

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

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Essex County Industrial Development Agency, Inc., as of and for the year ended December 31, 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.

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 control 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 audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 misstatements of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Essex County Industrial Development Agency, Inc., as of December 31, 2020 and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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 to 6, 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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Essex County Industrial Development Agency, Inc.'s basic financial statements. The schedule of functional expenses, schedule of industrial parks revenue and expenses, the statement of revenues, expenditures, and changes in fund balance – budget (non-GAAP basis) and actual, revenue and expenses – IDA & CRC, and the schedule of leases are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021 on our consideration of the Essex County Industrial Development Agency'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 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 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 Essex County Industrial Development Agency, Inc.'s internal control over financial reporting and compliance.

Boulrice & Wood CPA's PC

Boulrice & Wood CPA's PC
March 23, 2021

Essex County Industrial Development Agency, Inc.
Management's Discussion and Analysis
December 31, 2020

The management of the Essex County Industrial Development Agency, Component Unit of Essex County (the Agency) offers readers of the Agency's financial statements this narrative discussion, overview, and analysis of the financial activities of the Agency for the fiscal year ending December 31, 2020. The Agency's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

The Essex County Industrial Development Agency's assets exceeded its liabilities by \$6,545,157 for the fiscal year ended December 31, 2020. This compares to the previous year when assets exceeded liabilities by \$6,917,549.

Total net assets comprise the following:

1. Capital assets are \$4,629,028, net of accumulated depreciation.
2. Net assets of \$484,815 are restricted by constraints from outside the Agency, such as grantor requirements, laws and regulations.
3. Unrestricted net assets of \$1,592,558 represent the portion available to continue the Agency's objectives to stimulate economic development in Essex County, New York.

Total liabilities of the Agency increased from \$67,749 to \$215,190 during the fiscal year.

Revenues for the year ended December 31, 2020, totaled \$381,940 of which \$231,360 was County support, \$6,000 was bond, application fees, and program fees, \$12,000 was rent income, \$25,517 was interest income, \$89,294 were specific purpose grants, and \$17,769 was miscellaneous income.

Overview of the Financial Statements:

The Agency's basic financial statements consist of four components; 1) the Management's Discussion and Analysis, 2) Basic financial statements, 3) Notes to the financial statements and 4) Supplemental information. Because the Agency is a special-purpose government agency engaged in business-type activities only, the financial statements are presented in accordance with paragraph 138 of GASB Statement 34. In addition to the financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Agency. In addition to the management's discussion and analysis, management has prepared the Statement of Net Assets, the Statement of Revenues, Expenses, and Change in Net Assets, and the Statement of Cash Flows, following the Management Discussion and Analysis.

Overview of the Agency:

The Agency's primary mission is to encourage economic growth and expansion through financial incentives, thus advancing job opportunities, health, general prosperity, and the economic welfare of the people of Essex County and the State of New York. The Agency's operations are funded entirely through County support, grants, fees, rents and interest income.

Notes to the Financial Statements:

The next section of the financial statements is the notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are on pages 9 through 20 of this report. After the notes, the supplemental information is provided to show details about the Agency's bonds and budget analysis.

Budgetary Highlights

The operating budget for the Agency was \$271,107 for the fiscal year ended December 31, 2020. Operating revenues were \$110,833 more than budget. Operating expenses were \$283,974 more than budget.

Financial Analysis

In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information required by the New York State Office of the State Comptroller.

The Agency's Net Assets

	2020	2019
Current Assets	\$ 1,106,739	\$ 1,407,192
Capital Assets, Net	4,629,028	4,521,208
Other Assets	1,203,874	1,053,961
Total Assets	<u>6,939,641</u>	<u>6,982,361</u>
Liabilities	233,240	102,819
Net Assets	<u>\$ 6,706,401</u>	<u>\$ 6,879,542</u>

Net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Agency exceeded liabilities by \$6,706,401 as of December 31, 2020. The Agency's net assets decreased by \$173,141 for the year ended December 31, 2020. The largest portion of net assets (69.02%) reflects the Agency's investment in capital assets.

The Agency collected \$12,000 annually for the rental of the Moriah Business Park with one tenant.

The Agency's Revenue and Expenses

	<u>2020</u>	<u>2019</u>
Operating Revenues		
County allocation	\$ 231,360	\$ 225,058
Grants	89,294	3,343
Bond and application fees	6,000	292,000
Program fees	-	100
Total Operating Revenues	<u>326,654</u>	<u>520,501</u>
Other Revenues		
Rental Income	12,000	13,400
Interest income	25,517	28,605
Other revenue	17,769	-
Total Other Revenue	<u>55,286</u>	<u>42,005</u>
Total Revenue	381,940	562,506
Operating Expenses		
Personnel Services	257,282	223,798
Program expenses	274,180	438,321
Administration	23,619	28,589
Total Operating Expenses	<u>555,081</u>	<u>690,708</u>
Net Income (Loss)	<u>\$ (173,141)</u>	<u>\$ (128,202)</u>

Capital Assets

The Essex County Industrial Development Agency's investment in capital assets, net of accumulated depreciation, as of December 31, 2020, was \$4,629,028. This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The increase in the Agency's investment in capital assets for the current year was due to the infrastructure extension project at the Moriah Business Park. The increase in the Agency's investment in capital assets for the current year of \$107,820 was due to the purchase of land.

	<u>2020</u>	<u>2019</u>
Nondepreciable:		
Land and Land Improvements	\$ 3,810,067	\$ 3,666,898
Depreciable:		
Buildings and Leasehold Improvements	1,049,241	1,049,241
Machinery and Equipment	187,683	183,637
Accumulated Depreciation	(417,963)	(378,568)
Total	<u>\$ 4,629,028</u>	<u>\$ 4,521,208</u>

Economic Factors and Next Year's Budget and Rates

The purpose of the Essex County Industrial Development Agency is to promote, develop, encourage and assist in economic development and job creation in Essex County, New York.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Essex County Industrial Agency's finances, comply with finance-related laws and regulations, and demonstrate the Agency's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Agency's administration at 7566 Court Street Elizabethtown, New York 12932.

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

**STATEMENT OF FINANCIAL POSITION
December 31, 2020**

EXHIBIT A

	<u>2020</u>
ASSETS	
Current assets	
Cash (Note 4)	\$ 920,316
Due from other government	54,294
Mortgage receivable - current portion	28,706
Notes receivable - current portion	103,423
Total current assets	<u>1,106,739</u>
Noncurrent assets	
Capital assets, net	
of accumulated depreciation (Note 7)	4,629,028
Mortgage receivable, net of current portion	402,418
Notes receivable, net allowance for bad debts, \$13,8540 in 2020 and current portion	649,009
Total noncurrent assets	<u>5,680,455</u>
Total assets	<u>6,787,194</u>
DEFERRED OUTFLOW OF RESOURCES	
Pension (Note 11)	152,447
Total deferred outflow of resources	<u>152,447</u>
Total assets and deferred outflow of resources	<u>\$ 6,939,641</u>
LIABILITIES	
Current liabilities:	
Accrued grant interest payable	\$ 203
Due to Essex County	6,700
Total current liabilities	<u>6,903</u>
Noncurrent liabilities:	
Net pension liability- proportionate share	208,287
Total noncurrent liabilities	<u>208,287</u>
Total liabilities	<u>215,190</u>
DEFERRED INFLOW OF RESOURCES	
Pension (Note 11)	18,050
Total liabilities and deferred inflow of resources	233,240
NET POSITION	
Net Investment in capital assets	4,629,028
Restricted net assets	484,815
Unrestricted net assets	1,592,558
Total net position	<u>6,706,401</u>
Total liabilities, deferred inflow and net position	<u>\$ 6,939,641</u>

See Independent Auditor's Report and Notes to the Financial Statements

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

EXHIBIT B

	<u>2020</u>
REVENUES, GAINS, AND OTHER SUPPORT	
County Allocation	\$ 231,360
Grant Income	89,294
Program fees	-
Industrial Park rents	12,000
Revenue bond fees	5,000
Application and administrative fees	1,000
Interest income	25,517
Real estate sales	8,363
Miscellaneous revenue	<u>9,406</u>
Total Revenue, Gains, and Other Support	<u>381,940</u>
EXPENSES	
Program expense (Schedule 1)	274,180
Personnel expense (Schedule 1)	257,282
Administrative expense (Schedule 1)	<u>23,619</u>
Total Expenses	<u>555,081</u>
Change in Net Assets	(173,141)
Net Assets at Beginning of Year	<u>6,879,542</u>
Net Assets at End of Year	<u>\$ 6,706,401</u>

See Independent Auditor's Report and Notes to the Financial Statements

Essex County Industrial Development Agency, Inc.
Notes to Financial Statements
December 31, 2020

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 tenants 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-profits 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. 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:

Net Assets Without Restrictions are resources available to support operations and may consist of both undesignated funds and Board designated funds.

The Board of Directors evaluates and considers all donor recommendations. However, the ultimate decision of the distribution of these funds rests solely with the Board of Directors as required by New York State Law and the Center's governing instruments (variance power). Accordingly, the financial statements classify all net assets (except assets subject to grant- imposed or endowment funds as Board-designated).

Essex County Industrial Development Agency, Inc.
Notes to Financial Statements
December 31, 2020

Note 2: Significant Accounting Policies (continued)

Net Assets with Restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period.

Some donor-imposed restrictions are temporary in nature and the restrictions will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

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 have 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.

Income taxes

The Agency is generally exempt from income taxes on related income pursuant to Section 501(a) of the code. Management has determined that the Agency does not have any uncertain tax positions that materially impact the financial statements or related disclosures.

As of December 31, 2020, the tax years for 2017, 2018, and 2019 were subject to examination by the tax authorities.

Essex County Industrial Development Agency, Inc.
Notes to Financial Statements
December 31, 2020

Note 3: Industrial Revenue Bond and Note Transactions

Industrial development revenue bonds and notes issued by the Agency are secured by property which is leased to or owned by companies and is retired by lease or principal payments. The bonds and notes are not obligations of the Agency or the State of New York. The Agency does not record the assets or liabilities resulting from completed bond or note issues in its accounts since its primary function is to arrange the financing between the borrowing companies and the bond and note holders, and funds arising therefrom are controlled by trustees or banks acting as fiscal agents.

Note 4: Cash and Investments

The Agency's investment policies are governed by State statutes. Agency monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of New York State or its localities. At December 31, 2020 the Agency had no investments.

Collateral is required for demand and time deposits and certificates of deposit not covered by the Federal Deposit Insurance Corporation. Obligations that may be pledged as collateral include obligations guaranteed by the government of the United States or by the State of New York and obligations issued by a municipal corporation or school district of such State.

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. While the Agency does not have a specific policy for custodial credit risk, New York State statutes govern the Agency's investment policies, as described above. At December 31, 2020, the Agency's cash and cash equivalent balances were \$920,316. All deposits are covered by FDIC insurance and collateral held in the Agency's name.

Note 5: Notes Receivable

Notes receivable 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 noncurrent assets.

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

Most notes receivable were granted several months of deferral of payments during the COVID-19 crisis in 2020. Payments are scheduled to resume in January 2021.

Note 6: Mortgage Receivable

In 2018, the Agency sold property consisting of a building and 3.47 acres in the Moriah Business Park for \$530,000. Monthly payments of \$3,088.84 began in January 2019. With board approval, payments were deferred for several months in 2020 due to COVID-19. The balance remaining on the mortgage receivable at December 31, 2020 was \$431,126.

Essex County Industrial Development Agency, Inc.
Notes to Financial Statements
December 31, 2020

Note 7: Property, Plant and Equipment

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

Industrial Projects	2020
Ausable Forks Hydro Project:	
Land	\$ 733
Chesterfield	
Land	3,567,999
Total	<u>3,568,732</u>
Less Accumulated Depreciation	-
Total	<u>3,568,732</u>
Moriah Project	
Land	169,460
Land Improvements	71,875
Building	466,511
Site development	321,233
Operating assets of the agency	
Building	261,497
Furniture and fixtures	28,481
Training equipment	127,781
Office equipment	31,421
Total	<u>1,478,259</u>
Less Accumulated Depreciation	<u>(417,963)</u>
Total	<u>1,060,296</u>
Property, Plant and Equipment	
Net of accumulated depreciation	<u>\$ 4,629,028</u>

Note 8: Moriah Business Park

The Moriah Business Park is a 32 acre park featuring pre-permitted (Adirondack Park Agency and Town of Moriah), Shovel-Ready sites. This park features municipal water and sewer on-site as well as high-speed internet access, fiber optics and 3-phase power.

The Agency purchased an additional 36 acres adjacent to the Moriah Business Park in February 2020.

Note 9: Chesterfield Business Park Project

The Chesterfield Park is a 100 acre park featuring lots pre-permitted (Adirondack Park Agency and Town of Chesterfield) and Shovel-Ready for multi-use buildings up to 40,000 square feet. The Chesterfield Park has municipal water and sewer on site as well as high speed internet access, fiber optics and 3-phase power.

Essex County Industrial Development Agency, Inc.
Notes to Financial Statements
December 31, 2020

Note 10: Community Development Block Grant Policy Change

Recently there was a review of the administration of the Community Development Block Grant (CDBG) program. According to the New York State Office of Homes and Community Renewal, the rules concerning the accumulation, reuse and reporting of program income were not being followed. As a result of these findings, the Housing Trust Fund Corporation, a New York State agency, is requiring that all agencies return any uncommitted program income to the Albany, New York agency. Program income includes principal and interest on loans funded by CDBG grant funds.

As of March 31, 2019, any revolving loan fund payments received whose funding originated from CDBG funds must be remitted to the Albany office monthly. Six of the loans in the Agency's portfolio have CDBG source funds.

Going forward, the Office of Homes and Community Renewal in Albany will be reviewing and approving each project of all the New York State participating agencies. No CDBG funds will be awarded if the Agency has accumulated funds sufficient to fund the proposed new activity.

Note 11. Pension Plan

Employees' Retirement System (ERS)

Plan Description

The Agency participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of State statute. The Agency also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Benefits Provided

The System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be a least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring

Essex County Industrial Development Agency, Inc.
Notes to Financial Statements
December 31, 2020

Note 11. Pension Plan (continued)

under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4 and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members.

Essex County Industrial Development Agency, Inc.
Notes to Financial Statements
December 31, 2020

Note 11. Pension Plans (continued)

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 year of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received.

The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set for by law. The first \$50,000 of ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the members' annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half of the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but

Essex County Industrial Development Agency, Inc.
Notes to Financial Statements
December 31, 2020

Note 11. Pension Plans (continued)

cannot be less than 1 percent of exceed 3 percent.

Contributions

The System is noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3.0 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employer's contributions base on salaries paid during the Systems' fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

Contributions:

	ERS
2020	\$ 28,136
2019	\$ 27,360
2018	\$ 26,754

ERS has provided additional disclosures for entities that elected to participate in Chapter 260, 57, and 105.

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020 the Agency reported the following liability for its proportionate share of the net pension liability for the System. The net pension liability was measured as of March 31, 2020 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS Systems in reports provided to the Agency.

	ERS
Actuarial Valuation Date	3/31/2020
Net Pension liability	\$ 208,287
Agency's portion of the Plan's total net pension liability	0.0007866%

For the year ended December 31, 2020, the Agency's recognized pension expense of \$64,119 for ERS. At December 31, 2020 the Agency's reported deferred outflows of resources related to pension from the following sources:

Essex County Industrial Development Agency, Inc.
Notes to Financial Statements
December 31, 2020

Note 11. Pension Plans (continued)

	<u>Deferred Outflows of resources</u> <u>ERS</u>	<u>Deferred Inflows of resources</u> <u>ERS</u>
Differences between expected and actual experience	\$ 12,259	\$ -
Changes of assumptions	4,194	3,621
Net difference between projected and actual earnings on pension plan investments	106,778	-
Changes in proportion and differences between the Town's contributions and proportionate share of contributions	1,080	14,429
Agency's contributions subsequent to the measurement date	28,136	-
Total	<u>\$ 152,447</u>	<u>\$ 18,050</u>

The Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow:

	<u>ERS</u>
Year ended:	
2021	\$ 14,466
2022	26,182
2023	35,709
2024	29,904
Total	<u>\$ 106,261</u>

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward to total pension liability to the measurement date. The actuarial valuation used the following actuarial assumptions:

Essex County Industrial Development Agency, Inc.
Notes to Financial Statements
December 31, 2020

Note 11. Pension Plans (continued)

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>
Measurement date	3/31/2020
Actuarial valuation date	4/1/2019
Interest rate	6.8%
Salary scale	4.2%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018.

The Actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term expected rate of return on pension plan investments was determined using a build block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the longer term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarize below:

	<u>Long-Term Expected Real Rate of Return</u>
Measurement Date	3/31/2020
Asset Type:	%
Domestic equity	4.05
International equity	6.15
Private equity	6.75
Real estate	4.95
Absolute return strategies	3.25
Mortgages and bonds	0.75
Opportunistic portfolio	4.65
Real assets	5.95
Inflation-indexed bonds	0.50

Essex County Industrial Development Agency, Inc.
Notes to Financial Statements
December 31, 2020

Note 11. Pension Plans (continued)

Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share for the Net Pension Liability to the Discount Rate Assumption

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 6.8% for ERS, as well as what the Agency's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1% lower (5.8% for ERS) or 1% higher (7.8% for ERS) than the current rate:

ERS	1% Decrease	Current Assumption	1% Increase
	5.8%	6.8%	7.8%
Employer's proportionate share of the net pension asset (liability)	\$ 382,265	\$ 208,287	\$ 48,052

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective valuation dates, were as follows:

	<u>ERS</u>
Valuation date	3/31/2020
Employers' total pension liability	\$ (194,596,261)
Plan Net Position	168,115,682
Employers' net pension liability	<u>\$ (26,480,579)</u>
Ratio of plan net position to the Employers' total pension liability	-86.39%

Essex County Industrial Development Agency, Inc.
Notes to Financial Statements
December 31, 2020

Note 11. Pension Plans (continued)

Payables to the Pension Plan

Employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of December 31, 2020 represent the projected employer contribution for the period of April 1, 2020 through December 31, 2020 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Accrued retirement contributions as of December 31, 2020 amounted to \$0, as the contributions were paid early in December 2020.

Although the employees of the Agency participate in the New York State and Local Employees' Retirement System and do accrue retirement benefits for post-employment, the Agency does not participate in the New York State Employees' Health Insurance program. The Agency has a policy to provide health insurance to its employees while they are employed at the Agency. The Agency contracts on its own for this employee benefit. There is no policy at this time to provide health insurance coverage to any employee in retirement.

Note 12: Operating Leases

The Agency has one equipment operating lease for a copier. The annual lease payments are \$1,972 in fiscal year 2020. The future lease payments under the current year are:

2021 \$2,106

Note 13: Subsequent Events

The Agency has evaluated events and transactions that occurred between December 31, 2020 and March 23, 2021 which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
December 31, 2020

Schedule I

	<u>2020</u>
Program Expenses	
Bad debt expense	\$ 6,782
Depreciation expense	31,251
Dues and subscriptions	811
Grant Expenditures	89,294
Industrial Park expenses	21,127
Insurance	10,615
Legal fees and notices	8,099
Marketing expense	834
Miscellaneous	1,783
Program expenses	99,716
Telephone	2,983
Travel	885
Total Program Expense	<u>274,180</u>
Personnel Expense	
Salaries	179,735
Payroll tax expense	13,528
Retirement	64,019
Total Personnel Expense	<u>257,282</u>
Administrative Expense	
Accounting	7,578
Bank service charges	333
Depreciation expense	8,030
Equipment leases and maintenance	2,496
Office expense and supplies	4,606
Postage and printing	576
Total Administrative Expense	<u>23,619</u>
	<u>\$ 555,081</u>

See independent auditor's report

**ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.
 SCHEDULE OF INDUSTRIAL PARKS REVENUE AND EXPENSES
 December 31, 2020**

Schedule 2

	<u>2020</u>			
	<u>Total</u>	<u>Moriah</u>	<u>Schroon Lake/ Jay</u>	<u>Chesterfield</u>
Rental Income	\$ 12,000	12,000	-	-
Expenses:				
Maintenance	27,718	27,718	-	-
Landscaping	975	975	-	-
Real estate taxes	89	73	16	-
Insurance	3,521	2,401	506	614
Utilities	955	955	-	-
Services and fees	110	-	-	110
Total Expenses	<u>33,368</u>	<u>32,122</u>	<u>522</u>	<u>724</u>
Net Rental Income (Loss)				
Before Depreciation	5,619	6,814	(491)	(704)
Depreciation expense	<u>31,063</u>	<u>31,063</u>	<u>-</u>	<u>-</u>
Net Rental Loss	(25,444)	(24,249)	(491)	(704)

See independent auditor's report

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended December 31, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
County support	\$ 216,360	\$ 231,360	\$ 15,000
Program fees	2,000	-	(2,000)
Other revenue	51,147	125,063	73,916
Interest income	1,600	25,517	23,917
	<u>271,107</u>	<u>381,940</u>	<u>110,833</u>
Expenditures:			
Personnel services	223,032	257,282	(34,250)
Legal fees and notices	8,100	8,099	1
Occupancy expenses	5,500	21,127	(15,627)
Audit and accounting fees	6,500	7,578	(1,078)
Bad debt expense	-	6,782	(6,782)
Marketing expense	5,000	834	4,166
Depreciation expense	-	39,281	(39,281)
Travel	2,500	885	1,615
Office expense	5,050	4,606	444
Insurance	3,500	10,615	(7,115)
Equipment rental and maintenance	3,500	2,496	1,004
Meetings and seminars	2,575	-	2,575
Miscellaneous expense	-	1,783	(1,783)
Telephone	2,400	2,983	(583)
Dues and subscriptions	2,000	811	1,189
Bank charges	150	333	(183)
Printing and postage	1,300	576	724
Program expense	-	109,716	(109,716)
Grant expenditures	-	79,294	(79,294)
Total expenditures	<u>271,107</u>	<u>555,081</u>	<u>(283,974)</u>
Excess (deficit) of revenues and other sources over expenditures and other uses		\$ (173,141)	\$ (173,141)

See independent auditor's report

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

Schedule 4

**REVENUES AND EXPENSES - IDA AND CRC
Year Ended December 31, 2020**

	IDA	CRC	Total
REVENUES, GAINS, AND OTHER SUPPORT			
County Allocation	\$ 231,360	\$ -	\$ 231,360
Grant Income	89,294	-	89,294
Industrial Park rents	12,000	-	12,000
Revenue Bond fees	5,000	-	5,000
Application and administrative fees	1,000	-	1,000
Interest income	25,518	-	25,518
Real Estate Sales (Loss)	8,362	-	8,362
Miscellaneous income	9,406	-	9,406
Total Revenue, Gains, and Other Support	381,940	-	381,940
EXPENSES			
Program expense (Schedule 1)	274,180	-	274,180
Personnel expense (Schedule 1)	257,282	-	257,282
Administrative expense (Schedule 1)	23,619	-	23,619
Total Expenses	555,081	-	555,081
Expenditures in Excess of Support	\$ (173,141)	-	\$ (173,141)

See independent auditor's report

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

Schedule 5

SCHEDULE OF LEASES
YEAR ENDED DECEMBER 31, 2020

Name of Project	Project Owner And Address	Year of Origination	Purpose	Total Project Amount	Tax Exemptions	Estimated Jobs
CVSC, LLC	CVSC, LLC 10 Gilliland Lane Willsboro, NY 12996	2012	Senior Assisted Living Community	\$ 7,300,000	PILOT agreement	58 Full-time 4 Part-time
High Peaks Distributing LLC and 1016 Saranac Lake Properties LLC	High Peaks Distributing LLC 20 Burrstone Road New York Mills, NY 13417	2014	Beer Distributing Business	\$ 975,000	PILOT agreement	37 Full-time
Paradox Brewery	Paradox Brewery 154 Route 9 Schroon Lake, NY 12870	2018	Craft Brewery with canning operation	\$ 5,600,000	Sales tax exemption PILOT agreement	11 Full-time 3 Part-time
Saranac Lake Resort Owner, LLC	Saranac Lake Resort 250 Lake Flower Avenue Saranac Lake, NY 12983	2019	93 Room Hotel with amenities	\$ 20,000,000	Sales tax exemption	52 Full-time 3 Part-time
Northwoods Inn	2520 Main Street Lake Placid, NY 12946	2019	92 Room Hotel with amenities	\$ 17,000,000	Slaes tax exemption	23 Full-time 47 Part-time 17 Seasonal
Pre-Tech Plastics	Pre-Tech Plastics PO Box 1086 211 Blair Park Williston, VT 05495	2019	Manufacturing Facility	\$ 530,000	PILOT agreement	22 Full-time
Trailhead Resort	Trailhead Resort 5410 New York Rt 28N Newcomb, NY 12852	2020	Restaurant	\$ 2,000,000	PILOT agreement	3 Full-time 6 Part-time
Champlain Valley Milling	Champlain Valley Milling 19 Myers Way Willsboro, NY 12996	2020	Manufacturing Facility	\$ 4,245,000	PILOT agreement	7 Full-time

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BOULRICE & WOOD CPAS, P.C.

Certified Public Accountants

MICHAEL L. BOULRICE, CPA

STEPHEN P. WOOD, CPA

INDEPENDENT AUDITOR'S 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

To the Board of Directors
Essex County Industrial Development Agency, Inc.
Elizabethtown, 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 governmental activities of the Essex County Industrial Development Agency, Inc. as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Essex County Industrial Development Agency, Inc.'s basic financial statements, and have issued our report thereon dated March 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Essex County Industrial Development Agency, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Essex County Industrial Development Agency, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Essex County Industrial Development Agency, Inc.'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Essex County Industrial Development Agency, Inc.'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 determination of financial statement amounts. 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 or other matters 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.

Boulrice & Wood CPAs P.C.

Plattsburgh, New York
March 23, 2021