

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

Financial Statements

December 31, 2011

BARBARA S. DWYER

Certified Public Accountant

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5694 Cascade Road

Lake Placid, NY 12946

518-523-9892

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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, 2011 and December 31, 2010, 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 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, 2011 and December 31, 2010, 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 our report dated March 23, 2012 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 23, 2012

BARBARA S. DWYER

Certified Public Accountant

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Lake Placid, NY 12946

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

I have audited the financial statements of Essex County Industrial Development Agency, Inc (a nonprofit organization), as of and for the year ended December 31, 2011, and have issued my report thereon dated March 23, 2012. I conducted my audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Essex County Industrial Development Agency, Inc, internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Essex County Industrial Development Agency's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Essex County Industrial Development Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Essex County Industrial Development Agency, Inc, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, audit committee, Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Barbara S. Dwyer, CPA

Lake Placid, New York
March 23, 2012

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

	Year end December 31	
	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash	\$ 877,968	1,034,552
Current portion of notes receivable	<u>249,418</u>	<u>225,711</u>
Total Current Assets	1,127,386	1,260,263
Property, Plant and Equipment, net of accumulated depreciation	5,615,859	5,640,889
Other Assets		
Notes receivable, net of reserve for bad debts, \$100,000 in 2011 and \$84,800 in 2010	<u>1,240,379</u>	<u>978,364</u>
Total Other Assets	<u>1,240,379</u>	<u>978,364</u>
Total Assets	<u>\$ 7,983,624</u>	<u>7,879,516</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	-	6,174
Accrued New York State retirement	21,595	-
Accrued payroll taxes	3,858	2,523
Accrued grant interest payable	<u>24,521</u>	<u>-</u>
Total Current Liabilities	<u>49,974</u>	<u>8,697</u>
Total Liabilities	<u>49,974</u>	<u>8,697</u>
Net Assets		
Unrestricted	1,962,046	1,608,796
Investment in capital assets	5,615,859	5,640,889
Temporarily restricted	<u>355,745</u>	<u>621,134</u>
Total Net Assets	<u>7,933,650</u>	<u>7,870,819</u>
LIABILITIES AND NET ASSETS	<u>\$ 7,983,624</u>	<u>7,879,516</u>

See accompanying notes to financial statements

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
Statement of Activities

	Year end December 31	
	<u>2011</u>	<u>2010</u>
SUPPORT:		
County Allocation	\$ 235,000	270,000
Champlain Bridge/Hurricane Irene Grant	16,594	-
HUD Program Fees	12,500	1,441
Industrial Park rents	67,011	71,500
Revenue Bond fees	23,100	3,000
Application and administrative fees	7,153	750
Other Grants	31,578	127,000
Interest income	42,197	37,972
Miscellaneous Income	<u>6,174</u>	<u>-</u>
TOTAL SUPPORT	441,307	511,663
EXPENDITURES:		
Program expense	159,484	137,202
Personnel expense	184,907	192,324
Administration expense	<u>34,085</u>	<u>27,566</u>
TOTAL EXPENDITURES	<u>378,476</u>	<u>357,092</u>
Change in Net Assets	62,831	154,571
Net Assets, beginning of year	<u>7,870,819</u>	<u>7,599,248</u>
Reinstatement of Note Receivable (Note 3)	<u>-</u>	<u>117,000</u>
Net assets, end of year	<u>\$ 7,933,650</u>	<u>7,870,819</u>

See accompanying notes to financial statements

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

	Year end December 31	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITES		
Change in net assets	\$ 62,831	154,571
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	58,427	58,236
Reserve for bad debts	15,200	
Notes receivable	(10,114)	(28,127)
Increase (decrease) in:		
Accrued liabilities and payables	<u>41,277</u>	<u>8,697</u>
Net cash (used) provided by operating activities	167,621	193,377
CASH FLOWS FROM INVESTING ACTIVITES		
Purchase of site improvements and equipment	<u>(23,523)</u>	<u>(77,567)</u>
Net cash used in investing activities	(23,523)	(77,567)
CASH FLOWS FROM FINANCING ACTIVITES		
Repayment of principal, notes receivable	125,919	173,463
Loans issued	<u>(426,601)</u>	<u>(233,578)</u>
Net cash from financing activities	<u>(300,682)</u>	<u>(60,115)</u>
Net increase in cash	(156,584)	55,695
Cash at beginning of year	<u>1,034,552</u>	<u>978,857</u>
Cash at end of year	<u>\$ 877,968</u>	<u>1,034,552</u>

See accompanying notes to financial statements

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.
Notes to Financial Statements
December 31, 2011

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. This program ended June 30, 2010. The Agency is required to administer the program to existing certified business.

Due to an end of the New York State civil facilities bond program, the Agency could no longer facilitate the bond financing arrangements for nonprofit entities in Essex County, New York. The Agency determined that this was a significant gap in services to stimulate economic development. In the 2010 fiscal year, The Agency created a related nonprofit corporate entity, The Essex County Capital Resources Corporation, whose purpose is to facilitate bond financing arrangements for non profit in Essex County, New York. These financial statements reflect a combination of the financial activity of the two entities.

Note 2: **SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Agency have been prepared on the accrual basis of accounting. The Agency follows the standards for external financial reporting by not-for-profit organizations which requires that resources be classified for accounting and reporting purposes into three net asset categories according to grant imposed restrictions.

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.

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.
Notes to Financial Statements
December 31, 2011

- **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.

Note 2: **SIGNIFICANT ACCOUNTING POLICIES 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.

During the 2011 fiscal year, it was determined that a note receivable which had been removed from the accounting records in fiscal year 2006 was actually a performing note receivable, although the debtor began payments to the Agency a year late. The note has been restored to the accounting records and payments are being properly recorded.

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.
Notes to Financial Statements
December 31, 2011

Note 4: PROPERTY, PLANT AND EQUIPMENT

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

Industrial Projects	<u>2011</u>	<u>2010</u>
Chesterfield Industrial Park	\$ 3,580,499	\$ 3,673,822
Essex Industrial Park Ticonderoga Land		
Ausable Forks Hydro Project:		
Land	733	733
Willsboro:		
Land	99,900	112,106
Railroad	-	619,920
Total	<u>3,681,132</u>	<u>4,406,581</u>
Less: Accumulated Depreciation	<u>-</u>	<u>619,920</u>
Total	3,681,132	3,786,661
 Moriah Project		
Land	97,000	97,000
Building	918,093	917,328
Site development	914,794	874,579
Willsboro Project-engineering	107,345	107,345
Operating Assets of the Agency		
Building	261,497	261,497
Furniture and Fixtures	29,845	29,845
Training Equipment	127,781	127,781
Office equipment	<u>27,375</u>	<u>27,375</u>
Total	2,483,730	2,442,750
Less: Accumulated Depreciation	<u>549,003</u>	<u>490,449</u>
Total	<u>\$ 1,934,727</u>	<u>\$ 1,952,301</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.

The agency transferred the railroad property during the 2011 fiscal year and no longer owns the railroad property as of as of December 31, 2011.

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.
Notes to Financial Statements
December 31, 2011

Note 6: 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 Economic Development Administration 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 7: 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.

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. This transfer has not been finalized yet.

Note 8: 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 9: 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 \$22,942 for the fiscal year ended December 31, 2011 and \$16,762 for the fiscal year ended December 31, 2010.

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.
Notes to Financial Statements
December 31, 2011

Note 10: GRANT INTEREST EXPENSE

Upon recent review of the Essex County Contract with the Essex County Industrial Development Agency, Inc. and the subrecipient grant contracts from the Community Development Block Grants and the Governors Office of Small Cities Grants, it has been determined that the Agency owes the County the accrued interest income earned on the grant funds held on account including funds repaid from loans with the original grant funds or loaned again within the same grant program. As of December 31, 2011, the two grant programs have been reviewed since inception and the interest income earned in the revolving loan accounts have been allocated among the specific grant funds. As a result, as of December 31, 2011, The Agency owes the County \$24,521 of these earned interest funds. This liability has been accrued in these financial statements and will be remitted to Essex County.

Note 11: CHAMPLAIN BRIDGE/HURRICANE IRENE GRANT

Two significant events have occurred in the region which have had an impact on the underlying economic environment of the region in recent years.

The first event was the condemnation of the Champlain Bridge at the narrows of the lake near Crown Point, New York in October 2009. With the cessation of traffic through this transportation artery, businesses within twenty-five miles of the bridge felt an immediate decline in economic activity. Through the Empire State Development Corporation, the Agency secured \$635,000 in funds to be made available as a Community Loan Fund to these suffering businesses to provide loans and lines of credit up to \$25,000. No interest is to be charged and no payments are due until six months after the newly constructed bridge is opened which occurred November 7, 2011.

Not all of these grant funds had been disbursed when the second event occurred which was the devastation wrought by Hurricane Irene on August 28, 2011. Flooding levels well in excess of the 100 year flood plain did extensive damage to roadways, commercial properties and residential properties. Again, businesses immediately felt the impact of this event with transportation arteries closed or in repair, structural damage inflicted on buildings and destruction of inventory available for sale.

The Agency appealed to the Empire State Development Corporation to allow the remaining funds available through the Champlain Bridge initiative to be loaned to businesses affected by Hurricane Irene. A new grant disbursement agreement was approved in which up to \$385,000 is available to be disbursed to assist businesses impacted by the closure of the Champlain Bridge and up to \$250,000 is available to be disbursed to assist businesses impacted by Hurricane Irene. The Agency also agreed to reduce its administrative charge for the servicing of this grant from 10% of the grant funds at \$63,500 to 4.5% of the grant funds at \$28,575.

Note 11: COMMITMENTS

As of December 31, 2011 and December 31, 2010 the Agency has made loan commitments to businesses with the objective of stimulating economic growth and development.

Note 12: SUBSEQUENT EVENTS

The Agency has evaluated events and transactions that occurred between December 31, 2011 and March 23, 2012 which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

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

	<u>2011</u>	<u>2010</u>
PROGRAM EXPENSE:		
HUD Program expenses	\$ 9,627	16,278
Industrial Park expenses	25,073	16,739
New York Cost Recovery Fee	-	6,174
Legal fees and notices	10,050	15,870
Marketing and advertising	626	3,417
Depreciation expense	58,554	58,236
Insurance	3,741	3,325
Grant interest expense	24,521	-
Telephone	2,629	6,710
Travel	4,810	6,029
Conferences and workshops	2,812	3,244
Dues and subscriptions	1,212	1,180
Bad debt expense	15,200	-
Miscellaneous	629	-
Total Program Expense	<u>159,484</u>	<u>137,202</u>
PERSONNEL EXPENSE		
Salaries	146,299	152,287
Payroll tax expense	8,825	12,923
Health Insurance	6,841	10,352
Retirement	22,942	16,762
Total Personnel Expense	<u>184,907</u>	<u>192,324</u>
ADMINISTRATIVE EXPENSE		
Office expense and supplies	5,112	3,866
Rent and occupancy	7,202	5,670
Postage and printing	1,452	1,845
Accounting	6,097	5,775
Equipment leases and maintenance	13,282	9,781
Miscellaneous	214	-
Board expenses	57	138
Business meetings	669	492
Total Administrative Expense	<u>\$ 34,085</u>	<u>27,567</u>

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

Schedule of Industrial Parks Revenues and Expenses

Year end December 31

	<u>2011</u>		<u>2010</u>				
	<u>Total</u>	<u>Moriah</u>	<u>Ticonderoga</u>	<u>Schroon Lake</u>	<u>Willsboro</u>	<u>Chesterfield</u>	<u>Total</u>
Rental Income	\$ 67,011	67,011					71,500
Expenses:							
Maintenance	15,392	15,392					6,293
Landscaping	4,120	4,120					4,200
Real estate taxes	688	450		27	211		454
Insurance	4,702	3,356			489	857	5,195
Utilities	61	-			61		61
Services and fees	100	-				100	100
Total Expenses	25,063	23,318		27	761	957	16,303
Net Rental Income (Loss) Before Depreciation	41,948	43,693		(27)	(761)	(957)	55,203
Depreciation expense	45,203	45,203					44,885
Net Rental Income (Loss)	\$ (3,255)	(1,510)		(27)	(761)	(957)	10,312