costs include legal and other professional fees and are recorded as other capital assets.

Depreciation for the Corporation's building is recorded under the straight-line method using an estimated useful life of forty years. Other capital assets are being depreciated under the straight-line method using an estimated useful life of twenty years.

The Corporation evaluated prominent events or changes in circumstances affecting capital assets to determine if impairment of any capital assets has occurred. A capital asset is considered impaired if both: (a) the decline in service utility of the capital asset is large in magnitude; and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. There were no impaired capital assets at December 31, 2021 or 2020.

e. Tax Status

The Corporation is exempt from income taxes as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and comparable New York State law. Accordingly, no provisions have been made for income taxes in these financial statements.

f. Subsequent Events

The Corporation has evaluated subsequent events for potential recognition or disclosure through March 3, 2022, the date the financial statements were available to be issued.

Note 2 - Cash, Cash Equivalents, and Investments

The Corporation considers all investments with a maturity of three months or less from the date of acquisition to be cash equivalents.

Collateral is required for demand deposits and certificates of deposit. Obligations that may be pledged as collateral are obligations of the United States and its agencies, New York State, irrevocable letters of credit issued by a qualified bank, or a surety bond. Cash balances at December 31, 2021, were fully collateralized.

Sherburne Area Local Development Corporation

Notes to Financial Statements December 31, 2021 and 2020

Note 2 - Cash, Cash Equivalents, and Investments - Continued

The Corporation records investments at fair value, except for debt securities with a maturity of one year or less from the date of acquisition; these securities are valued at amortized cost. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants on the measurement date. The Corporation's investment policies are governed by New York State statutes. In addition, the Corporation has its own written investment policy. Corporation monies must be deposited in Federal Deposit Insurance Corporation insured commercial banks or trust companies located within the State. The Corporation is authorized to use demand accounts, money market accounts, and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and agencies of the United States of America and obligations of New York State.

Note 3 - Capital Assets

A summary of the Corporation's capital assets is as follows:

	December 31, 2021			
	Balance at Beginning of Year	Additions	Dispositions	Balance at End of Year
<i>Depreciable</i>				
Building	\$ 1,644,358	\$ -	\$ -	\$ 1,644,358
Other assets	20,824	-	-	20,824
Less accumulated depreciation	<u>(388,283)</u>	<u>(42,150)</u>	<u>-</u>	<u>(430,433)</u>
Total depreciable capital assets	1,276,899	(42,150)	-	1,234,749
<i>Non-depreciable</i>				
Land and land improvements	<u>793,314</u>	<u>-</u>	<u>(4,175)</u>	<u>789,139</u>
Total capital assets, net	<u>\$ 2,070,213</u>	<u>\$ (42,150)</u>	<u>\$ (4,175)</u>	<u>\$ 2,023,888</u>
	December 31, 2020			
	Balance at Beginning of Year	Additions	Dispositions	Balance at End of Year
<i>Depreciable</i>				
Building	\$ 1,644,358	\$ -	\$ -	\$ 1,644,358
Other assets	20,824	-	-	20,824
Less accumulated depreciation	<u>(346,133)</u>	<u>(42,150)</u>	<u>-</u>	<u>(388,283)</u>
Total depreciable capital assets	1,319,049	(42,150)	-	1,276,899
<i>Non-depreciable</i>				
Land and land improvements	<u>793,314</u>	<u>-</u>	<u>-</u>	<u>793,314</u>
Total capital assets, net	<u>\$ 2,112,363</u>	<u>\$ (42,150)</u>	<u>\$ -</u>	<u>\$ 2,070,213</u>

Sherburne Area Local Development Corporation

Notes to Financial Statements
December 31, 2021 and 2020

Note 3 - Capital Assets - Continued

Land and land improvements at December 31, 2021 and 2020 include a 30.919-acre parcel of land located adjacent to Classic Street within the Village. The land was purchased for the purpose of undertaking the development of a multi-tenant industrial park to be known as "Sherburne Electric Business Park."

Land and land improvements at December 31, 2021 and 2020 also includes a parcel of land located at Union Street and Smith Drive within the Village. During September 2021, the Corporation sold a 1.02-acre portion of this parcel to a third-party resulting in a gain of \$1,947, net of related selling expenses. As of December 31, 2021, the Corporation holds 9.974 acres in this parcel. The remaining land will be used for future economic development.

Note 4 - Mortgage Payable

During 2008 and 2009, the Village loaned the Corporation \$295,000 to finance the acquisition of a certain parcel of land and to provide funding for certain organizational costs of the Corporation. During 2012, the Corporation made a \$100,000 payment to the Village to begin its pay down of principal on this mortgage. The balance of the mortgage at December 31, 2021 and 2020 was \$190,531.

Terms of the mortgage include monthly payments of interest at 2.44%, with a balloon payment of \$190,531 due at maturity on January 1, 2023. The loan is secured by the property financed and all fixtures and personal property which now are, or which later may be attached to the property.

The Corporation is currently in arrears with its scheduled payments of interest. Unpaid scheduled interest totaled \$64,497 and \$59,848 at December 31, 2021 and 2020, respectively.

Interest expense incurred on this indebtedness for both the years ended December 31, 2021 and 2020, totaled \$4,649.

Note 5 - Bonds Payable

On June 1, 2011, the Corporation issued two tax-exempt Revenue Bonds, Series 2011, for the: (1) acquisition of certain land located within the Sherburne Electric Business Park; (2) planning, design, and construction of a 15,000 square foot facility for lease to the Village and use by the Village's Electric Department and Department of Public Works; (3) acquisition of certain equipment, machinery, and other tangible personal property; and (4) payment of certain costs and expenses incidental to the issuance of the bonds.

The bonds were paid off in full during December 2020, upon their maturity. Interest expense incurred and paid on these bonds was \$13,950 for the year ended December 31, 2020.

The bonds were collateralized by the land, building, and equipment described above. In addition, the bonds were secured by an assignment of certain leases and rents (Note 6).

Sherburne Area Local Development Corporation

Notes to Financial Statements
December 31, 2021 and 2020

Note 6 - Rental Agreement

The Corporation has a lease agreement with the Village for the rental of a building owned by the Corporation. Terms of the lease, which commenced January 1, 2022, include annual payments of rent in the amount of \$63,000, due April 1st of each year, for the five-year period ending December 31, 2026. The Village is responsible for most building related expenses, including water, gas, oil, electricity, heat, telephone, sewage, trash removal, janitorial service, insurance, and snow removal.

In periods prior to January 1, 2022, base rents were in an amount sufficient to pay the annual interest and principal on the bond issuance used to finance the construction of the building. Rental income related to the former lease agreement for the years ended December 31, 2021 and 2020, totaled \$352,250 and \$172,147, respectively. The Village paid the January 2021 rent payment of \$352,250, during December 2020. This amount was reported as unearned rental income at December 31, 2020. There was no unearned rental income at December 31, 2021.

Note 7 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 87, *Leases* (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. The requirements of this statement, as delayed by GASB 95, are effective for reporting periods beginning after June 15, 2021.

Management has not estimated the extent of potential impact of this statement on the Corporation's financial statements.



**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***

Board of Directors
Sherburne Area Local Development Corporation
Sherburne, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sherburne Area Local Development Corporation (Corporation), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 3, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

BST+Co.CPAs, LLP

Albany, New York
March 3, 2022

