

**ORANGE COUNTY FUNDING CORPORATION**  
**NEW WINDSOR, NEW YORK**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**ORANGE COUNTY FUNDING CORPORATION**  
**NEW WINDSOR, NEW YORK**

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**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of  
Orange County Funding Corporation  
4 Crotty Lane  
New Windsor, NY 12553

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Orange County Funding Corporation (the Corporation), a component unit of the Orange County Industrial Development Agency as of and for the years ended December 31, 2017 and 2016, which collectively comprise the Corporation's basic financial statements, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Orange County Funding Corporation as a component unit of the Orange County Industrial Development Agency, as of December 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 and 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the 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.

## Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2018 on our consideration of the Orange County Funding Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the OCFC's financial statements as a whole. The Schedules of Supplementary Information on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Judelson, Gindaro & Siegel, CPA, PC*

Middletown, New York  
March 1, 2018

**ORANGE COUNTY FUNDING CORPORATION**  
**NEW WINDSOR, NEW YORK**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**

This section of the Orange County Funding Corporation's (OCFC) annual financial report presents an analysis of the OCFC's financial performance during the fiscal year ended December 31, 2017. This information is presented in conjunction with the audited basic financial statements, which follow this section. Additional information is available in the auditor's opinion letter, which precedes management's discussion and analysis.

**FINANCIAL HIGHLIGHTS FOR THE YEAR 2017**

- The OCFC's net assets increased by \$749,076 from \$1,131,738 to \$1,880,814.
- Operating revenues increased by \$865,936 from \$118,879 to \$984,815.
- Operating expenses decreased by \$302,322 from \$538,061 to \$235,739.

**SUMMARY OF OPERATIONS**

<b><u>Revenues:</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>Over/Under</u></b>
Fees	\$ 855,310	\$ 0	\$ 855,310
Administrative Fees	20,000	10,000	10,000
Grant Income	108,000	108,000	0
Interest Income	1,505	879	626
Total Revenues	\$ 984,815	\$ 118,879	\$865,936
<b><u>Expenses:</u></b>			
Project expenditures	\$ 199,670	\$ 509,216	(\$ 309,546)
Administrative expenditures	36,069	28,845	7,224
Total Expenses	\$ 235,739	\$ 538,061	(\$ 302,322)

**FINANCIAL POSITION SUMMARY**

Net Assets serve as an indicator of the Corporation's financial position. The Corporation's Net Assets were \$1,880,814 and \$1,131,738 at December 31, 2017 and 2016, an increase of \$749,076. Liabilities were \$19,372 and \$29,732 at December 31, 2017 and 2016, a decrease of \$10,360 or 34.8%. The increase in Net Assets is due to a few large projects closing in 2017, along with a reduction in project expenses from the prior year to the current year.

For details of the Corporation's finances, see the accompanying financial statements and Notes thereof.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements, and Other Required Supplementary Information. The Financial Statements include notes, which explain in detail some of the information included in the basic financial statements.

## **REQUIRED FINANCIAL STATEMENTS**

The Financial Statements of the OCFC report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Assets include information on the OCFC's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to OCFC creditors (liabilities). The Statements of Activities identify the OCFC's revenues and expenses for the years ended December 31, 2017 and 2016. This statement provides information on the OCFC's operations over the past year and can be used to determine whether the OCFC has operated in a surplus or deficiency.

## **FINANCIAL ANALYSIS OF THE CORPORATION**

The Statements of Net Assets and the Statement of Activities provide an indication of the OCFC's financial condition and also indicate that the financial condition of the OCFC has improved or deteriorated during the last year. The OCFC's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates an improvement in financial condition.

**ORANGE COUNTY FUNDING CORPORATION**  
**NEW WINDSOR, NEW YORK**

**STATEMENTS OF NET ASSETS**  
**DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS:</u></b>		
<b><u>Current Assets:</u></b>		
Cash and Cash Equivalents	1,335,654	650,635
Accounts Receivable - Current Portion	564,532	250,000
Prepaid Expenses	0	10,835
Total Current Assets	<u>1,900,186</u>	<u>911,470</u>
<b><u>Other Assets:</u></b>		
Accounts Receivable - Long-Term	0	250,000
<b>TOTAL ASSETS</b>	<b><u>1,900,186</u></b>	<b><u>1,161,470</u></b>
<b><u>LIABILITIES AND NET ASSETS:</u></b>		
<b><u>Current Liabilities:</u></b>		
Accounts Payable and Accrued Expenses	19,372	29,732
<b><u>Net Assets:</u></b>		
Unrestricted Net Assets - Designated	370,000	370,000
Unrestricted Net Assets - Undesignated	1,510,814	761,738
Total Net Assets	1,880,814	1,131,738
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>1,900,186</u></b>	<b><u>1,161,470</u></b>

**ORANGE COUNTY FUNDING CORPORATION**  
**NEW WINDSOR, NEW YORK**

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
<b><u>REVENUES:</u></b>		
Closing Fees	855,310	0
Grant Income	108,000	108,000
Interest Income	1,505	879
Administrative Fees	20,000	10,000
<b>Total Revenues</b>	<b>984,815</b>	<b>118,879</b>
<b><u>EXPENSES:</u></b>		
Project Expense	199,670	509,216
Professional Fees	24,205	18,572
Insurance	11,520	10,273
Office Expense	344	0
<b>Total Expenses</b>	<b>235,739</b>	<b>538,061</b>
<b>CHANGE IN NET ASSETS</b>	<b>749,076</b>	<b>(419,182)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,131,738</b>	<b>1,550,920</b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>1,880,814</u></b>	<b><u>1,131,738</u></b>

**ORANGE COUNTY FUNDING CORPORATION**  
**NEW WINDSOR, NEW YORK**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	749,076	(419,182)
<u>Adjustments to Reconcile Change in Net Assets</u> <u>to Net Cash Provided By (Used in) Operating Activities:</u>		
<u>Changes in Assets and Liabilities:</u>		
Accounts Receivable	(64,532)	250,000
Prepaid Expense	10,835	(1,026)
Accounts Payable and Accrued Expenses	(10,360)	23,381
Total Adjustments	<u>(64,057)</u>	<u>272,355</u>
Net Cash Provided by (Used in) Operating Activities	685,019	(146,827)
<b><u>CASH FLOWS USED IN INVESTING ACTIVITIES:</u></b>	0	0
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>	<u>0</u>	<u>0</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	685,019	(146,827)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>650,635</u>	<u>797,462</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u><u>1,335,654</u></u>	<u><u>650,635</u></u>

**ORANGE COUNTY FUNDING CORPORATION**  
**NEW WINDSOR, NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 1 - ORGANIZATION AND PURPOSE**

During 2010, the Orange County Legislative sponsored the formation of the Orange County Funding Corporation (OCFC), a component unit of the Orange County Industrial Development Agency (OCIDA) that would allow the OCIDA to work with nonprofit entities for the purpose of financing civic facilities. The Agency controls and appoints the membership of the Orange County Funding Corporation. The directors of the Orange County Funding Corporation are the same as for the Agency, therefore, making the OCFC a component unit of the OCIDA.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Corporation's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 assets. Net assets are segregated into two specific components, as follows:

- *Unrestricted net assets - designated* consists of assets that can only be used for a specific purpose that is established by grantors, contributors, or laws and regulations governing the Corporation;
- *Unrestricted net assets - undesignated* consists of assets and liabilities that do not meet the definition of "invested in capital assets net of related debt" or "designated."

Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Cash and Cash Equivalents**

The Corporation considers all short term investments purchased with a maturity of three months or less to be cash equivalents.

**Fair Value Measurement**

Accounting principles generally accepted in the United States of America require disclosure of an estimate of fair value of certain financial instruments. The Corporation's significant financial instruments are cash and cash equivalents, certificate of deposit, accounts payable and accrued expenses. For these financial instruments, carrying values approximate fair value.

**Accounts Receivable**

Accounts Receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts, if any, by identifying troubled accounts and by using historical experience applied to an aging of accounts. Management considers accounts receivable to be fully collectible; accordingly, there is no allowance for doubtful accounts.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

### **Prepaid Expenses**

Prepaid items represent payments made by the Corporation for which benefits extend beyond year end. These items reflect costs applicable to future accounting periods and are recorded as prepaid at the time of purchase and as an expense in the year the goods or services are consumed.

### **Use of 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

### **New Accounting Pronouncements**

During the year ended December 31, 2017, no new accounting pronouncements were adopted.

The GASB had recently issued the following new statements:

- \* Statement No. 83, *Certain Asset Retirement Obligations*, which are effective for reporting periods beginning after June 15, 2018;
- \* Statement No. 84, *Fiduciary Activities*, which are effective for reporting periods beginning after December 15, 2018, though early application is encouraged;
- \* Statement No. 86, *Leases*, which are effective for reporting periods beginning after December 15, 2019.

The Corporation has not implemented the aforementioned statements as the statements were deemed not applicable.

### **Subsequent Events**

The Corporation has evaluated subsequent events and transactions through March 1, 2018, the date which the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

### **NOTE 3 - CASH AND CASH EQUIVALENTS**

In accordance with the provisions of Section 10 of General Municipal Law of New York State, all Corporation deposits, including certificate of deposit and special time deposits in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, shall be collateralized by a pledge of eligible securities, letters of credit, or surety bonds.

At December 31, 2017 and 2016, the Corporation's deposits were fully insured or collateralized and consisted of the following:

#### December 31, 2017

	<u>Balance</u>	<u>FDIC Insurance</u>	<u>Pledge Collateral</u>
Chase	\$ 505,344	\$ 250,000	\$ 255,344
Orange Bank and Trust	830,310	250,000	580,310
	<u>\$ 1,335,654</u>	<u>\$ 500,000</u>	<u>\$ 835,654</u>

#### December 31, 2016

Chase	\$ 71,384	\$ 250,000	\$ 0
Orange Bank and Trust	579,251	250,000	329,251
	<u>\$ 650,635</u>	<u>\$ 500,000</u>	<u>\$ 329,251</u>

### **NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable is comprised of a closing fee arrangement with CPV Valley, LLC that was agreed upon between the Orange County Funding Corporation and CPV Valley, LLC during 2015. The arrangement is for the fee to be paid in four, equal installments of \$250,000, for a total project closing fee of \$1,000,000.

At December 31, 2017, all receivables are deemed to be current and collectible within the next 12 months.

### **NOTE 5 - UNRESTRICTED NET ASSETS - DESIGNATED**

The Corporation has designated Net Assets for the following purposes as of December 31:

	<u>2017</u>	<u>2016</u>
OCFC's Loan Program	170,000	170,000
Project Expenditures	200,000	200,000
Total Unrestricted Net Assets - Designated	<u>\$ 370,000</u>	<u>\$ 370,000</u>

**NOTE 6 - SCHEDULE OF BONDS OUTSTANDING**

The Corporation helps arrange financing for various not-for-profit ventures in Orange County, New York. These transactions are considered “conduit” transactions as the financing is arranged through the Corporation but not done by the Corporation. Consequently, these transactions are not reflected on the books and records of the Corporation. A supplemental schedule of these transactions is provided later in this report.

**SUPPLEMENTARY INFORMATION**

**ORANGE COUNTY FUNDING CORPORATION**  
**NEW WINDSOR, NEW YORK**

**SCHEDULE OF BONDS OUTSTANDING - CONDUIT TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>PROJECT</u>	<u>12/31/16 BALANCE</u>	<u>ISSUED</u>	<u>PRINCIPAL PAID</u>	<u>ADJUSTMENT</u>	<u>12/31/17 BALANCE</u>
Mount Saint Mary College	55,435,000	0	1,890,000	0	53,545,000
Monroe Cable Company, Inc ^	6,492,939	0	729,852	(1,347,442)	4,415,645
Sheri Torah *	13,610,592	0	0	0	13,610,592
Wallkill Realty Partners, LLC	35,515,000	0	640,000	0	34,875,000
	<u>111,053,531</u>	<u>0</u>	<u>3,259,852</u>	<u>(1,347,442)</u>	<u>106,446,237</u>

\* Denotes that the project did not respond to the confirmation request.

^ An adjustment was recorded on the outstanding principal balance of this project as a result of a lack of responses provided to confirmation requests during prior years' audits. To note, the 2014 audit period was the last time this project responded to a confirm request.

**ORANGE COUNTY FUNDING CORPORATION**  
**NEW WINDSOR, NEW YORK**

**SCHEDULE OF SUPPLEMENTAL INFORMATION - BONDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

<u>Project/Owner</u>	<u>Purpose</u>	<u>Issued/ Maturity Date</u>	<u>Interest Rate</u>	<u>Federal Tax Status</u>	<u>Beginning/ Ending Balances</u>	<u>FTE Jobs Created/ Current</u>	<u>Tax Exemptions</u>		<u>PILOTS</u>
							<u>Sales</u>	<u>Real Property</u>	
Mount Saint Mary College 330 Powell Avenue Newburgh, NY 12550	Education	12/21/2012 Various	2.99% & 3.95%	Tax Exempt	55,435,000 53,545,000	0 / 569	N/A	N/A	N/A
Monroe Cable Company, Inc ^ 14 Commercial Avenue Middletown, NY 10941	Manufacturing	11/21/2013 Various	3.15%, 3.79% & 4.18%	Taxable & Tax Exempt	6,492,939 4,415,645	0 / 112	N/A	N/A	N/A
Sheri Torah * 5 Buchanan Court - Unit 111 Monroe, NY 10950	Religious	10/1/2015 10/1/2040	3.20%	Tax Exempt	13,610,592 13,610,592	6 / 296	N/A	N/A	N/A
Wallkill Realty Partners, LLC 800 Westchester Avenue Rye Brook, NY 10573	Real Estate	12/28/2012 1/1/2046	6.50%	Taxable	35,515,000 34,875,000	8/105	N/A	N/A	223,074

**Tickmark Legend:**

N/A - Denotes an attribute for which the confirmation respondent noted as not applicable.

\* - Denotes that a project did not respond to the confirmation request.

^ - This project has not responded to a confirm request since the 2014 audit.