

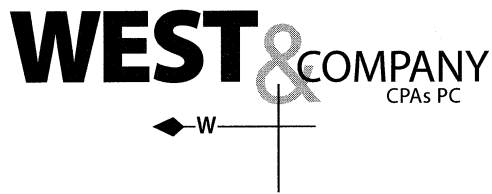
**MONTGOMERY COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY**

**BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Chairperson and Board of the  
Montgomery County Industrial Development Agency  
Fonda, New York

We have audited the accompanying basic financial statements of the Montgomery County Industrial Development Agency, a public benefit corporation, a component unit of the County of Montgomery, New York, as of and for the year ended December 31, 2011, as listed in the table of contents. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these basic 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 basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Montgomery County Industrial Development Agency at December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2012, on our consideration of the Montgomery 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montgomery County Industrial Development Agency's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them. The supplemental information on pages 22 through 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Montgomery County Industrial Development Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

WEST & COMPANY CPAs PC

Gloversville, New York  
February 20, 2012

# MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2011

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The following is a narrative overview and analysis of the financial activities of Montgomery County Industrial Development Agency (IDA or Agency) for the fiscal year ended December 31, 2011. This discussion is intended to serve as an introduction to the Agency's basic financial statements, which immediately follow this section. The basic financial statements have the following components: (1) management's discussion and analysis (MD&A), (2) Agency-wide financial statements, (3) notes to the financial statements and (4) supplemental schedules.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and required supplementary information. The basic financial statements include two statements that are Agency-wide financial statements that provide both short-term and long-term information about the Agency's overall financial status.

#### Agency-Wide Statements

The Agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Agency-wide statements report the Agency's net assets and how they have changed. Net assets – the difference between the Agency's assets and liabilities – is one way to measure the Agency's financial health or position.

- Over time, increases or decreases in the Agency's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, you need to consider additional nonfictional factors such as changes in the New York State government, labor forces and land availability.

### I. BACKGROUND

#### A. General

The Montgomery County Industrial Development Agency (IDA or Agency) was created in 1970 by an act of the New York State Legislature. The IDA is a corporate governmental agency constituting a public benefit corporation. The law that authorized the creation of Industrial Development Agencies in New York State states that the purpose of an Industrial Development Agency (IDA) shall be:

“to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial and research facilities and thereby advance the job opportunities, general prosperity and economic welfare of the people of the State of New York and to improve their standard of living.”

To accomplish this purpose, the New York State Legislature authorized IDAs to offer incentives in the form of tax exemptions to stimulate certain private sector investment.

## **B. Tax Exemptions**

IDAs are authorized by the New York State Legislature to provide three forms of tax exemptions affecting personal and real property:

### **1. Property Tax**

New York State Law designates IDAs as tax-exempt entities. When an IDA holds title to the real property of a project, New York State Law says all improvements on the property are exempt from all general real property taxes. However, the land that the improvements are located on remains taxable. These exemptions apply as long as the IDA holds title to the property.

The Montgomery County IDA, however, requires companies to make Payments In Lieu Of Taxes (PILOT). A PILOT is a written Agreement between the IDA and a company. The Agreement states that even though the project is tax exempt due to IDA ownership, the IDA wants the company to make certain payments to local taxing jurisdictions. PILOTs consist of an agreed upon percentage of the property tax that would otherwise be due on the property if the project had been completed without IDA involvement. PILOTs are developed in accordance with the Montgomery County IDA's Uniform Tax Exemption Policy. Once a PILOT is executed, the company makes the required annual payments to the IDA in accordance with the PILOT.

### **2. Sales Tax**

IDAs can offer exemptions from sales taxes but only on eligible materials purchased during construction and for eligible equipment for the project.

### **3. Mortgage Recording Tax**

If a project involves a mortgage, companies that receive IDA assistance are exempt from New York State's mortgage recording tax. In Montgomery County, this tax equals 0.75 percent of the total mortgage.

## **C. Industrial Revenue Bonds**

IDAs can also provide important financing for a project through the issuance of Industrial Development Bonds (IRBs). IRBs are used to finance new or expansion projects. Financial institutions, such as banks, insurance companies or private individuals, purchase these bonds as an investment similar to an individual purchasing a U.S. Government Savings Bond. By purchasing a bond, a private investor lends their funds to a business. The business commits to repay the principal and interest to the lender. The IDA acts as an intermediary for this private transaction. There are no IDA or public funds involved in an IDA bond transaction.

The business and the financial institution themselves negotiate the terms and conditions of the transaction (its length, the interest rate), independent of the IDA.

The Montgomery County IDA, Montgomery County Government or local taxpayers do not lend any public money nor do they assume any responsibility for repaying bonds if the business defaults on any payment. There is also no financial liability on New York State, the County of Montgomery or any political subdivision. IRB payments are solely the responsibility of the company borrowing the money.

## **D. NYS Public Authorities Accountability Act of 2005 (the Act)**

In 2005, the NYS Legislature adopted and Governor Pataki signed in early 2006 the NYS Public Authorities Accountability Act of 2005. This key piece of legislation imposed fundamental changes to the way Industrial Development Agencies in New York State are to be administered and managed. The Act obligated IDAs to take certain affirmative actions to comply with this new law, including:

1. Prepare and file annual reports, budget reports and property reports in accordance with the requirements of the Act.
2. Prepare and adopt property and investment guidelines, personnel and compensation policies, defense and indemnification policies and a Code of Ethics.
3. Create and appoint Audit and Governance Committees.
4. Comply with numerous new operational requirements dealing with matters such as:
  - a. Preparing and filing independent financial audits.
  - b. Obtaining training for Board members.
  - c. Ensuring the separation of oversight and operational duties and responsibilities of the Agency.
  - d. Ensuring that Board members are independent.
  - e. Providing for financial disclosure of Board members.
  - f. Sale of real property.

## **II. SUMMARY OF 2011 ACTIVITIES**

The Montgomery County Industrial Development Agency is comprised of a seven member Board of Directors. The Board of Supervisors appoints all members to the IDA and said members serve at the pleasure of the Supervisors.

The IDA met a total of eight times in 2011. The following is a summary of the primary activities the IDA was involved with in 2011:

### **A. EXPANSIONS AND NEW PROJECTS**

#### **1. Park Development**

The Agency completed a project with Time Warner Cable to extend coax and fiber broadband services to the Florida Business Park, Florida Business Park Extension and Glen Canal View Business Park as well as the Edson Street Industrial Park within the City of Amsterdam. This project began in 2010 while the Agency was contracted by Amsterdam Industrial Development Agency for executive and administrative services. Several clients within the parks had concerns regarding the quality of the communications services previously available citing issues with frequent service interruptions and limited capacity of the existing copper lines. Through the project with Time Warner Cable, many of these concerns have been alleviated and the clients within the parks now have access to broadband services, which is key in the global marketplace. Additionally, Time Warner Cable was able to defray the costs of this project by soliciting service contracts from companies within the parks. As a result, this project was completed without any expense to the Agency. These efforts have also increased the marketability of all the parks within the County, adding value to the Agency's attraction efforts.

#### **2. Regional Business Plan for Fulton and Montgomery Counties**

In the fall, the Regional Business Plan for Fulton and Montgomery Counties was completed and endorsed by both County Board of Supervisors. The plan was the culmination of almost a year's worth of work and meetings between CEOs of area businesses, local leaders of Economic Development and Planning, Chambers of Commerce and Education, along with a core group of elected officials. The Regional Business Plan represents a blueprint for achieving future economic success for the Fulton-Montgomery County Region and works to address education, workforce development for the 21<sup>st</sup> Century, marketing, availability of sites, quality of life and infrastructure needs of the Region. The first Annual Education and Economic Development Summit was held in late fall at HFM BOCES, which brought together employers, development professionals, educators and school board members from throughout the Region to discuss how to better prepare students for the workplace and further educational attainment.

### **3. Regional Business Park Project**

The Business Development Center and Fulton County Economic Development Corporation continued to facilitate meetings between the City of Johnstown and Town of Mohawk in relation to the development of the proposed Regional Business Park. Discussions have been ongoing since the spring of 2010 between the two municipalities. The proposed 300 acre Regional Business Park would be located off of State Highway 30A on lands that are currently in the Town of Mohawk. The proposed site was considered about two years ago by a large company seeking to locate in the area, bringing with it hundreds of jobs and millions in Capital Investment.

### **4. Hill and Markes, Inc.**

In October, 2011, Hill and Markes held a Ribbon Cutting Ceremony for their new 125,000 sq. ft. facility in the Florida Park Extension. This project was the result of many years of work between the Company, the Business Development Center and National Grid, along with State and local officials. To help facilitate this project, the Agency provided tax incentives and the County provided a \$500,000 loan through their Revolving Loan Fund program. This project led to the retention of 141 employees and will lead to the creation of 48 more over the next three years.

### **5. Embassy Millwork**

In November, 2011, a \$300,000 loan was issued to Embassy Millwork, Inc., through the Montgomery County Community Development Fund. The loan proceeds were utilized to purchase machinery and equipment. Embassy Millwork, Inc., purchased the former Universal Custom Millwork facility located within the Edson Street Industrial Park within the City of Amsterdam. This project will result in the retention of 16 positions. These positions will be transferred to the Amsterdam facility from Embassy Millwork's facility in Scotia. An additional 17 positions will be created over the next three years. Embassy Millwork will manufacture their ProZone line, an athletic sports locker room product, at the Amsterdam facility.

### **6. Vida Blend**

In November, 2011, a \$75,000 loan was issued to Vida-Blend, LLC, through the Montgomery County Community Development Fund. The loan proceeds were utilized to purchase machinery and equipment. Vida-Blend, LLC, is a manufacturer of nutrient premixes, which are vitamins and minerals combined and added to foods. Vida-Blend, LLC, will be operating out of a section of the former Niagara Mohawk building located on Route 5S in the City of Amsterdam. This project will result in the creation of 14 positions.

### **7. ProTerra LED**

Throughout 2011, the Agency has been working with ProTerra LED, a Canadian LED light manufacturer, to locate a facility and establish operations within Montgomery County. A possible location within the Town of Amsterdam has been identified. Through the Consolidated Funding Application, ProTerra was awarded \$750,000 in incentives from the State of New York. This project could lead to a potential investment of \$8 million and the creation of 27 positions.

### **8. Florida Business Park Extension**

Water, sanitary sewer and gas infrastructure work was completed for the Florida Park Extension. The extension of infrastructure was part of a public/private partnership to serve the newly expanded Park Extension for companies looking to expand and locate in the County.

### **9. Policy and Procedures Update**

In June, 2011, the Agency passed revisions to the Policy and Procedures Manual. The Agency had been working on this comprehensive revision for about a year. The revisions included issues addressing and conforming to the Public Authority Accountability Act as well as the Public Authority Reform Act. Another major revision was the addition of a Labor Policy and amendments to the By-Laws of the Agency.



## B. SUMMARY OF FINANCIAL RESULTS

See Table A-1 below for Condensed Statement of Net Assets:

**Table A-1**

	<u>2011</u>	<u>2010</u>	<u>Percentage Change Increase/-Decrease</u>
<b>Assets</b>			
Current assets	\$ 2,134,007	\$ 3,322,158	-36%
Capital assets	<u>1,994,231</u>	<u>1,994,967</u>	0%
<b>Total Assets</b>	4,128,238	5,317,125	-22%
<b>Liabilities</b>			
Current liabilities	1,187,280	2,382,165	-50%
Long-term liabilities	<u>1,195,000</u>	<u>1,195,000</u>	0%
<b>Total Liabilities</b>	2,382,280	3,577,165	-33%
<b>Net Assets</b>			
Capital assets – net	734,953	735,689	0%
Unrestricted	<u>1,011,005</u>	<u>1,004,271</u>	1%
<b>Total Net Assets</b>	<u>\$ 1,745,958</u>	<u>\$ 1,739,960</u>	0%

### **Changes in Net Assets**

The IDA's revenue was \$47,135 (see Table A-2). Charges for services accounted for 98%.

The total cost of all programs and services amounted to \$92,254 for 2011. Professional fees and salaries accounted for 14% and 54%, respectively.

Net assets for the year increased by \$5,998 after a \$51,117 other change in net assets.

**Table A-2****Changes in Net Assets from Operating Results**

	<u>2011</u>	<u>2010</u>	<u>Percentage Change Increase/-Decrease</u>
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 46,129	\$ 412,453	-89%
Grants	0	311,618	-100%
Gain (loss) on sale of land	0	(64,477)	100%
Use of money and property	1,006	2,253	-55%
	<hr/>	<hr/>	
<b>Total Revenues</b>	47,135	661,847	-93%
<b>Expenses</b>			
Real property taxes	383	2,024	-81%
Professional fees	13,350	174,891	-92%
Salaries	49,567	54,243	-9%
Marketing	775	11,061	-93%
Grant expenses	0	250,000	100%
Insurance expense	8,772	11,381	-23%
Depreciation	3,251	3,251	0%
Repairs and maintenance	1,554	7,143	-78%
Office expense	11,503	13,207	-13%
NYS assessment	0	51,116	100%
All other expenses	3,099	11,584	-73%
	<hr/>	<hr/>	
<b>Total Expenses</b>	92,254	589,901	-84%
<b>Increase (Decrease) in Net Assets</b>	<u>\$ (45,119)</u>	<u>\$ 71,946</u>	-163%

**C. LONG-TERM DEBT**

The Agency did not have any long-term debt this year.

### III. PAYMENT IN LIEU OF TAX AGREEMENTS (PILOTS)

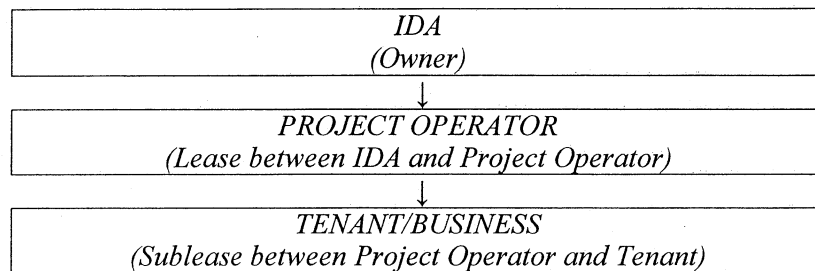
#### A. Background

The IDA currently has nine active PILOT Agreements. The responsibility for administering and enforcing a PILOT rests with local taxing jurisdictions. Yet, given the complexities with understanding how PILOTS work and changeover in personnel with local taxing jurisdictions, the IDA, in 2011, continued its annual monitoring project to assist local taxing jurisdictions in ensuring that PILOT Agreements are being properly administered.

#### B. Project Structure

Most projects IDAs are involved with use a typical format or structure. The IDA “owns” the real property, machinery and equipment and leases them to a “Project Operator.” The Project Operator, in turn, subleases the real property and machinery and equipment to a business.

While the IDA is the “owner” for purposes of the New York real property law, the Project Operator is the true owner of the property for federal tax purposes. Further, the IDA typically attempts to minimize its interest in the property for liability reasons by taking a leasehold interest in the property pursuant to a lease from the Project Operator. Accordingly, in most IDA projects, the IDA “owns” only a leasehold interest in the property.



At the end of the lease term, ownership of the real property, machinery and equipment is transferred from the IDA to either the Project Operator or Tenant. Once title is transferred to the Project Operator or Tenant, the real property becomes fully taxable.

#### C. PILOTS

Given that IDAs are tax exempt, any property the IDA owns is exempt from property taxes for the entire length of the Lease Agreement. This is where a Payment in Lieu of Tax Agreement (PILOT) comes into play.

IDAs typically require Project Operators/Tenants to execute a PILOT as part of a project. The intent of a PILOT is to avoid allowing a Project Operator/Tenant to be exempt from paying property taxes during the entire time an IDA “owns” the property. A PILOT obligates the Project Operator to make payments to local taxing jurisdictions as if the property owned by the tax-exempt IDA was privately owned and taxable. The PILOT allows local taxing jurisdictions to still receive revenues from IDA projects even though the property is tax exempt.

#### D. Key Provisions with a PILOT

There are two keys to understanding how a PILOT is administered:

1. The “Effective” date of the PILOT.
2. Tax Assessment Calendar.
  - a. Effective Date

The effective date of a PILOT is the date a Certificate of Occupancy (CO) permit is issued by the local Code Enforcement Officer for the construction of the building.

b. Tax Assessment Calendar

Tax rolls for each municipality are completed on March 1<sup>st</sup> of each year. PILOTs typically are set up so that once a CO is issued, the building becomes assessed on the next tax roll. For example, the tax roll completed on March 1, 2010, was used for the 2010-11 school tax bills and the 2011 County and City/Town tax bills.

The first year of a PILOT is, therefore, the first tax year after the property goes into the tax assessment roll. For example:

> New Building Completed	:	July 2010
> CO Issued	:	August 2010
> Building Goes on Tax Roll	:	March 2011
> Year 1 of PILOT for:		
School Tax	:	2011-12 Tax Year (September – August)
County Tax	:	2012 Tax Year (January – December)
City/Town Tax	:	2012 Tax Year (January – December)

The implementation of this annual monitoring program has helped local taxing jurisdictions properly administer PILOTs and ensure that they receive, in a timely fashion, all payments due them.

**IV. CONCLUSION**

The Montgomery County IDA looks forward to 2012 with additional development in both the Florida and Glen Business Parks.

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF NET ASSETS

DECEMBER 31, 2011

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**ASSETS**

Cash	
Unrestricted	\$ 1,284,558
Restricted	427,336
Other receivables	412,186
Due from other governments	3,212
Prepaid expenses	6,715
Fixed assets (net)	1,994,231
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 4,128,238</b>

**LIABILITIES**

Accounts payable	\$ 7,340
Due to other governments	2,203,825
Deferred revenues	171,115
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>\$ 2,382,280</b>

**NET ASSETS**

Investment in capital assets, net of related debt	\$ 734,953
Unrestricted	1,011,005
	<hr/>
<b>TOTAL NET ASSETS</b>	<b>\$ 1,745,958</b>

See notes to basic financial statements.

**MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2011**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Other Program Revenues</u>	<u>Changes in Net Assets</u>
<b>FUNCTION/PROGRAMS</b>				
Real property taxes	\$ 383	\$ 0	\$ 0	\$ (383)
Professional fees	13,350	2,250	0	(11,100)
Salaries	49,567	0	0	(49,567)
Marketing	775	0	0	(775)
Insurance expense	8,772	0	0	(8,772)
Depreciation	3,251	0	0	(3,251)
Repairs and maintenance	1,554	0	0	(1,554)
Office expense	11,503	0	0	(11,503)
All other expenses	3,099	7	0	(3,092)
Unallocated	0	43,872	0	43,872
	<u>0</u>	<u>43,872</u>	<u>0</u>	<u>43,872</u>
<b>Total function/programs</b>	<u>\$ 92,254</u>	<u>\$ 46,129</u>	<u>\$ 0</u>	<u>(46,125)</u>
<b>GENERAL REVENUE</b>				
Use of money and property				<u>1,006</u>
<b>Total general revenue</b>				<u>1,006</u>
<b>CHANGE IN NET ASSETS</b>				(45,119)
<b>TOTAL NET ASSETS - BEGINNING OF YEAR</b>				1,739,960
<b>OTHER CHANGES IN NET ASSETS</b>				<u>51,117</u>
<b>TOTAL NET ASSETS - END OF YEAR</b>				<u>\$ 1,745,958</u>

See notes to basic financial statements.

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 5,998
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation expense	3,251
Decrease in assets:	
Receivables	32,004
Grant receivables	250,000
Due from other governments	79,591
Prepaid	4,243
(Decrease) in liabilities:	
Accounts payable and accrued expenses	(111,692)
Due to other governments	(1,061,012)
Deferred revenues	(22,181)
	<hr/>
Net cash (used) by operating activities	(819,798)

**CASH FLOWS FROM INVESTING ACTIVITY:**

Purchase of fixed assets	<hr/> (2,515)
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**NET (DECREASE) IN CASH** (822,313)

**CASH - BEGINNING OF YEAR** 

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2,534,207

**CASH - END OF YEAR** 

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\$ 1,711,894

See notes to basic financial statements.

# MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

## NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2011

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Montgomery County Industrial Development Agency (the Agency) have been prepared in conformity with U.S. generally accepting accounting principles (GAAP). A summary of the significant accounting principles applied in the preparation of the accompanying basic financial statements follows:

#### **a. Organization and Purpose**

The Montgomery County Industrial Development Agency is a public benefit corporation established under Title I of Article 18-A, Section 895-d, of the General Municipal Law of the State of New York and Chapter 666 of the Laws of 1970 of the State for the purpose of encouraging economic growth in Montgomery County. Members of the IDA are appointed by the County Board of Supervisors. The IDA is an independent agency.

#### **b. Basis of Accounting**

The accounts of the Agency are maintained on the accrual basis of accounting as specified in the Governmental Accounting Standards Board (GASB) codification of governmental accounting and financial reporting standards. The accompanying basic financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with the provisions of the GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Agency has elected not to apply all Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

Operating revenues are those revenues that are generated from economic development operations of the Agency. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to economic development operations of the Agency. All other expenses are reported as nonoperating expenses.

#### **c. Basis of Presentation**

The Agency operations are accounted for in a manner similar to a private business enterprise. The measurement focus is upon determination of net income, financial position and changes in cash flows.

#### **d. Fixed Assets**

Fixed assets are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation, if any, are eliminated from the accounts and the resulting gain or loss is included in revenue. The Agency pursues economic development, in part, by purchasing real property and preparing the property for sale or lease, with an option to buy, to local businesses or to those businesses which desire to relocate to Montgomery County. During the time the Agency holds the property, the Agency attempts to maintain the condition of the property by offering it to businesses under the terms of short-term operating leases. The operating leases are incidental to the objective of selling the property and thereby increasing the County's tax base. Depreciation is not recognized on those properties being temporarily utilized as described above. Depreciation during these lease periods would not be material in amount. Otherwise, depreciation is recognized when an asset is placed in service.



MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2011

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**d. Fixed Assets – (Continued)**

As of December 31, 2011, the following asset is depreciated using the straight-line method:

<u>Asset</u>	<u>Estimated Useful Life</u>
Parking lot improvements	30 Years

**e. Provisions for Uncollectible Accounts**

The Agency uses the allowance method to account for uncollectible accounts based on an estimate of amounts deemed uncollectible. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

**f. Income Taxes**

The Agency is exempt from federal, State and local income taxes.

**g. Estimates**

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

**NOTE 2 – INDUSTRIAL DEVELOPMENT REVENUE BOND AND NOTE TRANSACTIONS**

Certain industrial development revenue bonds and notes issued by the Agency are secured by property which is leased or sold to companies and the debt is retired by these payments or installment sale payments. The bonds and notes are not obligations of the County or New York State. The bonds and notes are not general obligations of the Agency, but rather are special obligations of the Agency, payable solely from the Agency's interest in the assets (real property and equipment) being financed. The Agency does not record the assets or liabilities resulting from completed bonds and notes issued in its accounts, since its primary function is to act as a financing conduit between the borrowing companies and the bond and note holders, and the funds arising there from 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 when received. At December 31, 2011, the original issue value of bonds was \$44,417,808 and the outstanding balance was \$36,589,743.

**NOTE 3 – CASH**

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 the U.S. Treasury and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 100% of all deposits 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.

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2011

**NOTE 4 – OTHER RECEIVABLES**

As of December 31, 2011, other receivables consist of:

Sales-type lease, Note 8	\$ 9,686
Sales-type lease, Note 9	<u>402,500</u>
Total Other Receivables	<u>\$ 412,186</u>

**NOTE 5 – DUE FROM OTHER GOVERNMENTS**

**Due From**

Montgomery County	<u>\$ 3,212</u>
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**NOTE 6 – FIXED ASSETS (NET)**

As of December 31, 2011, fixed assets (net) consist of:

Florida Park:	
Land and development costs	\$ 1,065,355
Land - conservation and utility easements	<u>13,763</u>
Total	1,079,118
Glen Park:	
Land	<u>862,480</u>
Total	862,480
Land - to be transferred to other governments	9,283
Land - parking lot	10
Parking lot improvements	<u>97,530</u>
Total	2,048,421
Less accumulated depreciation	<u>54,190</u>
Total Fixed Assets (Net)	<u>\$ 1,994,231</u>

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2011

**NOTE 7 – RESTRICTED CASH**

Restricted assets consist of cash in the amount of \$427,336 as of December 31, 2011, that is held in escrow for NBT Bank property transactions, Beech-Nut property transactions and USDA accounts.

**NOTE 8 – SALES-TYPE LEASE – INCLUDED IN OTHER RECEIVABLES AND DEFERRED REVENUES**

Alpin Haus

In October, 1986, the Agency leased 12.4 acres of land and a 93,000 square foot building to Alpin Haus Ski Shop, Inc. (Alpin Haus), for a 30-year term. The lease includes an option to buy during the term of the lease at a nominal value.

In November, 1997, Alpin Haus obtained a conventional loan from NBT Bank and paid off the industrial revenue bonds. Title to the land and building has been assigned to NBT Bank as collateral for the conventional loan.

In November, 2000, Alpin Haus began paying \$167 per month and will continue to pay the monthly amount until October, 2016, or until they exercise their option to buy the project.

The Agency's net investment in this sales-type lease at December 31, 2011, is as follows:

Minimum lease payments receivable	\$ 9,686
Less unearned interest income	<u>1,855</u>
Net Investment in Sales-type Lease	<u>\$ 7,831</u>

Future minimum lease payments due on this sales-type lease are:

2012	\$ 2,004
2013	2,004
2014	2,004
2015	2,004
2016	1,670
Thereafter	<u>0</u>
Total	<u>\$ 9,686</u>

**NOTE 9 – SALES-TYPE LEASE – INCLUDED IN OTHER RECEIVABLES AND DEFERRED REVENUES**

NBT Bank (formerly Central National Bank Financial Corporation)

In May, 1995, the Agency leased .7 acres of land to NBT Bank for a 30-year term. The lease includes an option to buy during the term of the lease for the remaining installment purchase payments due the Agency and satisfaction of the outstanding revenue bond and note.

MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2011

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**NOTE 9 – SALES-TYPE LEASE – INCLUDED IN OTHER RECEIVABLES AND DEFERRED REVENUES – (CONTINUED)**

NBT Bank (formerly Central National Bank Financial Corporation)

The Agency's net investment in this sales-type lease at December 31, 2011, is as follows:

Minimum lease payments receivable	\$ 402,500
Less unearned interest income	<u>169,260</u>
Net Investment in Sales-type Lease	<u>\$ 233,240</u>

Future minimum lease payments due on this sales-type lease are:

2012	\$ 30,000
2013	30,000
2014	30,000
2015	30,000
2016	30,000
Thereafter	<u>252,500</u>
Total	<u>\$ 402,500</u>

**NOTE 10 – DEFERRED REVENUE**

Deferred revenue at December 31, 2011, consists of:

Sales-type lease, Note 9	\$ 169,260
Sales-type lease, Note 8	<u>1,855</u>
Total	<u>\$ 171,115</u>

**NOTE 11 – OPERATING LEASE**

The Agency, as lessor, has entered into a noncancellable operating lease with NBT Bank for the use of a parking lot for 30 years beginning in 1995 at \$9,000 per year. The lease can be renewed for another 30 years.

Future minimum lease payments due the Agency for the next five years are:

2012	\$ 9,000
2013	9,000
2014	9,000
2015	9,000
2016	9,000

**MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

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**NOTE 12 – DUE TO OTHER GOVERNMENTS**

As of December 31, 2011, the \$2,203,825 represents loans owed to Montgomery County, New York, to be used in the development of business/industrial parks within Montgomery County and are comprised of the following:

\$900,000 of the balance is recorded as a liability as the County has passed resolutions requiring the serial bond issued by the County to provide the funding to the Agency be repaid in full once the business/industrial parks start generating net revenues. There was no change in the balance due the County in the current year.

\$295,000 of the balance is recorded as a liability because the Agency and the County entered into an agreement in September, 2001, which requires the Agency to repay the funds advanced to acquire the Florida Park. The Agency is required to repay the County from the first cash consideration from sales or lease transactions. There was no change in the balance due the County in the current year.

The loans do not have a stated interest rate or due date. No amounts have been recorded in these financial statements related to the interest cost to the Agency since the interest would be offset by an equal amount of revenue from the County.

\$211,853 of the balance is PILOT payments received by the Agency that has not yet been paid out to the taxing agencies.

The remaining balance of \$796,972 represents accounts payable owed to the County and escrow accounts related to the Florida Park.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

The Agency has received a Federal grant for specified purposes that is subject to review and audit by the grantor agency or their designee. Such an audit could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the Agency believes such disallowance, if any, will be immaterial.

**NOTE 14 – RISK MANAGEMENT**

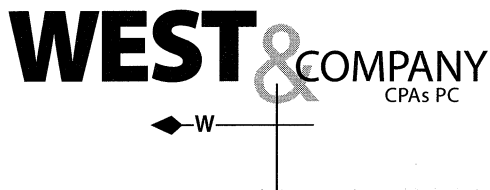
The Agency is exposed to various risks of loss related to torts; theft of, damage of and destruction of assets; errors and omissions; and injuries to board members. The Agency has purchased commercial insurance for all of the risks named above. As of December 31, 2011, management is not aware of any claims or potential claims incurred. Therefore, no amounts for losses have been recorded as of December 31, 2011.

**NOTE 15 – OTHER CHANGES IN NET ASSETS**

For the year ended December 31, 2010, the Agency accrued a Public Authorities Accountability Act tax of \$51,117. The tax was subsequently repealed causing an increase in the current year net assets.

**NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 20, 2012, the date of issuance of the audit report, and none were considered material.



**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 Chairperson and Board of the  
Montgomery County Industrial Development Agency  
Fonda, New York

We have audited the basic financial statements of the Montgomery County Industrial Development Agency, a public benefit corporation, as of and for the year ended December 31, 2011, and have issued our report thereon dated February 20, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Montgomery County Industrial Development Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montgomery County Industrial Development Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Montgomery County Industrial Development Agency's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Montgomery 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee 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.

WEST § COMPANY CPAs PC

Gloversville, New York  
February 20, 2012

**MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

**SCHEDULE OF INDUSTRIAL DEVELOPMENT BONDS**

**DECEMBER 31, 2011**

<u>Entity and Contacts</u>	<u>Month and Year Issued</u>	<u>Current Interest Rate</u>	<u>Outstanding Beginning of Year</u>	<u>Issued During Year</u>	<u>Paid During Year</u>	<u>Outstanding End of Year</u>	<u>Final Maturity Date</u>	<u>Original Amount of Issue</u>
<b>NBT BANK</b> (Formerly Known as Central National Bank) BOND DESCRIPTION Project 1741 CNB Series CNB 95A, CUSIP #613448CZ0 Series CNB 96A, MO44-CNB, CUSIP #613448DA4	06/01/95  06/01/96	Variable  Variable	\$ 2,780,000  700,000	0  0	\$ 110,000  30,000	\$ 2,670,000  670,000	05/01/25  05/01/25	\$ 3,750,000  1,000,000
<b>NOTEWORTHY INDUSTRIES</b> NYS Project Code: 27020801A	12/28/08	3.69%	1,415,214	0	262,547	1,152,667	12/28/15	1,917,808
<b>FIBERGLASS INDUSTRIES</b> NYS Project Code: 27020602A	10/27/06	4.75%	1,448,527	0	488,544	959,983	10/27/13	3,250,000
<b>FIBERGLASS INDUSTRIES</b> NYS Project Code: 27020901A	03/16/09	6.97%	4,260,482	0	683,389	3,577,093	04/01/16	5,000,000
<b>BOCES</b> NYS Project Code: 27020401A	01/12/05	2.81%	27,915,000	0	355,000	27,560,000	07/01/34	29,500,000
<b>TOTALS</b>			<u>\$ 38,519,223</u>	<u>\$ 0</u>	<u>\$ 1,929,480</u>	<u>\$ 36,589,743</u>		<u>\$ 44,417,808</u>



## CODE OF ETHICS

1. Generally. This Code of Ethics applies to both the members and the employees of Montgomery County Industrial Development Agency (the "Agency"). The purpose of this Code of Ethics is to promote honest and ethical conduct and compliance with the law.

2. Definitions. For purposes of this section, unless the context specifically indicates otherwise:

(a) "Agency" shall mean the Montgomery County Industrial Development Agency.

(b) "employee" shall mean any employee of the Montgomery County Industrial Development Agency.

3. Rule With Respect to Conflicts of Interest. No member or employee of the Agency should have any interest, financial or otherwise, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature, which is in substantial conflict with the proper discharge of his duties in the public interest.

4. Standards.

(a) No member or employee of the Agency should accept other employment which will impair his independence of judgment in the exercise of his official duties.

(b) No member or employee of the Agency should accept employment or engage in any business or professional activity which will require him to disclose confidential information which he has gained by reason of his official position or authority.

(c) No member or employee of the Agency should disclose confidential information acquired by him in the course of his official duties nor use such information to further his personal interests.

(d) No member or employee of the Agency should use or attempt to use his official position to secure unwarranted privileges or exemptions for himself or others.

(e) No member or employee of the Agency should engage in any transaction as representative or agent of the Agency with any business entity in which he has a direct or indirect financial interest that might reasonably tend to conflict with the proper discharge of his official duties.

(f) A member or employee of the Agency should not by his conduct give reasonable basis for the impression that any person can improperly influence him or unduly enjoy his favor in the performance of his official duties, or that he is affected by the kinship, rank, position or influence of any party or person.

(g) A member or employee of the Agency should abstain from making personal investments in enterprises which he has reason to believe may be directly involved in decisions to be made by him or which will otherwise create substantial conflict between his duty in the public interest and his private interest.

(h) A member or employee of the Agency should endeavor to pursue a course of conduct which will not raise suspicion among the public that he is likely to be engaged in acts that are in violation of his trust.

(i) No member or employee of the Agency employed on a full-time basis nor any firm or association of which such an officer or employee is a member nor corporation a substantial portion of the stock of which is owned or controlled directly or indirectly by such officer or employee, should sell goods or services to any person, firm, corporation or association which is licensed or whose rates are fixed by the Agency.

(j) If any officer or employee of the Agency shall have a financial interest, direct or indirect, having a value of ten thousand dollars or more in any activity which is subject to receiving benefits from the Agency, he should file with the members of the Agency a written statement that he has such a financial interest in such activity which statement shall be open to public inspection.

5. Violations. In addition to any penalty contained in any other provision of law any such member or employee who shall knowingly and intentionally violate any of the provisions of this section may be fined, suspended or removed from office or employment in the manner provided by law.

**CERTIFICATE OF CHIEF EXECUTIVE OFFICER**

I, Kenneth Rose, certify that I am the Chief Executive Officer of Montgomery County Industrial Development Agency and that this report, to the best of my knowledge, information and belief, is a true and correct statement of the financial transactions and fiscal condition for the year ended December 31, 2011.

Signature: \_\_\_\_\_

Title: Chief Executive Officer

**CERTIFICATE OF CHIEF FISCAL OFFICER**

I, Sheila Snell, certify that I am the Chief Fiscal Officer of Montgomery County Industrial Development Agency and that this report, to the best of my knowledge, information and belief, is a true and correct statement of the financial transactions and fiscal condition for the year ended December 31, 2011.

Signature: \_\_\_\_\_

Title: Chief Fiscal Officer