

BARBARA S. DWYER

Certified Public Accountant

P.O. Box 775

5694 Cascade Road

Lake Placid, NY 12946

518-523-9892

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, 2008, and the related statements of activities and cash flows for the year 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. The financial statements of the Essex County Industrial Development Agency, Inc. as of December 31, 2007 were audited by other auditors whose report dated March 13, 2007, express an unqualified opinion on those statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 our 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, 2008, and results of its activities and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued our report dated March 5, 2009 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 is 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 5, 2009

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
Statement of Financial Position

Year end December 31
2008 2007

ASSETS

Current Assets

Cash	\$ 832,378	877,426
Account receivable	-	128,360
Current portion of notes receivable	<u>206,159</u>	<u>181,076</u>
Total Current Assets	1,038,537	1,186,862

Property, Plant and Equipment,
net of accumulated depreciation

	5,673,529	5,636,290
--	-----------	-----------

Other Assets

Notes receivable, net of reserve for bad debts,
\$65,000 in 2008 and \$58,000 in 2007

	<u>804,103</u>	<u>665,018</u>
--	----------------	----------------

Total Other Assets

	<u>804,103</u>	<u>665,018</u>
--	----------------	----------------

Total Assets

	<u>\$ 7,516,169</u>	<u>7,488,170</u>
--	---------------------	------------------

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	-	99,809
Accrued payroll taxes	<u>-</u>	<u>3,356</u>

Total Current Liabilities

	<u>-</u>	<u>103,165</u>
--	----------	----------------

Total Liabilities

	<u>-</u>	<u>103,165</u>
--	----------	----------------

Net Assets

Unrestricted	1,218,906	1,087,016
Investment in capital assets	5,673,529	5,636,290
Temporarily restricted	<u>623,734</u>	<u>661,699</u>

Total Net Assets

	<u>7,516,169</u>	<u>7,385,005</u>
--	------------------	------------------

LIABILITIES AND NET ASSETS

	<u>\$ 7,516,169</u>	<u>7,488,170</u>
--	---------------------	------------------

See accompanying notes to financial statements

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
Statement of Activities

	Year end December 31	
	<u>2008</u>	<u>2007</u>
SUPPORT:		
County Allocation	\$ 315,000	290,000
Empire State Development Program Fee	34,500	23,000
HUD Program Fees	5,150	9,008
Industrial Park rents	68,793	65,056
Revenue Bond fees	18,500	66,863
Application and administrative fees	1,900	6,010
Other Grants	139,081	941,845
Interest income	45,522	46,822
Miscellaneous income	-	549
TOTAL SUPPORT	<u>628,446</u>	<u>1,449,153</u>
EXPENDITURES:		
Program expense	255,713	186,017
Personnel expense	206,278	209,776
Administration expense	35,291	25,472
TOTAL EXPENDITURES	<u>497,282</u>	<u>421,265</u>
Change in Net Assets	131,164	1,027,888
Net Assets, beginning of year	<u>7,385,005</u>	<u>6,357,117</u>
Net assets, end of year	<u>\$ 7,516,169</u>	<u>7,385,005</u>

See accompanying notes to financial statements

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
Statement of Cash Flows

	Year end December 31	
	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITES		
Change in net assets	\$ 131,164	1,027,888
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	56,909	36,033
Reserve for bad debts	7,000	3,500
Accounts receivable	128,360	(35,930)
Notes receivable	164,168	318
Increase (decrease) in:		
Accrued liabilities and payables	<u>(103,165)</u>	<u>101,962</u>
Net cash (used) provided by operating activities	384,436	1,132,771
CASH FLOWS FROM INVESTING ACTIVITES		
Purchase of site improvements and equipment	<u>(94,151)</u>	<u>(794,925)</u>
Net cash used in investing activities	(94,151)	(794,925)
CASH FLOWS FROM FINANCING ACTIVITES		
Repayment of principal, notes receivable	54,667	278,604
Loans issued	<u>(390,000)</u>	<u>(500,000)</u>
Net cash from financing activities	<u>(335,333)</u>	<u>(221,396)</u>
Net increase (decrease) in cash	(45,048)	117,450
Cash at beginning of year	<u>877,426</u>	<u>759,976</u>
Cash at end of year	<u>\$ 832,378</u>	<u>877,426</u>

See accompanying notes to financial statements

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

Notes to Financial Statements

December 31, 2008

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, the Essex County Empire Development Zone Corporation was dissolved and merged with the Essex County Industrial Development Agency, Inc. The administration of the Empire Development Zones within Essex County, New York are now through the Agency servicing existing certified businesses and administering the recertification of Empire Development Zone designated areas. The Agency is 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, 2008

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 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 and 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 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, 2008

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

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

Industrial Projects	<u>2008</u>	<u>2007</u>
Chesterfield Industrial Park	3,575,749	3,575,749
Essex Industrial Park Ticonderoga Land		
Ausable Forks Hydro Project:		
Land	733	733
Willsboro:		
Land	108,730	99,900
Railroad	619,920	619,920
Total	4,305,132	4,296,302
Less: Accumulated Depreciation	619,920	619,920
Total	3,685,212	3,676,382
 Moriah Project		
Land	97,000	97,000
Building	937,832	867,614
Site development	875,176	864,863
Operating Assets of the Agency		
Building	261,497	261,497
Furniture and Fixtures	29,845	25,055
Training Equipment	127,781	127,781
Office equipment	32,166	32,166
Total	2,361,297	2,275,976
Less: Accumulated Depreciation	373,980	317,068
Total	<u>\$ 1,987,317</u>	<u>1,950,908</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 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, 2008.

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

Notes to Financial Statements

December 31, 2008

Note 6: GRANTS INCOME

The Agency received a mixture of government and private business grants during the two fiscal years. Grants received were as follows:

	<u>2008</u>	<u>2007</u>
New loan funds:		
Governor's Office of Small Cities	-	400,000
Willsboro Commerce Park:		
Willsboro Development Corporation	-	27,000
Moriah Business Park Infrastructure:		
US Department of Commerce (EDA)	\$ 34,081	286,485
National Grid	30,000	80,000
Hudson Headwaters Health Network	-	100,000
New York State Legislative Grant	-	18,360
New York State Empire Development Corp.	<u>75,000</u>	<u>-</u>
Total	139,081	484,845
Moriah Business Park Infrastructure:		
National Grid	-	30,000
Total Grants Income	<u>\$ 139,081</u>	<u>941,845</u>

Note 7: MORIAH BUSINESS PARK

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. The Agency is currently renting the building to commercial tenants.

During the fiscal year ended December 31, 2007, the Agency received multiple grants to improve the infrastructure of The Moriah Business Park. Three phase power, fiberoptics, highspeed internet access, water and sewer lines, grading, paving, and site preparation was installed and/or completed during the 2007 fiscal year. Additionally, The Town of Moriah built a new building for a Town health center at the park. Four building sites remain.

In February 2009, The Agency was awarded a performance grant of \$36,893 from The United States Department of Commerce for completing The Moriah Business Park project before deadlines and under budget. These funds will be used to complete landscaping at the park, which is a joint venture with CV-TEC involving materials and equipment rental.

Note 8: CHESTERFIELD COMMERCE 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 assets but not being depreciated totaling \$3,565,830 as of December 31, 2005.

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.
Notes to Financial Statements
December 31, 2008

Note 8: CHESTERFIELD COMMERCE PARK PROJECT Cont'd

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, but the agency has implemented a collateral bond agreement with its principal bank so its funds are not at risk

Note 10: PENSION BENEFIT PLAN

The Agency participates in the New York State employees Retirement Plan. The Agency is billed its annual contribution to the plan based on the compensation paid its employees; it is a defined contribution plan. The pension expense was \$14,260 for the fiscal year ended December 31, 2008 and \$16,377 for the fiscal year ended December 31, 2007.

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 on a future date to ensure that the job creation objective continues to be met. The building was sold during the fiscal year ended December 31, 2005 but a contingency may still exist.

Note 12: COMMITMENTS

As of December 31, 2008 and December 31, 2007 the Agency has made loan commitments to businesses with the objective of stimulating economic growth and development.

As of December 31, 2007, the agency had available \$102,515 to spend in additional infrastructure improvements to the Moriah Business Park from the US Department of Commerce Economic Development Administration grant. \$82,441 of these funds were spent during the fiscal year ended December 31, 2008. The remaining funds will be used to complete the landscaping project discussed in Note 7.

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

	<u>2008</u>	<u>2007</u>
PROGRAM EXPENSE:		
HUD Program expenses	\$ 7,998	7,529
Industrial Park expenses	41,552	39,003
ReGrants	68,350	-
Legal fees and notices	9,435	13,325
Marketing and advertising	42,975	60,836
Depreciation expense	56,909	36,033
Insurance	2,165	5,779
Telephone	5,201	6,071
Travel	5,836	4,404
Conferences and workshops	4,264	5,129
Dues and subscriptions	1,145	1,908
Fiber optic grant	-	2,500
Bad debt expense	9,883	3,500
Total Program Expense	<u>255,713</u>	<u>186,017</u>
PERSONNEL EXPENSE		
Salaries	165,254	162,584
Payroll tax expense	15,289	13,084
Health Insurance	11,475	17,731
Retirement	14,260	16,377
Total Personnel Expense	<u>206,278</u>	<u>209,776</u>
ADMINISTRATIVE EXPENSE		
Office expense and supplies	3,828	4,744
Rent and occupancy	10,331	6,414
Postage and printing	1,849	2,182
Accounting	9,528	6,214
Equipment leases and maintenance	8,564	4,322
Miscellaneous	246	203
Board expenses	48	370
Business meetings	897	1,023
Total Administrative Expense	<u>\$ 35,291</u>	<u>25,472</u>

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

Year end December 31

	<u>2008</u>	<u>2007</u>
	<u>Total</u>	<u>Total</u>
	<u>Moriah</u>	<u>Chesterfield</u>
	<u>Ticonderoga</u>	<u>Willsboro</u>
	<u>Schroon Lake</u>	<u>Willsboro</u>
	<u>68,793</u>	<u>65,056</u>
Rental Income	\$ 68,793	65,056
Expenses:		
Maintenance	25,102	13,927
Landscaping	4,774	6,520
Real estate taxes	662	1,180
Insurance	6,223	14,060
Utilities	4,741	3,266
Legal services and fees	50	50
Total Expenses	41,552	39,003
Net Rental Income (Loss) Before Depreciation	27,241	26,053
Depreciation expense	43,558	29,136
Net Rental Income (Loss)	\$ (16,317)	(3,083)