

**FRANKLIN COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
A COMPONENT UNIT OF FRANKLIN COUNTY, NEW YORK**

BASIC FINANCIAL STATEMENTS

December 31, 2011 & 2010

**Douglas S. Wood, C.P.A., P.C.
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Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York

We have audited the accompanying statement of net assets of the Franklin County Industrial Development Agency, a component unit of Franklin County, New York as of December 31, 2011 and 2010, and the related statements of revenue, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Franklin County Industrial Development Agency, a component unit of Franklin County, New York's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. Those standards require that we 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin County Industrial Development Agency, a component unit of Franklin County, New York as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2012 on our consideration of the Franklin County Industrial Development Agency, a component unit of Franklin County, New York's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreement, 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 the internal control over financial reporting or on compliance. 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 our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Agency's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 2011 supplementary information. However, we did not audit the information and do not express an opinion on it.

A handwritten signature in cursive script that reads "D. S. Wood CPA, P.C.".

Douglas S. Wood, C.P.A.,

March 25, 2012

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Management's Discussion and Analysis (MD&A)
December 31, 2011

Introduction

Our discussion and analysis of the Franklin County Industrial Development Agency's financial performance provides an overview of the Agency's financial activities for the year ended December 31, 2011. It should be read in conjunction with the basic financial statements to enhance understanding of the Agency's financial performance, which immediately follows this section.

Financial Highlights

The County of Franklin IDA in 2011 continued to focus on major projects, particularly the St. Lawrence Gas natural gas pipeline from St. Lawrence into Franklin County, and the Adirondack Club and Resort project in Tupper Lake. The straight lease transaction with a payments-in-lieu-of-taxes (PILOT) agreement with St. Lawrence Gas closed in February, and was the only significant income earned during the year. Grant income was received from the Franklin County Civic Development Corporation.

Throughout the remainder of 2011, the IDA has invested considerable time in projects that did not generate income, including numerous follow-up meetings and facilitating grant funding for the St. Lawrence Gas pipeline project. A number of other time-intensive projects did not develop, including a potential warehouse pick and pack operation at Cleyn & Tinker, and a potential manufacturer of sensors to detect contaminants in water.

The IDA has also been instrumental in the startup of Franklin County Fine Furniture at the Valco building in the Malone Industrial Park. Although generating no current revenue, the IDA is positioned to enter a PILOT negotiation if Franklin County Fine Furniture purchases their leased premises and expands its operations.

The most striking example of a potential project generating no current revenue is the Adirondack Club and Resort, which since 2004 has required various meetings with officials, interviews with reporters, community forums and responding to FOIL requests. This project was finally granted a conditional permit by the Adirondack Park Agency (APA) in January 2012, and may be a future source of revenue for the IDA. Discussions include issuance of bonds and also a PILOT, but this may still be a lengthy process that cannot be expected to produce immediate income.

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Management's Discussion and Analysis (MD&A) (Cont'd)
December 31, 2011

A reduction in staff in 2011 from four to two was a result of the Tourism Director and IDA's Administrative Assistant both retiring after 30 years of service. The IDA is faced with how it will carry out its economic development and tourism priorities with a current staff of two.

The IDA continues to operate Franklin County Tourism, but funding reduced from \$349,076 in 2011 to \$176,765 for 2012. This limited budget required that the Tourism Director position not be filled, and some program and marketing activities scaled back.

Franklin County Industrial Development Agency
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December 31, 2011

Summary Information

In 1969, New York State adopted the Industrial Development Agency Act. The Act defines Industrial Development Agencies (IDAs) and sets forth their organization and powers. IDAs are independent public benefit corporations. They are created to promote, develop, encourage and assist industrial, manufacturing, warehousing, commercial, research and recreation facilities to advance job opportunities, health, and economic welfare of the people of the State of New York. Each IDA is a non-profit government at the request of one or more municipalities.

IDAs carry out their mandate by creating projects that offer financial incentives to attract, retain and expand businesses within their jurisdiction. To achieve these goals, an IDA can buy, sell and lease property and issue debt. Businesses wishing to obtain financial assistance typically apply to an IDA. The assistance granted to these businesses generally includes the issuance of a low interest Industrial Development Revenue Bond, and exemptions from real property tax, mortgage recording tax, and sales and use tax. The bonds issued are not obligations of the municipality or the State. As part of the transaction, the IDA generally takes title to the project's real property. In doing so, the IDA is not required to pay taxes or assessments on any property it acquires or that is under its jurisdiction, control, or supervision. Usually, this benefit is, in effect, passed through to the assisted business. A portion of the local real property tax exemption is usually recaptured in the form of payments in lieu of taxes (PILOTS). The assisted business typically agrees to make PILOTS, which generally are significantly less than the real property taxes which are abated. In many cases, the financing of an IDA-sponsored project takes the form of a lease-purchase agreement with the business. The IDA sells its bonds and uses the proceeds to acquire or construct the project for the business. Upon completion, the project is leased to the business for a term equal to the term of the IDAs bond issue. The annual payments from the business are then set at an amount sufficient to pay the annual principal and interest on the IDA bonds. Since IDAs are considered governmental agencies, property acquired by them or under their control has tax-exempt status. The business usually has the option to purchase the project for a nominal fee at the end of the financing term.

IDAs may also provide financial assistance through "straight-lease" transactions. Under such arrangements, the IDA generally would take title to property of a project occupant, thereby entitling the property to tax exemptions, with no additional financial assistance provided through the proceeds of the IDA bonds.

The Board of an IDA, consisting of between three and seven members, is generally appointed by the governing body of its sponsoring municipality. IDA decisions affect the school districts and other local governments in the area in which the IDA operates. The IDA tax exemption policies are often a concern of these taxing jurisdictions, particularly school districts. The major taxing jurisdictions which are affected by IDA decisions may not be

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Management's Discussion and Analysis (MD&A) (Cont'd)
December 31, 2011

represented in the IDA membership and, therefore, may have a little input into IDA decisions which affect their tax bases and revenue streams. Accordingly, provisions of the General Municipal Law require each IDA to establish a uniform tax exemption policy with input from affected tax jurisdictions and to provide guidelines for claiming real property tax, mortgage recording tax, and sales tax exemptions. The IDA must also establish a procedure for deviation from its uniform tax exemption policy and provide written notification of the reasons for the deviation to affected taxing jurisdictions.

In 1993, legislation was passed altering the powers of IDAs. The main focus of the legislation addressed the issue of making IDAs more accountable by requiring them to:

Submit written payment in lieu of tax agreements, including payment allocation, to taxing jurisdictions;

File real property tax exemptions with county chief executive officers and school districts;

Submit data on outstanding projects annually to the New York State Comptroller's Office;

Hold a public hearing for all projects in excess of \$100,000; and

Adhere to the same conflict of interest code of ethics as municipalities.

Financial Statements

The Franklin County Industrial Development Agency is a public benefit corporation functioning under legislation passed by the State of New York; its volunteer Board members are appointed by the Franklin County Board of Supervisors. The Franklin County Industrial Development Agency functions much like a municipality with competitive bidding laws, prevailing wage rates and financial safeguards required.

Financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles put forth by the Governmental Accounting Standards Board (GASB). Revenues are recognized when earned, not received. Expenses are recognized when incurred, not when they are paid.

Franklin County Industrial Development Agency
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Management's Discussion and Analysis (MD&A) (Cont'd)
December 31, 2011

NET ASSETS consist of the following:

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets	\$ 911,886	\$ 927,662
Capital assets		
Land	170,027	170,027
Other capital assets net of depreciation	<u>1,385,729</u>	<u>1,433,387</u>
TOTAL ASSETS	<u>\$ 2,467,642</u>	<u>\$ 2,531,076</u>
LIABILITIES		
Current	\$ 56,976	\$ 32,272
Long-term	<u>613,483</u>	<u>582,882</u>
TOTAL LIABILITIES	<u>670,459</u>	<u>615,154</u>
NET ASSETS		
Investment in capital assets, net of related debt	942,272	1,020,532
Unrestricted	<u>854,911</u>	<u>895,390</u>
TOTAL NET ASSETS	<u>1,797,183</u>	<u>1,915,922</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,467,642</u>	<u>\$ 2,531,076</u>

The agency's net assets consist of two components. Unrestricted net assets represents 50% of net assets which represents moneys available for ongoing business capital assets, land, buildings and equipment represent 50% of net assets and are not considered liquid.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Management's Discussion and Analysis (MD&A) (Cont'd)
December 31, 2011

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 244,730	\$ 120,523
Operating grants	450,898	795,441
Interest	<u>965</u>	<u>1,784</u>
Total Revenues	696,593	917,748
Operating Expenses	<u>(815,540)</u>	<u>(1,187,559)</u>
	<u>\$ (118,947)</u>	<u>\$ (269,811)</u>

CAPITAL ASSETS

At December 31, 2011 the agency had \$942,273 invested in capital assets net of related debt as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 170,027	\$ 170,027
Buildings	757,101	831,928
Equipment	<u>15,145</u>	<u>18,577</u>
	<u>\$ 942,273</u>	<u>\$ 1,020,532</u>

More detailed information regarding fixed assets is presented in the notes to financial statements.

LONG-TERM DEBT

At the end of the year the agency had \$613,484 in long-term debt.

	<u>2011</u>	<u>2010</u>
Franklin County Local Development Corp.	<u>\$ 613,484</u>	<u>\$ 582,882</u>
	<u>\$ 613,484</u>	<u>\$ 582,882</u>

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
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December 31, 2011

FUTURE FACTORS

A clear plan for underutilized and/or costly Agency assets must be developed. This is not material in 2012 for the business parks in Chateaugay and Tupper Lake, since they are carried on the Balance Sheet with very little cost to maintain. The buildings in Malone and Bombay, however, cost the Agency money to own without any revenue being generated from ownership. This is particularly true in Malone, since the IDA borrowed from the LDC to purchase the property and interest is accruing on the debt.

As noted with Franklin County Fine Furniture, the IDA has carefully developed relationships that may lead into projects for the issuance of bonds or a PILOT, and from which income will be derived for ongoing operations. This is an excellent long-term strategy and demonstrates that the IDA is carrying out its mission, but the Agency cannot reasonably predict when a project will develop. A short-term focus on staffing, and the Malone and Bombay properties is needed.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
STATEMENTS OF NET ASSETS
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 896,983	\$ 883,775
Accounts receivable	14,903	40,798
Prepaid expenses		3,089
CAPITAL ASSETS		
Land	170,027	170,027
Other capital assets, net of depreciation	<u>1,385,729</u>	<u>1,433,387</u>
TOTAL ASSETS	<u>\$ 2,467,642</u>	<u>\$ 2,531,076</u>
LIABILITIES		
CURRENT		
Accounts payable	\$	\$ 403
Accrued liabilities	5,400	6,457
Due other governments	51,575	25,412
LONG TERM		
Note Local Development Corporation	<u>613,484</u>	<u>582,882</u>
TOTAL LIABILITIES	<u>670,459</u>	<u>615,154</u>
NET ASSETS		
Capital assets, net of related debt	942,272	1,020,532
Unrestricted	<u>854,911</u>	<u>895,390</u>
TOTAL NET ASSETS	<u>1,797,183</u>	<u>1,915,922</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,467,642</u>	<u>\$ 2,531,076</u>

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2011 & 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Use of money	\$ 965	\$ 1,784
CDC grant	75,000	
State aid	78,398	132,991
County aid	297,500	662,450
Miscellaneous fees	234,650	109,207
Rental	<u>10,080</u>	<u>11,316</u>
	<u>696,593</u>	<u>917,748</u>
EXPENSES		
Salaries	250,439	274,467
Fringe	104,132	105,945
Promotion	239,486	205,977
Dues/subscriptions	2,644	3,403
Insurance	10,599	9,489
Professional	4,308	15,842
Office	25,919	24,784
Postage	2,903	3,575
Telephone	3,074	2,363
Travel	3,457	3,585
Depreciation	47,658	48,539
Miscellaneous	2,646	5,512
Operations	112,867	184,078
Bad debt	5,200	0
Grants	<u>0</u>	<u>300,000</u>
	<u>815,332</u>	<u>1,187,559</u>
NET INCREASE (DECREASE)	(118,739)	(269,811)
NET ASSETS BEGINNING	<u>1,915,922</u>	<u>2,185,733</u>
NET ASSETS ENDING	<u>\$ 1,797,183</u>	<u>\$ 1,915,922</u>

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (118,739)	\$ (269,811)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	47,658	48,539
(Increase) decrease in:		
Accounts receivable	25,895	(29,589)
Prepaid expense	3,089	700
Increase (decrease) in:		
Trade accounts payable	(403)	320
Accrued liability	<u>25,106</u>	<u>4,332</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(17,394)</u>	<u>(245,509)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u> </u>	<u>(2,220)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u> </u>	<u>(2,220)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term borrowings (repayment)		
Long term borrowings	<u>30,602</u>	<u>29,075</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>30,602</u>	<u>29,075</u>
NET INCREASE (DECREASE) IN CASH	(13,208)	(218,654)
CASH AT BEGINNING OF YEAR	<u>883,775</u>	<u>1,102,429</u>
CASH AT END OF YEAR	<u>\$ 896,983</u>	<u>\$ 883,775</u>

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Franklin County Industrial Development Agency have been prepared in conformity with generally accepted accounting principles (GAAP). Significant accounting policies are:

ORGANIZATION AND PURPOSE

The Agency was created in 1970 by the Franklin County Board of Legislators under the provisions of Chapter 18A encouraging economic growth in Franklin County, New York. The Agency is exempt from federal, state and local income taxes. The Agency, although established by the Franklin County Board of Legislators, is a separate entity and operates independently of Franklin County.

Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

Property, Plant and Equipment

Buildings, land, furniture and fixtures are recorded at cost if purchased or constructed; or at fair market value on the date of gift, if donated. Depreciation is recognized on the straight-line basis over the estimated useful life of the assets. In all cases, costs of major renewals and improvements are capitalized as incurred. Maintenance and repair costs are charged to expense.

Donated Assets and Services

The estimated fair value of the full use of facilities owned by others and the estimated fair value of contributed services over which the Agency exercises control, which constitute a part of the normal services that would otherwise be performed by paid personnel, have not been reflected in the accompanying financial statements. Also, the value of other donated services (board members, etc.) is not reflected in the accompanying financial statements.

Investments

The Agency's investment policies are governed by state statutes. Agency monies are required to be deposited in FDIC insured commercial banks or trust companies located within the state. The Agency is authorized to use demand accounts and certificates of deposit.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Notes to Financial Statements (Cont'd)
December 31, 2011

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with maturity of three months or less as cash equivalents. There were no such items at the beginning of the year or the end of the year.

Bad Debts

Bad debts are recognized by the agency in the year they are determined worthless. Debts were considered worthless for 2011 \$5,200 and \$0 for 2010.

NOTE B – CASH AND CONCENTRATION OF CREDIT RISK

As of December 31, 2010 all bank accounts were entirely insured or collateralized in the agency's name.

NOTE C – REVOLVING FUNDS

The Agency has established a revolving loan fund offering low interest loans to area businesses. The governing board approves the loans after giving consideration to the major criteria, i.e., enhancement of the economic environment. Revenue recognition on these loans is limited to the receipt of interest. No provision has been made for uncollectible accounts as required by Generally Accepted Accounting Principles. At the end of December 31, 2002 all of the remaining revolving loan funds were transferred to the Franklin County Local Development Corporation.

NOTE D – INDUSTRIAL REVENUE BOND AND NOTE TRANSACTIONS

Certain industrial development revenue bonds and notes issued by the Agency are secured by property, which is leased to companies and is retired by lease payments. The bonds and notes are not obligations of the Agency of the State. The Agency does not record the assets or liabilities resulting from completed bond and 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. For providing this service, the Agency receives bond administration fees from the borrowing companies. Such administrative fee income is recognized immediately upon issuance of bonds and notes.

NOTE E – FRANKLIN COUNTY LOCAL DEVELOPMENT CORPORATION

The Franklin County Industrial Development Agency created a Local Development Corporation known as the Franklin County Local Development Agency (the Corporation). The Franklin County Industrial Development Agency assigned all the loan repayments from the County Community Development Block Grant (CDBG) Projects to the Agency for the purpose of establishing a county wide revolving loan fund. Upon the formation of the Corporation, the Agency assigned all of its rights in the CDBG assignment to the Corporation for collection and administration.

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Notes to Financial Statements (Cont'd)
December 31, 2011

NOTE F – CONTINGENCIES AND COMMITMENTS (Cont'd)

The Agency has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowance and a request for a return of funds.

The Work Plan and analysis of soil and water at the Bombay site shows contaminants, indicating a need for further testing. The scope or extent of contamination has not been fully determined, and a dollar value for remediation therefore cannot be established. It is fair to state that IDA ownership of the property presents a contingent liability.

The agency has received \$219,609 from New York State regarding its Brownfield Study at the Bombay facility. These costs will have to be repaid to New York State after the agency recoups its 10% investment.

NOTE G – LONG TERM DEBT

	<u>2011</u>	<u>2010</u>
Note payable Franklin County Local Development Corporation, due September 14, 2013, interest accruing At 5 ¼ per annum.	\$ 613,484	\$ 582,882
	613,484	582,882
Current Portion	(0)	(0)
LTD	<u>\$ 613,484</u>	<u>\$ 582,882</u>

NOTE H – CAPITAL ASSETS

Capital asset balances and activity for the year ended were as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 170,027	\$ _____	\$ _____	\$ 170,027
Total nondepreciable historical Cost	<u>\$ 170,027</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 170,027</u>
Capital assets that are depreciated:				
Buildings	\$ 1,767,443	\$ _____	\$ _____	\$ 1,767,443
Furniture and equipment	80,007	_____	_____	80,007
Total depreciable historical cost	<u>1,847,450</u>	<u>_____</u>	<u>_____</u>	<u>1,847,450</u>
Less accumulated depreciation:				
Buildings	(352,633)	(44,186)	_____	(396,819)
Furniture and equipment	<u>(61,430)</u>	<u>(3,472)</u>	_____	<u>(64,902)</u>
Total accumulated depreciation	<u>(414,063)</u>	<u>(47,658)</u>	<u>_____</u>	<u>(461,721)</u>
Total depreciable historical cost net	<u>\$ 1,433,387</u>	<u>\$ (47,658)</u>	<u>\$ _____</u>	<u>\$ 1,385,729</u>

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
Notes to Financial Statements (Cont'd)
December 31, 2011

NOTE I – RETIREMENT

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

The System is noncontributory, except for employees who joined the System after July 27, 1976, who contributes 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund.

The Agency is required to contribute at an actuarially determined rate. The Agency contributions made to the System were equal to 100% of the contributions required for each year.

NOTE J- BROWNFIELD GRANT

The Agency through the New York State Department of Environmental Conservation has received a Brownfield Study Grant to evaluate its Bombay facility. The State will match up to 90% of the cost of the study. Upon the future sale or disposal of the site New York State will be required to be repaid after the agency recoups its 10% of costs. As of December 31, 2011 costs have been reimbursed by to New York State in the amount of \$219,609.

NOTE K – POST EMPLOYMENT BENEFITS

The Agency does not provide for post-employment benefits for employees. No accrual of post employment benefits has been made in the financial statements.

Douglas S. Wood, C.P.A., P.C.

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**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
Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York

We have audited the financial statements of the governmental activities and each major fund information of Franklin County Industrial Development Agency, a component unit of Franklin County, New York, as of and for the year ended December 31, 2011, which collectively comprise Franklin County Industrial Development Agency's basic financial statements and have issued our report thereon dated March 25, 2012. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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 Franklin County Industrial Development Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Franklin County Industrial Development Agency's financial statements that is more than inconsequential

will not be prevented or detected by Franklin County Industrial Development Agency'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 Franklin County Industrial Development Agency's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no deficiencies required to be reported in accordance with *Government Auditing Standards*.

Compliance and Other Matters

As part of obtaining, reasonable assurance about whether Franklin County Industrial Development Agency's financial statements are free of 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*.

We noted certain matters that we reported to management of Franklin County Industrial Development Agency in a separate letter dated March 25, 2012.

This report is intended solely for the information and use of management, others within the entity, the 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.



Douglas S. Wood, C.P.A., P.C.
March 25, 2012

Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
December 31, 2011

SUMMARY OF AUDIT RESULTS

NO PRIOR FINDINGS

Douglas S. Wood, C.P.A., P.C.

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To the Board of Directors
Franklin County Industrial Development Agency
A Component Unit of Franklin County, New York

In planning and performing our audit of the financial statements of the Franklin County Industrial Development Agency, a component unit of Franklin County, New York for the year ended December 31, 2011, we considered the organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency.

We will review the status of these comments during our next audit engagement. We have already discussed many comments and suggestions with various organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

The agency continues to incur significant costs at its facilities in Malone and Bombay with little income. All options should be explored including rental at a reduced rate, or sale as to not continue to incur these expenditures.


Douglas S. Wood, C.P.A., P.C.

March 25, 2012