

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

Financial Statements

December 31, 2010

BARBARA S. DWYER

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5694 Cascade Road

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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, 2010 and December 31, 2009, 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, 2010 and December 31, 2009, 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 February 15, 2011 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
February 15, 2011

BARBARA S. DWYER

Certified Public Accountant

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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, 2010, and have issued my report thereon dated February 15, 2011. 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
February 15, 2011

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

	Year end December 31	
	2010	2009
ASSETS		
Current Assets		
Cash	\$ 1,034,552	978,857
Current portion of notes receivable	225,711	184,859
Total Current Assets	1,260,263	1,163,716
Property, Plant and Equipment, net of accumulated depreciation		
	5,640,889	5,621,558
Other Assets		
Notes receivable, net of reserve for bad debts, \$84,800 in 2010 and \$84,800 in 2009	978,364	813,974
Total Other Assets	978,364	813,974
Total Assets	\$ 7,879,516	7,599,248
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 6,174	-
Accrued payroll taxes	2,523	-
Total Current Liabilities	8,697	-
Total Liabilities	8,697	-
Net Assets		
Unrestricted	1,608,796	1,339,979
Investment in capital assets	5,640,889	5,621,558
Temporarily restricted	621,134	637,711
Total Net Assets	7,870,819	7,599,248
LIABILITIES AND NET ASSETS	\$ 7,879,516	7,599,248

See accompanying notes to financial statements

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
Statement of Activities

	Year end December 31	
	<u>2010</u>	<u>2009</u>
SUPPORT:		
County Allocation	\$ 270,000	290,000
Empire State Development Program Fee	-	23,729
HUD Program Fees	1,441	25,417
Industrial Park rents	71,500	71,500
Revenue Bond fees	3,000	-
Application and administrative fees	750	1,170
Other Grants	127,000	36,893
Interest income	37,972	38,560
Miscellaneous income	<u>-</u>	<u>6,375</u>
TOTAL SUPPORT	511,663	493,644
EXPENDITURES:		
Program expense	137,202	172,942
Personnel expense	192,324	208,655
Administration expense	<u>27,566</u>	<u>30,768</u>
TOTAL EXPENDITURES	<u>357,092</u>	<u>410,565</u>
Change in Net Assets	154,571	83,079
Net Assets, beginning of year	<u>7,599,248</u>	<u>7,516,169</u>
Reinstatement of Note Receivable (Note 3)	<u>117,000</u>	<u>-</u>
Net assets, end of year	<u>\$ 7,870,819</u>	<u>7,599,248</u>

See accompanying notes to financial statements

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

	Year end December 31	
	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITES		
Change in net assets	\$ 154,571	83,079
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	58,236	58,236
Reserve for bad debts		19,800
Notes receivable	(28,127)	(11,429)
Increase (decrease) in:		
Accrued liabilities and payables	<u>8,697</u>	<u>-</u>
Net cash (used) provided by operating activities	193,377	149,686
CASH FLOWS FROM INVESTING ACTIVITES		
Purchase of site improvements and equipment	<u>(77,567)</u>	<u>(15,534)</u>
Net cash used in investing activities	(77,567)	(15,534)
CASH FLOWS FROM FINANCING ACTIVITES		
Repayment of principal, notes receivable	173,463	178,157
Loans issued	<u>(233,578)</u>	<u>(165,830)</u>
Net cash from financing activities	<u>(60,115)</u>	<u>12,327</u>
Net increase in cash	55,695	146,479
Cash at beginning of year	<u>978,857</u>	<u>832,378</u>
Cash at end of year	<u>\$ 1,034,552</u>	<u>978,857</u>

See accompanying notes to financial statements

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.

Notes to Financial Statements

December 31, 2010

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, 2010

- **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 2010 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, 2010

Note 4: PROPERTY, PLANT AND EQUIPMENT

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

Industrial Projects	<u>2010</u>	<u>2009</u>
Chesterfield Industrial Park	\$ 3,673,822	3,596,253
Essex Industrial Park Ticonderoga Land		
Ausable Forks Hydro Project:		
Land	733	733
Willsboro:		
Land	112,106	112,106
Railroad	<u>619,920</u>	<u>619,920</u>
Total	4,406,581	4,329,012
Less: Accumulated Depreciation	<u>619,920</u>	<u>619,920</u>
Total	3,786,661	3,709,092
 Moriah Project		
Land	97,000	97,000
Building	917,328	917,328
Site development	879,060	879,060
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>32,166</u>	<u>32,166</u>
Total	2,344,677	2,344,677
Less: Accumulated Depreciation	<u>490,449</u>	<u>432,213</u>
Total	<u>\$ 1,854,228</u>	<u>1,912,464</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, 2010.

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.
Notes to Financial Statements
December 31, 2010

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>2010</u>	<u>2009</u>
Moriah Business Park Infrastructure:		
US Department of Commerce (EDA)	\$ -	\$ 36,893
National Grid	-	-
New York State Empire Development Corp.	-	-
Total Grants Income	\$ -	\$ 36,893

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 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 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.

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.

ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY, INC.
Notes to Financial Statements
December 31, 2010

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 \$16,762 for the fiscal year ended December 31, 2010 and \$11,060 for the fiscal year ended December 31, 2009.

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, 2010 and December 31, 2009 the Agency has made loan commitments to businesses with the objective of stimulating economic growth and development.

Note 13: SUBSEQUENT EVENTS

The Agency has evaluated events and transactions that occurred between December 31, 2010 and February 15, 2011, 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>2010</u>	<u>2009</u>
PROGRAM EXPENSE:		
HUD Program expenses	\$ 16,278	\$ 10,048
Industrial Park expenses	16,739	31,116
New York Cost Recovery Fee	6,174	-
Legal fees and notices	15,870	11,788
Marketing and advertising	3,417	3,278
Depreciation expense	58,236	58,236
Insurance	3,325	3,535
Telephone	6,710	6,788
Travel	6,029	6,316
Conferences and workshops	3,244	4,257
Dues and subscriptions	1,180	1,195
Fiber optic grant	-	6,375
Bad debt expense	-	29,683
Miscellaneous	-	327
Total Program Expense	<u>137,202</u>	<u>172,942</u>
PERSONNEL EXPENSE		
Salaries	152,287	167,921
Payroll tax expense	12,923	13,798
Health Insurance	10,352	14,076
Retirement	16,762	11,060
Total Personnel Expense	<u>192,324</u>	<u>206,855</u>
ADMINISTRATIVE EXPENSE		
Office expense and supplies	3,866	4,680
Rent and occupancy	5,670	7,960
Postage and printing	1,845	1,798
Accounting	5,775	5,980
Equipment leases and maintenance	9,781	9,092
Miscellaneous	-	266
Board expenses	138	211
Business meetings	492	781
Total Administrative Expense	<u>\$ 27,567</u>	<u>\$ 30,768</u>

Schedule 2

ESSEX COUNTY INDUSTRIAL DEVELOPEMENT AGENCY, INC.
 Schedule of Industrial Parks Revenues and Expenses
 Year end December 31

	<u>2010</u>					<u>2009</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	\$ 71,500	71,500	-	-	-	-	-	-	-	71,500
Expenses:										
Maintenance	6,293	5,247	510	300	236	-	-	-	-	15,917
Landscaping	4,200	3,441	526	-	233	-	-	-	-	8,270
Real estate taxes	454	454	-	-	-	-	-	-	-	702
Insurance	5,195	3,705	-	-	561	929	-	-	-	6,071
Utilities	61	-	-	-	61	-	-	-	-	(241)
Services and fees	100	-	-	-	-	100	-	-	-	397
Total Expenses	16,303	12,847	1,036	300	1,091	1,029	1,029	1,029	1,029	31,116
Net Rental Income (Loss) Before Depreciation	55,203	58,659	(1,036)	(300)	(1,091)	(1,029)	(1,029)	(1,029)	(1,029)	40,384
Depreciation expense	44,885	43,935	-	-	-	950	-	-	-	44,885
Net Rental Income (Loss)	\$ 10,312	14,718	(1,036)	(300)	(1,091)	(1,979)	(1,979)	(1,979)	(1,979)	(4,501)