

**PUTNAM COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
(A COMPONENT UNIT OF THE COUNTY OF PUTNAM)**

FINANCIAL STATEMENTS

For the Years Ended December 31, 2011 and 2010

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Putnam County Industrial Development Agency
34 Gleneida Avenue
Carmel, New York

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Putnam County Industrial Development Agency of the State of New York, as of and for the years ended December 31, 2011 and 2010, which collectively comprise the Putnam County Industrial Development Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Putnam County Industrial Development Agency's management. My responsibility is to express opinions 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in note 9, the financial statements of the Putnam County Industrial Development Agency, are intended to present the financial position, and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Putnam County that is attributable to the transactions of the Agency. They do not purport to, and do not, present fairly the financial position of Putnam County New York, as of December 31, 2011 and 2010, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Putnam County Industrial Development Agency, as of December 31, 2011 and 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 2, 2012, on my consideration of the Putnam County Industrial Development Agency's internal control over financial reporting and on my 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 my 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 considered in assessing the results of my audit.

Accounting principals generally accepted in the United States of America require that the management's discussion and analysis on pages three through five 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Putnam County Industrial Development Agency's financial statements as a whole. The accompanying supplementary information, as referred to in this paragraph, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary Schedule of Contractual Expenses (Schedule 1) and the Schedule of Supplemental Bond Information (Schedule 2), have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Michael R. Quis
Certified Public Accountant

March 2, 2012

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011 AND 2010**

The following "Management's Discussion and Analysis" report ("MD&A") provides the reader with a narrative overview, discussion and analysis of the financial activities of the Agency for the years ended December 31, 2011 and 2010 respectively. The MD&A provides an assessment of the factors that in management's view significantly affected the Agency's overall financial position. Within this report, there may be assumptions or conclusions by management that should be considered a replacement for the presented financial statements. Information contained in the MD&A must be reviewed in conjunction with the Independent Auditor's Report, the Agency's audited financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

The Agency's total assets exceed its total liabilities by \$59,980 as of December 31, 2011. Operating revenues in the 2011 year were less than the current year's standard contractual expenses by \$18,176. As a result, net assets decreased in calendar year 2011 by 23% over 2010.

On December 31, 2011, a tax exempt industrial revenue bond of \$8,000,000 was issued for the Dunmore Corporation project. This bond will fund a 3,000 square foot expansion along with the related equipment investment for Dunmore Industries, Inc. This bond maturing on November 1, 2021 has a variable rate and will pay interest beginning in calendar year 2012. The Agency received a fee of \$40,000 on the issuance of this bond that represented one-half per-cent of the face value of the issue.

Straight lease revenues consisted of annual lease transaction fee revenues of \$10,000 along with \$750 of administrative, application and modification fees pertaining to bonds and/or leases. Total current year operating revenues of \$50,750 were less than the amount received in the 2010 year by \$14,250. Although bond fee income for the 2011 year was \$40,000, it was still \$10,000 less than the one-time straight lease \$50,000 fee received in the 2010 year.

The Agency's operating expenses in the 2011 year increased by \$7,000 from the prior year resulting primarily from a \$3,900 increase in wages and various increases of other contractual expenses.

The resulting decrease of \$15,590 in the 2011 year ending cash balance is a result primarily of the lower operating revenues along with the aforementioned increase of contractual expenses. The only significant asset of the Agency is the cash held in the local banks. The property and equipment owned has been fully depreciated with no remaining book value. Liabilities of the Agency consist primarily of the accrued audit fee and payroll tax liabilities.

Management stated that the cash balance of \$65,090 at December 31, 2011 will allow the Agency to continue its operations for a period of one year or more. It is anticipated in the 2012 year, additional revenues beyond the current straight leases annual fees will be received from a new bond issuance. There are many projects under consideration in Putnam County that are considering revenue bond or straight lease financing.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011 AND 2010**

SUMMARY OF OPERATING/NON-OPERATING ACTIVITIES

	<u>2011</u>	<u>2010</u>	<u>Increase(Decrease)</u>
<u>OPERATING REVENUE</u>			
Operating	<u>\$50,750</u>	<u>\$65,000</u>	<u>\$(14,250)</u>
<u>NON-OPERATING REVENUE</u>			
Interest Income	\$ 226	\$ 342	\$ (116)
Other Income	<u>61</u>	<u>3</u>	<u>58</u>
Total Non-Operating Revenue	<u>\$ 287</u>	<u>\$ 345</u>	<u>\$ (58)</u>
<u>OPERATING EXPENSES</u>			
Agency administration	\$68,926	\$61,926	\$ 7,000
Depreciation	<u>--</u>	<u>--</u>	<u>--</u>
Total Operating Expenses	<u>\$68,926</u>	<u>\$61,926</u>	<u>\$ 7,000</u>
<u>NON-OPERATING EXPENSES</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<u>TRANSFER AND CONTRIBUTIONS</u>			
Contribution from other organizations	<u>\$ --</u>	<u>\$15,000</u>	<u>\$(15,000)</u>

FUND FINANCIAL STATEMENTS

The Agency, a component unit of Putnam County, New York is within the fund category of a Proprietary Fund; their fund type is considered to be that of an Enterprise Fund. Fund accounting is a method of accountability used to maintain control over resources segregated for specific activities or objectives. Enterprise funds generally reflect business-type activities in which services are provided for a fee.

OVERVIEW OF FINANCIAL STATEMENTS

The Agency's financial statements are prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB).

The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. These are followed by notes to the financial statements. In addition to the basic financial statements, this report also contains required supplementary information.

The statement of net assets presents information on the Agency's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the direction of the Agency's financial position.

The statement of revenue, expenses and changes in net assets reports the operating revenues and expenses and non-operating revenues and expenses of the Agency for the fiscal year with the differences (the net income or loss) to determine the net change in assets for the

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011 AND 2010**

fiscal year. The change combined with the net assets at the end of the previous year total to the net assets at the end of the current fiscal year.

The statement of cash flows reports all cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, non-capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash balance total to the cash and cash equivalent balance at the end of the current fiscal year.

The accompanying notes to the financial statements provide information essential to an understanding of fund type financial statements and to certain accounting policies, procedures and guidelines followed by the Agency.

REQUESTS FOR INFORMATION FROM THE AGENCY

This financial report is designed to provide the readers of these statements with a general overview of the Agency's finances. All inquiries relating to this report should be addressed to the Chairman of the Putnam County Industrial Development Agency, 34 Gleneida Avenue, Carmel, NY 10512.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash (including petty cash)	\$ 65,090	\$ 80,680
Prepaid expenses	909	877
Lease transaction fee receivable	<u>-</u>	<u>2,500</u>
Total current assets	<u>65,999</u>	<u>84,057</u>
Capital assets (Notes 2b and 3)		
Office equipment	18,729	18,729
Furniture and fixtures	10,995	10,995
Computer equipment	<u>9,195</u>	<u>9,195</u>
	38,919	38,919
Less: accumulated depreciation	<u>(38,919)</u>	<u>(38,919)</u>
Total capital assets, net	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 65,999</u></u>	<u><u>\$ 84,057</u></u>
LIABILITIES		
Current liabilities		
Accrued liabilities	<u>\$ 6,019</u>	<u>\$ 6,188</u>
Total current liabilities	<u>6,019</u>	<u>6,188</u>
NET ASSETS		
Unrestricted	<u>59,980</u>	<u>77,869</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 65,999</u></u>	<u><u>\$ 84,057</u></u>

See the accompanying notes to financial statements.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
OPERATING REVENUE		
Straight-lease transaction rental income	10,000	12,500
Straight-lease transaction fees - total payout	-	50,000
Bond fee income	40,000	-
Modification of agreement	-	1,500
Lease/bond application fees	<u>750</u>	<u>1,000</u>
Total operating revenues	<u>50,750</u>	<u>65,000</u>
OPERATING EXPENSES		
Contractual expenses (Schedule 1):		
Agency administration	<u>68,926</u>	<u>61,926</u>
Total operating expenses	<u>68,926</u>	<u>61,926</u>
Net operating income	<u>(18,176)</u>	<u>3,074</u>
NON-OPERATING REVENUE (EXPENSE)		
Interest income	226	342
Other income	<u>61</u>	<u>3</u>
Total non-operating revenue (expense)	<u>287</u>	<u>345</u>
Income (loss) before transfers and contributions	(17,889)	3,419
Unrestricted contributions	<u>-</u>	<u>15,000</u>
Change in net assets	(17,889)	18,419
Total net assets, beginning of year	<u>77,869</u>	<u>59,450</u>
Total net assets, end of year	<u>\$ 59,980</u>	<u>\$ 77,869</u>

See the accompanying notes to financial statements.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from straight lease rentals	\$ 10,000	\$ 12,500
Bond fee income	\$ 40,000	
Inducement fees	-	1,500
Straight-lease transaction fees - total payout	-	50,000
Lease/bond application fees	750	1,000
Payments to vendors	(21,787)	(24,680)
Payments to employees	(44,840)	(40,950)
	<u>(15,877)</u>	<u>(630)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Unrestricted contributions	-	15,000
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Interest income	226	342
Other income	61	3
	<u>287</u>	<u>345</u>
Net cash provided from investing activities	<u>287</u>	<u>345</u>
Net increase (decrease) in cash and cash equivalents	(15,590)	14,715
Cash and cash equivalents – beginning of the year	<u>80,680</u>	<u>65,965</u>
Cash and cash equivalents – end of the year	<u>\$ 65,090</u>	<u>\$ 80,680</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (18,176)	\$ 3,074
Net change in assets and liabilities:		
(Increase) decrease in prepaid expenses	(32)	(16)
Increase (decrease) in accrued operating liabilities	(169)	(1,188)
(Increase) decrease in lease transaction fees receivable	<u>2,500</u>	<u>(2,500)</u>
Net cash used by operating activities	<u>\$ (15,877)</u>	<u>\$ (630)</u>

See the accompanying notes to financial statements.

PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

NOTE 1 – THE REPORTING ENTITY

The Agency was organized August 31, 1995, by the Putnam County Legislature under the authority of General Municipal Law, Section 856.1A of the State of New York. Accordingly, the Agency is exempt from taxes on income generated. The Agency was established to attract new business and encourage them to relocate to Putnam County. Additionally, as stated by the Agency, its purpose is to promote the economic welfare, recreational opportunities, and prosperity of its inhabitants; and to promote, attract, encourage and develop recreation and economically sound commerce and industry through governmental action for the purpose of preventing unemployment and economic deterioration.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting

The Agency's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Agency follows the provisions of the Governmental Accounting Standards Board, which establishes the financial reporting standards for all state and local government entities.

The accompanying financial statements have been prepared using the economic resources measurement focus on the accrual basis of accounting and reflect transactions on behalf of the Agency, the reporting entity. The Agency accounts for its operations as a proprietary enterprise fund.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

B. Capital Assets

Capital assets are stated at historical cost.

Depreciation is provided on the straight-line method at rates that are designed to amortize the original cost of the property over its estimated useful life. The major categories of capital assets in service, and their estimated useful lives are as follows at December 31, 2011 and 2010:

	<u>Estimated Useful Lives</u>
Office equipment	5 to 6 years
Furniture and fixtures	10 years
Computer equipment	5 years

C. Cash & Cash Equivalents

Cash and cash equivalents consist of cash held in a checking account. The Agency's cash balances were deposited at Putnam County Savings Bank. The Board of Directors believes the Agency is not exposed to any significant credit risk on cash and cash equivalents. Uninsured/uncollateralized balances are approximately \$0 at December 31, 2011. All balances are insured by the FDIC.

NOTE 3 - CAPITAL ASSETS

Capital assets at December 31, 2011 and 2010 are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Capital Assets, Net</u>
Office equipment	\$18,729	\$18,729	\$ -
Furniture and fixtures	10,995	10,995	-
Computer equipment	<u>9,195</u>	<u>9,195</u>	-
Total	<u>\$38,919</u>	<u>\$38,919</u>	<u>\$ -</u>

NOTE 4 - LEASES

The Agency leased office space from the County of Putnam at \$525 per month on a yearly basis for 2011 and 2010 respectively. It is anticipated that the lease will be renewed in the following calendar year (2012) at the existing rate of \$525 per month.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 5 – 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 are retired by lease payments. The bonds and notes are not obligations of the Putnam County Industrial Development Agency of the State of New York. The Agency does not record the assets of 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 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 when the bond is initially issued. Such bond issuances outstanding at December 31, 2011 and 2010 are summarized in Schedule 2, which is not audited.

The Agency is authorized to issue the following bonds:

Industrial Development Bonds

These are revenue bonds issued to finance the construction or purchase of manufacturing or commercial facilities.

Civic Facility Bonds

These are revenue bonds issued to finance the construction or financing needs of not-for-profit organizations that are categorized by the Internal Revenue Service as 501(c)(3) entities. These bonds are tax exempt unless otherwise stated.

NOTE 6 - STRAIGHT-LEASE TRANSACTIONS

In addition to the issuance of bonds and notes, the Agency has the authority to provide straight-lease financing for a project. This authority is granted under Article 18-A and Section 927-F of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York. This type of financing provides financial assistance primarily in the form of exemption of sales and use taxes, mortgage recording taxes, abatements of certain real property tax payments in lieu of taxes (PILOT), and utility discounts. The company developing the project enters into a lease with the Industrial Development Agency (termed the Agency Lease) and also enters into a sublease with the "Agency" with respect to the premises, all as part of the straight-lease transaction. The term of the Agency lease expires on the earlier of the termination of the Project Agreement or termination of the sublease. In essence, there is a lease entered into between the Agency and a company developing a project whereby leasehold title is transferred to the Agency by the company. A sublease is then entered into whereby the Agency subleases its interest back to the company. An annual base lease payment is made to the Agency that is the greater of \$2,500 or 10% of the benefits received by the company during the year.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

The following straight-lease transactions are in effect for the years ended December 31, 2011 and 2010:

Client	Lease Inception Date		Max Aggregate Straight-lease Financing	Expiration Date	Annual Lease Payments		10% of Benefit Received	
					2011	2010	2011	2010
Williams Acq. Plaza	July 16, 1999*	(c)	\$ 6,000,000	July 1, 2009	\$ -	\$ -	\$ -	\$ -
Columbia PHC	Nov. 23, 1999*		\$ 6,000,000	Dec. 31, 2001	\$ -	\$ -	\$ -	\$ -
Clancy	June 30, 2000	(a)	\$ 16,200,000	June 30, 2040	\$ -	\$ 2,500	\$ -	\$ -
Fryer Machine	August 1, 2000*	(b)	\$ 4,500,000	Oct. 20, 2006	\$ -	\$ -	\$ -	\$ -
Fryer Machine	August 1, 2004	(d)	\$ 4,600,000	July 1, 2016	\$ 2,500	\$ 2,500	\$ -	\$ -
Fryer Machine	August 1, 2004*		(tax abatement - 10% adjustment)		\$ -	\$ -	\$ -	\$ -
Williams Acq.	December 29, 2006		\$ 5,500,000	April 15, 2022	\$ 2,500	\$ 2,500	\$ -	\$ -
Jaral Putnam LLC	March 26, 2009	(e)	\$ -	March 19, 2019	\$ -	\$ -	\$ -	\$ -
Fox Ridge Hotel	March 1, 2009		\$ 3,850,000	March 1, 2019	\$ -	\$ -	\$ -	\$ -
Seven Sutton Pl	April 28, 2009		\$ 5,120,000	April 28, 2018	\$ 2,500	\$ 2,500	\$ -	\$ -
Brewster Plastics	December 23, 2010		\$ 4,700,000	December 22, 2020	\$ 2,500	\$ 2,500	\$ -	\$ -
Micro-Macinazione	One time payment.*				\$ -	\$ -	\$ -	\$ -
Totals			<u>\$ 56,470,000</u>		<u>\$ 10,000</u>	<u>\$ 12,500</u>	<u>\$ -</u>	<u>\$ -</u>

(a) Effective December 6, 2001, there was an addition of \$1,500,000 to the existing straight lease transaction, increasing the total amount financed from \$14,700,000 to \$16,200,000. Officially, the annual payment of \$2,500 due to the Agency over the remaining 30-year term was satisfied with a "one-time" straight lease payment of \$50,000. However, the Agency has a continuing legal obligation under the terms of the straight lease agreement until the earlier of the termination of the Project Agreement or termination of the sublease.

(b) Effective January 17, 2002, there was an addition of \$750,000 to the existing straight lease transaction, increasing the total amount financed from \$3,750,000 to \$4,500,000. Clancy's lease with the PCIDA and its related sublease with Clancy Moving Systems, Inc., were terminated in connection with the refinancing of the subject premises on October 20, 2006.

(c) Effective December 29, 2006, there was an addition of \$5,500,000 to the existing straight lease transaction, increasing the amount financed from \$6,000,000 to \$11,500,000.

(d) Effective June 19, 2006, there was an addition of \$600,000 to the existing straight lease transaction, increasing the total amount financed from \$4,000,000 to \$4,600,000.

(e) The proposed Staybridge Suites project has been postponed due to poor economic and difficult financing conditions. The total project is expected to cost approximately \$24,000,000.

* Presented for historical purposes only.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

NOTE 7 – PAYMENTS IN LIEU OF TAXES (PILOTS)

The Agency, under the provisions of Section 412-a of the Real Property tax law of the State of New York is not required to pay real estate taxes on any of the property acquired by it or under its jurisdiction, supervision or control. In order to insure the receipt of real estate tax revenues, the agency entered into a "Payment In Lieu of Tax Agreement" with the lessees of various projects. The lessees have agreed to make payments in lieu of taxes until the agency's tax exemption is no longer in effect, at which time, title will be conveyed to the lessee. Under Section 485-b of NYS Real Property tax law, tax payments for all real estate taxes will be paid directly by the lessees in a reduced manner as provided for in the Project Agreements. In 2011, these payments amounted to \$873,114 as follows:

County taxes	\$ 71,983
Local taxes	94,773
School taxes	<u>706,358</u>
Total	<u>\$ 873,114</u>

NOTE 8 – TAX EXEMPTIONS

Total other tax exemptions received on the various projects for the year ended December 31, 2011 were as follows:

Sales Tax Exemptions	\$ 0
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NOTE 9 – LIMITED COVERAGE OF THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The financial statements of the Putnam County Industrial Development Agency are intended to present the financial position and results of operations and cash flows of proprietary fund types of only that portion of the financial reporting entity of the County of Putnam, State of New York that is attributable to the transactions of the Agency.

NOTE 10 – CURRENT LIABILITIES

Current liabilities are comprised of the following items for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Accrued expenses	\$ 4,575	\$ 4,053
Payables – other	<u>1,444</u>	<u>2,135</u>
Total	<u>\$ 6,019</u>	<u>\$ 6,188</u>

NOTE 11 – EVALUATION OF SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through March 2, 2012, the date which the financial statements were available to be issued.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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SCHEDULE 1

AGENCY ADMINISTRATION:

	<u>2011</u>	<u>2010</u>
Rent	\$ 6,300	\$ 6,300
Professional fees – accounting and auditing	5,900	5,500
Insurance	3,005	2,913
Legal notices	794	285
Travel	273	181
Service charges	20	79
Wages	44,840	40,950
Payroll related expenses	4,210	3,906
Website	1,205	615
Office supplies	204	60
Postage and delivery	194	207
Registration Fees	925	-
Meals	419	232
Telephone	<u>637</u>	<u>698</u>
Total Agency Administrative Expenses	<u>\$ 68,926</u>	<u>\$ 61,926</u>

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF BOND INDEBTEDNESS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

DECEMBER 31, 2011

<u>Name of Project</u>	<u>Principal Amount Of Issue</u>	<u>Issue Date</u>	<u>Outstanding Beginning Fiscal Year</u>	<u>Principal Paid During Fiscal Year</u>	<u>Outstanding End Of Fiscal Year</u>
(A) Broad Reach LLC Project	\$6,685,000	12/29/06	\$6,215,000	\$160,000	\$6,055,000

The Variable Rate Industrial Development Revenue Bond total issue of \$6,685,000 consists of two bonds issued on December 29, 2006 as follows:

<u>No.</u>	<u>Tax Series</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Tax Status</u>
R-1	2006A	July 1, 2014	\$ 915,000	Variable	Taxable
R-2	2006B	July 1, 2032	\$5,770,000	Variable	Taxable – converted to tax exempt

Note: Bond interest paid during the year amounted to \$42,571.

(B) Sincerity +, LLC Facility	\$9,990,000	12/01/04	\$9,565,000	\$450,000	\$9,115,000
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The Variable Rate Demand Industrial Development Revenue Bond, Series 2004 total issue of \$9,990,000 consists of one bond issued on December 1, 2004. The additional bond information is as follows:

<u>No.</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Tax Status</u>
R-1	December 1, 2024	Variable	Taxable

Note: Bond interest paid during the year amounted to \$38,878.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF BOND INDEBTEDNESS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

DECEMBER 31, 2011

<u>Name of Project</u>	<u>Principal Amount Of Issue</u>	<u>Issue Date</u>	<u>Outstanding Beginning Fiscal Year</u>	<u>Principal Paid During Fiscal Year</u>	<u>Outstanding End Of Fiscal Year</u>
(C) Mahopac Volunteer Fire Department, Inc. Project	\$5,700,000	06/01/05	\$4,805,000	\$220,000	\$4,585,000

The Variable Rate Civic Facility Revenue Bond, Series 2005 total issue of \$5,700,000 consists of one bond issued on June 1, 2005 as follows:

<u>No.</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Tax Status</u>
R-1	November 1, 2012	Variable	Tax Exempt

Note: Bond interest paid during the year amounted to \$64,184.

(D) United Cerebral Palsy Of Putnam and Southern Dutchess Project	\$12,565,000	12/01/05	\$11,520,000	\$345,000	\$11,175,000
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The Variable Rate Civic Facility Revenue Bond, Series 2005 total issue of \$12,565,000 consists of three bonds issued on December 1, 2005 as follows:

<u>No.</u>	<u>Tax Series</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Tax Status</u>
R-2	2005 A	December 1, 2030	\$4,300,000	Variable	Tax Exempt
R-3	2005 B	December 1, 2030	8,025,000	Variable	Taxable-Convertible to tax exempt
R-4	2005 C	December 1, 2008	240,000	Variable	Taxable

Note: Bond interest paid during the year amounted to \$20,304.

**PUTNAM COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHEDULE OF BOND INDEBTEDNESS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

DECEMBER 31, 2011

<u>Name of Project</u>	<u>Principal Amount Of Issue</u>	<u>Issue Date</u>	<u>Outstanding Beginning Fiscal Year</u>	<u>Principal Paid During Fiscal Year</u>	<u>Outstanding End Of Fiscal Year</u>
(E) Dunmore Corporation	\$8,000,000	12/13/11	\$0	\$0	\$8,000,000

The industrial Revenue Bond total issue of \$8,000,000 consists of one bond issued on December 13, 2011 as follows:

<u>No.</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Tax Status</u>
R-1	November 1, 2021	Variable	Tax Exempt

Note: No bond interest was paid during the year.

*(F) Brewster Plastics, Inc.	\$3,430,000	06/12/96	\$0	\$0	\$0
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The industrial Revenue Bond total issue of \$3,430,000 consisted of two bonds issued on June 12, 1996 as follows:

<u>No.</u>	<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Tax Status</u>
R-1	December 1, 2008	\$1,440,000	7.375%	Taxable
R-2	December 1, 2016	1,990,000	8.50%	Taxable

Note: The bond issued in 1996 for \$1,990,000 was satisfied early in May of 2009.

* Presented for historical purposes only.

Michael R. Quis, C.P.A., M.B.A.

Certified Public Accountant

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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**

Board of Directors
Putnam County Industrial Development Agency
34 Gleneida Avenue
Carmel, New York

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Putnam County Industrial Development Agency of the State of New York, as of and for the year ended December 31, 2011, which collectively comprise the Putnam County Industrial Development Agency's basic financial statements and have issued my report thereon dated March 2, 2012. I conducted my 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 my audit, I considered the Putnam County Industrial Development Agency's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Putnam County Industrial Development Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Putnam 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 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.

My 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 the Putnam County Industrial Development Agency's 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 statement 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 the Board of Directors of the Putnam County Industrial Development Agency and the State of New York and is not intended to be and should not be used by anyone other than these specified parties. This report is, however, a matter of public record.



Michael R. Quis
Certified Public Accountant

March 2, 2012