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**INDEPENDENT AUDITOR'S REPORT**

To The Board of Directors  
Essex County Industrial Development Agency, Inc.  
Elizabethtown, New York

I have audited the accompanying financial statements of the Essex County Industrial Development Agency, Inc., a not-for-profit organization, for the year ended December 31, 2006 and December 31, 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Essex County Industrial Development Agency, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and an audit of federal grant programs in accordance with the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and should refer to this report in this binder. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles uses and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Essex County Industrial Development Agency, Inc. as of December 31, 2006 and December 31, 2005, and results of its activities and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated March 13, 2007 on my consideration of the Essex County Industrial Development Agency, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

  
Barbara S. Dwyer, CPA

Lake Placid, New York  
March 13, 2007

**ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.**

## Statement of Financial Position

	December 31	
	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$759,976	\$708,532
Cash-escrow deposit	—	5,000
Account receivable	92,430	-
Prepaid expenses	—	660
Current portion of notes receivable	<u>181,394</u>	<u>193,922</u>
Total Current Assets	1,033,800	908,114
Property, Plant and Equipment, net of accumulated depreciation		
Construction in Progress	4,877,398	4,753,054
Other Assets		
Notes receivable, net of reserve for bad debts, \$54,500 in 2006 and \$114,500 in 2005	447,122	516,936
Total Other Assets	<u>447,122</u>	<u>516,936</u>
<b>Total Assets</b>	<u><b>\$6,358,320</b></u>	<u><b>\$6,178,104</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	1,152	2,338
Accrued payroll taxes	<u>51</u>	<u>2,851</u>
Total Current Liabilities	<u>1,203</u>	<u>5,189</u>
Total Liabilities	\$1,203	\$5,189
Net Assets		
Unrestricted	1,067,169	1,134,221
Investment in capital assets	4,877,398	4,753,054
Temporarily restricted	<u>412,550</u>	<u>285,640</u>
Total Net Assets	<u>6,357,117</u>	<u>6,172,915</u>
<b>LIABILITIES AND NET ASSETS</b>	<u><b>\$6,358,320</b></u>	<u><b>\$6,178,104</b></u>

See accompanying notes to financial statements

**ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.**

## Statement of Activities

	December 31	
	<u>2006</u>	<u>2005</u>
<b>SUPPORT:</b>		
County Allocation	\$290,000	250,000
Empire State Development Program Fee	26,710	—
HUD Program Fees	26,980	14,588
Industrial Park rents	56,070	51,710
Other Real Estate Income	12,300	6,200
Revenue Bond fees	12,500	120,225
Industrial Park Administrative fees	14,018	15,024
Application and administrative fees	1,525	4,660
Other Grants	125,000	129,589
Interest income	35,418	30,629
Debt recoveries	60,000	—
Miscellaneous income	—	433
<b>TOTAL SUPPORT</b>	<u>660,521</u>	<u>623,058</u>
<b>EXPENDITURES:</b>		
Program expense	132,659	144,433
Personnel expense	196,809	159,588
Administration expense	<u>28,892</u>	<u>29,079</u>
<b>TOTAL EXPENDITURES</b>	358,360	333,100
<b>OTHER INCOME (EXPENSES):</b>		
Loss on sale of various real estate parcels	(117,959)	—
Transfer of infrastructure in Ticondroga Park	—	<u>(1,100,945)</u>
Change in Net Assets	<u>184,202</u>	<u>(810,987)</u>
Net Assets, beginning of year	<u>6,172,915</u>	<u>6,983,902</u>
Net assets, end of year	<u>\$6,357,117</u>	<u>\$6,172,915</u>

See accompanying notes to financial statements

**ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.**

## Statement of Cash Flows

	December 31,	
	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITES</b>		
Change in net assets	\$184,202	(\$810,987)
Adjustments to reconcile net assets to net cash provided by operating activities:		
Transfer of Ticonderoga land	—	1,100,945
Depreciation	31,647	28,184
Reserve for bad debts	(60,000)	8,000
(Increase) decrease in:		
Accounts receivable	(92,430)	42,505
Prepaid expenses	660	—
Notes receivable	72,342	(58,955)
Increase (decrease) in:		
Escrow liability	—	—
Accrued liabilities and payables	(3,986)	(7,779)
Net cash (used) provided by operating activities	\$132,435	301,913
<b>CASH FLOWS FROM INVESTING ACTIVITES</b>		
Building purchase and refurbishing	(291,167)	(5,000)
Purchase of site improvements and equipment	(44,250)	(63,558)
Sale and disposal of land	<u>203,197</u>	<u>—</u>
Net cash used in investing activities	(\$132,220)	(68,558)
<b>CASH FLOWS FROM FINANCING ACTIVITES</b>		
Repayment of principal, notes receivable	51,229	138,314
Loans issued	—	(164,000)
Net cash from financing activities	<u>51,229</u>	<u>(25,686)</u>
Net increase (decrease) in cash	51,444	207,669
Cash at beginning of year	<u>708,532</u>	<u>500,863</u>
Cash at end of year	<u>\$759,976</u>	<u>708,532</u>

See accompanying notes to financial statements

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

Notes to Financial Statements

December 31, 2006

Note 1: **ORGANIZATION**

The Essex County Industrial Development Agency, Inc. (the Agency) is a public benefit corporation created by the New York State Legislature. The Essex County Board of Supervisors appoints the members to the Agency's Board of Directors. The Agency is empowered by law to issue tax-exempt bonds to finance qualified industrial firms. It also may purchase, develop, manage, sell and lease real property, including land and buildings, for the purpose of creating jobs and serving the public welfare generally. The real property used for such public purpose is exempt from property tax by law. The Agency can also loan funds and administer those loans to businesses to promote economic development.

In accordance with the contract, dated March 7, 1996, between Essex County Industrial Development Agency, Inc. and the County of Essex, it was agreed that each would be separate and independent entities of government effective January 1, 1982. According to the terms of the same contract the Industrial Development Agency was charged with the administration of the business of the Essex County Development Corporation.

As of January 1, 2006, it is the intent to dissolve the Essex County Empire Development Zone corporation and merge it with the Essex County Industrial Development Agency, Inc. The administration of the Empire Development Zones within Essex County, New York will then be through the Agency servicing existing certified businesses and administering the recertification of Empire Development Zone designated areas. The Agency will be responsible to provide a zone coordinator to service the Empire Development Zone within Essex County, New York.

Note 2: **SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Agency have been prepared on the accrual basis of accounting.

The Agency follows the Statement of Financial Accounting Standards (SFAS)117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and required that resources be classified for accounting and reporting purposes into three net asset categories according to grant imposed restrictions.

Under the provisions of SFAS No. 117, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of grant imposed restrictions. accordingly, net assets of the Agency and changes therein are classified and reported as follows:

- **Unrestricted net assets** include net assets that are not subject to grant or Board imposed stipulations.
- **Temporarily restricted net assets** include net assets subject to grant or Board imposed stipulations that may or will lapse either by actions of the Agency and/or the passage of time.
- **Permanently restricted net assets** include net assets subject to grant imposed restrictions with the intent that the Agency maintains the net assets permanently.

Generally, the grantors of these assets permit the Agency to use all of the income earned or realized on related investments for general or specific purposes.

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.  
Notes to Financial Statements  
December 31, 2006

Note 2: **CONTINUED**

Revenues and Expenses

Revenues are reported as increase in unrestricted net assets unless use of the related assets is limited by grant-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Cash and Cash Equivalents

The Agency considers cash and any appropriate investment with the initial maturity date of the three months or less to be cash and cash equivalents. Funds are segregated in separate accounts as requested by granting agencies.

Donated Services

The Agency has not received any donated services or goods. Thus, none has been reflected in the financial statements. On occasion it receives facilities and the policy on this is described below.

Plant

Land, buildings, furniture and equipment are recorded at cost and include expenditures for new facilities and improvements that substantially increase the useful lives of existing buildings and equipment. Expenditures in the nature of normal repairs and maintenance are accounted for as expenses in the statement of activities of unrestricted net assets. Depreciation of building and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Depreciation is recognized on general operating assets and industrial projects with current earnings. Assets in excess of \$1,000 are capitalized.

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 applicable disclosures at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates of the Corporation. Other revenues from nonexempt sources.

Note 3: **NOTES RECEIVABLE**

Notes receivables are recognized at the current outstanding balance. Funds collectible within twelve months are identified as the current portion of the notes receivable. Funds collectible within twelve months are identified as the current portion of the notes receivable. Funds collectible in more than twelve months are identified as other assets.

The allowance for Doubtful Accounts is evaluated annually and adjusted accordingly. The Agency seeks every means of collection of its notes.

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.  
Notes to Financial Statements  
December 31, 2006

**Note 4: PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment and related accumulated depreciation are as follows:

	2006	2005
<b>INDUSTRIAL PROJECTS</b>		
Chesterfield Industrial Park	\$3,565,830	\$ 3,559,349
Essex Industrial Park Ticonderoga Land	—	23,000
Ausable Forks Hydro Project:		
Land	733	733
Willsboro:		
Land	73,900	61,600
Keeseville:		
Land	—	31,460
Survey expense	—	900
Railroad	619,920	619,920
Schroon Lake Land Project:		
Land	—	60,138
Improvements to land	—	23,218
Site development cost	—	1,280
	<u>\$4,260,383</u>	<u>4,380,998</u>
Less: Accumulated Depreciation	<u>619,920</u>	<u>619,920</u>
Total	<u>\$3,640,463</u>	<u>\$3,761,078</u>
Moriah Project		
Land	97,000	100,000
Building	867,614	851,876
Site development	106,857	32,510
Operating Assets of the Agency		
Building	261,497	—
Furniture & Fixtures	25,055	25,055
Training Equipment	127,781	127,781
Office Equipment	<u>32,166</u>	<u>41,217</u>
	1,517,970	1,241,364
Less: Accumulated Depreciation	<u>281,035</u>	<u>249,388</u>
Total	<u>\$1,236,935</u>	<u>991,976</u>

**Note 5: RAILROAD PROPERTY**

The Agency received a railroad from NL Chemicals, Inc., (the "Company") with the stipulation that they would lease it back to the Company for a five year period with the option by the Agency to renew the lease for an additional five years. The lease has been extended for an additional five years, expiring in August 2004. The Company agreed to pay the Agency \$1.00 a year for rental and to make a payment in lieu of taxes to the two appropriate municipalities and

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

Notes to Financial Statements

December 31, 2006

Note 5: **CONTINUED**

school districts in which the 21 mile railroad operates. The Agency's portion of the railroad has been recorded on the books at \$619,920, which represents the fair market value at the time of the purchase on August 9, 1989 by the Company.

Although the lease has expired, the agency still owns the railroad property as of December 31, 2005.

Note 6: **LEASE COMMITMENTS**

The Agency entered into a lease agreement with Kathleen E. Hall for office space in Elizabethtown, New York. The lease agreement began on January 1, 1995 and ends on December 31, 2005. The lease was extended to June 30, 2006. Lease expense was \$9,950 for the year ended December 31, 2005 and \$4,250 for the year ended December 31, 2006. The lease terminated when the Agency moved into its purchased and refurbished building in Elizabethtown, New York on July 1, 2006.

Note 7: **MORIAH INDUSTRIAL PROJECT**

The Industrial Development Agency received grants to construct a building in the Town of Moriah for the purposes of industrial development without an objective of creating jobs. The project involved the construction of a one-story 22,000 sq. ft. high bay manufacturing and distribution facility, access road, utility connection and parking for 18 trailers and 14 cars. The building was built on land owned by the Agency totaling 30 acres, which was purchased for the purposes of this project. Two more building sites are available on this land. The Agency is currently renting part of the building.

Note 8: **CHESTERFIELD PARK PROJECT**

The Agency is involved in a joint development project with the Town of Chesterfield. As project leader, the Agency received a grant of \$3,000,000 from the United States Department of Commerce for improvements to the water treatment plant and infrastructure to the proposed industrial park in the Town of Chesterfield. The Agency has disbursed its grant funds which are reflected in the Construction in Progress totaling \$3,565,830 as of December 31, 2005. The Town of Chesterfield has an obligation to match the Federal grant in improvements paid through the town. The final requisition had been submitted for the project as of December 31, 2004 and collected in the fiscal year ended December 31, 2005. Once complete, the assets are to transfer to the Town of Chesterfield.

Note 9: **CASH BALANCES**

The Essex County Industrial Development Agency, Inc. maintains cash accounts at various banks. The FDIC for up to \$100,000 insures cash accounts at banks. Amounts in excess of insured limits were approximately \$659,976 at December 31, 2006 and \$253,966 at December 31, 2005.

Note 10: **PENSION BENEFIT PLAN**

The Agency participates in the New York State employees Retirement Plan. The Agency is billed its annual contribution the plan based on the compensation paid its employees, it is a defined contribution plan. The pension expense was \$14,833 for the fiscal year ended December 31, 2006 and \$15,600 for the fiscal year ended December 31, 2005.

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

Notes to Financial Statements

December 31, 2006

**Note 11: CONTINGENCIES**

The U.S. Department of Housing and Urban Development (HUD) gave Essex County a grant of \$291,500 for the development of the Ticonderoga Commerce Park. The Agency was the grant administrator of the grant and the creator of the Park. The Statutory objectives of the Grant were that 41 new jobs be created with 51 percent of the positions being made available to persons of low or moderate income.

On December 31, 2001, HUD received the Performance Assessment Report (PAR) for the grant. At the time, the job creation objective was not being met. After further review, HUD issued a letter dated December 31, 2002, that the prospective buyer of the building would meet the jobs creation objective of one job per \$25,000 of grant money or 12 jobs. HUD has reserved the right to review the project as a future date to ensure that the job creation objective continues to be met.

**Note 12: COMMITMENTS**

As of December 31, 2006 the Agency has made loan commitments to businesses with the objective of stimulating economic growth and development. There were no loan commitments as of December 31, 2005.

As of December 31, 2005, the Agency has deposited \$5,000 in an attorney's escrow account as a commitment to purchase a commercial building in Elizabethtown, New York for approximately \$150,000. The closing and occupancy occurred during the fiscal year ended December 31, 2006. The escrow deposit was applied to the purchase price of the building at closing.

**ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.**  
Schedule of Functional Expenses

<b>PROGRAM EXPENSE:</b>	<u>2006</u>	<u>2005</u>
HUD Program expenses	\$7,372	6,503
Industrial Park expenses	26,867	24,064
Legal fees and notices	12,300	8,763
Marketing and advertising	33,494	29,205
Depreciation expense	31,647	28,184
Insurance	4,224	3,558
Telephone	6,520	7,699
Travel	4,169	4,619
Conferences and workshops	4,834	5,300
Dues and subscriptions	1,232	976
Bad debt expense	<u>—</u>	<u>25,562</u>
Total Program Expense	\$132,659	144,433
<b>PERSONNEL EXPENSE</b>		
Salaries	150,822	118,516
Payroll tax expense	13,245	12,939
Health Insurance	17,909	12,533
Retirement	<u>14,833</u>	<u>15,600</u>
Total Personnel Expense	\$196,809	159,588
<b>ADMINISTRATIVE EXPENSE</b>		
Office expense and supplies	4,828	3,251
Rent and occupancy	8,150	9,950
Postage and printing	2,471	2,942
Accounting	7,668	8,883
Equipment leases and maintenance	3,578	2,235
Miscellaneous	1,150	981
Board expenses	145	278
Business meetings	<u>902</u>	<u>559</u>
Total Administrative Expense	\$28,892	29,079

**ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.**  
 Schedule of Industrial Parks Revenues and Expenses

	December 31					
	<u>2006</u>	Moriah	Ticonderoga	Willsboro	Chesterfield	<u>2005</u> Total
Rental Income	\$56,070	56,070				\$53,387
Expenses:						
Maintenance	1,553	1,403		100	50	7,493
Landscaping	5,037	1,803	2,082		1,152	3,511
Real estate taxes	3,440	927	5	2,508		2,552
Insurance	13,127	11,801	46	140		2,831
Utilities	2,640	2,579		61		3,680
Legal services	<u>1,000</u>		<u>1,000</u>			<u>    </u>
Total Expenses	\$26,797	18,513	3,133	2,809	2,342	\$20,067
Net Rental Income (Loss) Before Depreciation	29,273	37,557	(3,133)	(2,809)	(2,342)	33,320
Depreciation expense	<u>21,477</u>	21,477				21,297
Net Rental Income (Loss)	<u>\$7,796</u>	16,080	(3,133)	(2,809)	(2,342)	<u>\$12,023</u>