

**FRANKLIN COUNTY  
LOCAL DEVELOPMENT CORPORATION**

**AUDIT REPORT**

**December 31, 2011 and 2010**

**Douglas S. Wood, C.P.A., P.C.  
479 East Main Street  
Malone, New York 12953  
(518) 483-2531**

Franklin County Local Development Corporation  
TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE NUMBER</u>
Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-10
Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11-12
Schedule of Prior Findings and Questioned Costs	13
Schedule of Economic Development Zone Revenue and Expenditures	14
Management Letter	15

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

479 E. Main Street, Malone, New York 12953  
(518) 483-2531 • (518) 483-2622

---

5 Hodskin Street, Canton, New York 13617  
(315) 379-9131

**Independent Auditors' Report**

To the Board of Directors  
Franklin County Local Development Corporation  
Franklin County, New York

We have audited the accompanying Statements of Financial Position of the Franklin County Local Development Corporation as of December 31, 2011 and 2010, and the related Statements of Activities and Cash Flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and *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 audits provide a reasonable basis for our opinion.

Generally accepted accounting principles require an allowance for doubtful accounts to be established for potential bad debts. The Local Development Corporation had \$1,435,094 in delinquent loans with no allowance established. No determination of the collectability had been made.

In our opinion, except for the effects of not establishing an allowance for doubtful accounts the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin County Local Development Corporation 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 generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2012, on our consideration of the Franklin County Local Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended December 31, 2011.

Our audit was made also for the purpose of forming an opinion on the financial statements of Franklin County Local Development Corporation. The accompanying Schedule of Economic Development Zone Revenues and Expenditures is presented for additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

March 23, 2012

Franklin County Local Development Corporation  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash	\$ 733,661	\$ 1,046,425
Loans receivable (Net of \$6,500 allowance)	<u>2,769,775</u>	<u>2,420,302</u>
	<u>3,503,436</u>	<u>3,466,727</u>
<b>EQUIPMENT</b>		
Less accumulated depreciation	16,637	16,637
	<u>( 13,929)</u>	<u>( 12,469)</u>
	<u>2,708</u>	<u>4,168</u>
	<u>\$ 3,506,144</u>	<u>\$ 3,470,895</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$	\$ 1,428
Due to other governments	13,226	13,226
Deferred revenue (Note 5)	<u>837,721</u>	<u>843,620</u>
<b>TOTAL LIABILITIES</b>	<u>850,947</u>	<u>858,274</u>
<b>NET ASSETS</b>		
Unrestricted	154	281
Temporarily restricted	<u>2,655,043</u>	<u>2,612,340</u>
<b>TOTAL NET ASSETS</b>	<u>2,655,197</u>	<u>2,612,621</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,506,144</u>	<u>\$ 3,470,895</u>

Franklin County Local Development Corporation  
 STATEMENTS OF ACTIVITIES  
 For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS		
SUPPORT		
Franklin County	\$ 5,899	\$ 26,035
State Aid		
Miscellaneous		
TOTAL UNRESTRICTED SUPPORT	<u>5,899</u>	<u>26,035</u>
EXPENSES		
Economic Development Zone (Schedule 1)	<u>( 6,026)</u>	<u>( 26,366)</u>
TOTAL UNRESTRICTED EXPENSES	<u>( 6,026)</u>	<u>26,366</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>( 127)</u>	<u>( 331)</u>
TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT		
Interest	56,004	95,432
Miscellaneous	432	
Federal assistance		
TOTAL TEMPORARY SUPPORT	<u>56,436</u>	<u>95,432</u>
EXPENSES		
Professional	( 4,235)	( 9,387)
Miscellaneous	( 2,998)	( 4,337)
Bad debts	<u>( 6,500)</u>	<u>          </u>
TOTAL TEMPORARY EXPENSES	<u>( 13,733)</u>	<u>( 13,724)</u>
(INCREASE) DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>42,703</u>	<u>81,708</u>
INCREASE (DECREASE) IN NET ASSETS	42,576	81,377
NET ASSETS – BEGINNING OF YEAR	<u>2,612,621</u>	<u>2,531,244</u>
NET ASSETS – END OF YEAR	<u>\$ 2,655,197</u>	<u>\$ 2,612,621</u>

Franklin County Local Development Corporation  
 STATEMENTS OF CASH FLOWS  
 For the Years Ended December 31, 2011 & 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 42,576	\$ 81,377
Adjustments to reconcile change in net assets to cash flows provided (used) by operations		
Depreciation	1,460	442
Bad debts	6,500	
(Increase)Decrease in prepaid expenses		
Increase (Decrease) in due to other governments		
Increase(Decrease) in accounts payable	( 1,428)	( 5,160)
Increase(Decrease) deferred revenue	<u>( 5,899)</u>	<u>( 13,998)</u>
<b>NET CASH PROVIDED (USED) BY OPERATIONS</b>	<u>43,209</u>	<u>62,661</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment		( 4,000)
(Increase) Decrease notes receivable	<u>( 355,973)</u>	<u>( 209,865)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>( 355,973)</u>	<u>( 213,865)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	( 312,764)	( 151,204)
<b>CASH &amp; CASH EQUIVALENTS – BEGINNING</b>	<u>1,046,425</u>	<u>1,197,629</u>
<b>CASH &amp; CASH EQUIVALENTS – ENDING</b>	<u>\$ 733,661</u>	<u>\$ 1,046,425</u>

Franklin County Local Development Corporation  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Franklin County Local Development Corporation have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Nature of Operations

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 of 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.

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.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.



Franklin County Local Development Corporation  
Notes to Financial Statements (Cont'd)  
December 31, 2011

Temporarily Restricted Net Assets

The temporarily restricted net assets represent the amount of the Revolving Loan Fund which was created by Franklin County I.D.A. to stimulate the growth of private sector industrial employment in Franklin County, New York. The revolving loan fund provides financial assistance to: (1) small industries who wish to expand or to build new facilities; (2) small industries who must modernize their physical plant or equipment and machinery to maintain their competitive position; and (3) Canadian industrial firms who seek to locate new plants or facilities in the County.

Income Taxes

The Corporation is duly established under Section 402 and 1411 of the Not-for-Profit Corporation Law of the State of New York and is a corporate governmental agency performing an essential governmental function. Therefore, no provision for such taxes has been made in the financial presentation and accordingly no deferred income taxes have been recognized.

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 Corporation 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.

NOTE 2 – RESTRICTED CASH

Temporarily restricted cash in the amounts of \$617,712 and \$923,129 for December 31, 2011 & 2010 respectively is to be used for loans as part of the revolving loan fund.

NOTE 3 – CASH AND CONCENTRATION OF CREDIT RISK

All funds were totally collateralized at December 31, 2011 and 2010.

Franklin County Local Development Corporation  
Notes to Financial Statements (Cont'd)  
December 31, 2011

	<u>2011</u>	<u>2010</u>
<b>NOTE 4 – RESTRICTED LOANS RECEIVABLE</b>		
Details of the loans receivable at December 31, 2011 and 2010 consist of the following:		
<b>Branch Commercial Development</b>		
Date of loan 6/10		
Original loan balance \$250,000		
Balance as of December 31	\$ 218,599	\$ 238,733
Interest Rate: 5.25%		
Final Maturity 6/20		
Monthly payment: \$2,682.29		
<b>Franklin County, IDA</b>		
Date of Loan 09/06		
Original loan balance \$475,000		
Balance as of December 31,	613,483	582,882
Interest Rate 5% per annum		
Final Maturity 09/11		
<b>Glazier Packing</b>		
Date of loan 8/05		
Original loan balance \$200,000		
Balance as of December 31	66,265	80,862
Interest rate 8%		
Final maturity 8/15		
Monthly payment \$2,426.55		
<b>Asept Pak, Inc.</b>		
Date of Loan 9/09		
Original Loan Balance \$250,000		
Balance as of December 31,	250,000	250,000
Interest rate 6%		
Final maturity 9/14		
Monthly payment \$5,294.22		
<b>Asept Pak, Inc.</b>		
Date of Loan 9/11		
Original Loan Balance \$425,000		
Balance as of December 31,	425,000	0
Interest rate 5.25%		
Maturity upon Empire Development Financing		

Franklin County Local Development Corporation  
Notes to Financial Statements (Cont'd)  
December 31, 2011

	<u>2011</u>	<u>2010</u>
<b>UICC Holdings</b>		
Date of loan 3/09		
Original loan balance \$6,500		
Balance as of December 31	0	6,500
Interest rate 6%		
Final maturity 12/23		
Monthly payment 1,169.64		
 <b>Wise Buys</b>		
Date of loan 7/04		
Original loan balance \$250,000		
Balance as of December 31,	50,093	83,093
Interest rate 6%		
Monthly payment \$3,654.12		
 <b>Franklin Forest Products</b>		
Date of loan 10/02		
Original loan balance \$100,000		
Balance as of December 31	3,359	17,352
Interest rate 6.75%		
Final maturity 10/07		
Monthly payment \$1,968.35		
 <b>Asept Pak, Inc.</b>		
Date of loan 2/16/07		
Original loan balance \$400,000		
Balance as of December 31	400,000	400,000
Interest rate Deferred		
Final Maturity 02/13		
Monthly payments \$6,692.26		

Franklin County Local Development Corporation  
Notes to Financial Statements (Cont'd)  
December 31, 2011

	<u>2011</u>	<u>2010</u>
<b>Asept Pak, Inc.</b>		
Date of loan 3/09		
Original loan balance \$735,000		
Balance as of December 31	735,001	735,001
Interest 4.8%		
Final Maturity 3/14		
 <b>Franklin Snowmobile Club</b>		
Date of Loan 12/07		
Original Balance \$165,000		
Balance as of December 31	<u>7,975</u>	<u>25,879</u>
Interest		
	<u>\$ 2,769,775</u>	<u>\$ 2,420,302</u>

NOTE 5- DEFERRED REVENUE

Deferred revenue consists primarily of original HUD loans transferred from the Franklin County IDA and deferred EDZ Zone County monies. As these loans are repaid or expenses incurred in the EDZ Zone revenue is recognized.

NOTE 6-CONTINGENCIES AND COMMITMENTS

The Corporation 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.

NOTE 7 – CONCENTRATION

The agency's loan portfolio totaling \$2,769,775 has one obligor with outstanding loans totaling \$1,810,001 or 65.3% of the portfolio.

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

479 E. Main Street, Malone, New York 12953

(518) 483-2531 • (518) 483-2622

---

5 Hodskin Street, Canton, New York 13617

(315) 379-9131

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 Local Development Corporation  
Franklin County, New York

We have audited the financial statements of the governmental activities of Franklin County Local Development Corporation, as of and for the year ended December 31, 2011, which collectively comprise Franklin County Local Development Corporation's basic financial statements and have issued our report thereon dated March 23, 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 the Franklin County Local Development Corporation'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 the Franklin County Local Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Franklin County Local Development Corporation'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 the Franklin County Local Development Corporation'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 the Franklin County Local

Development Corporation's financial statements that are more than inconsequential will not be prevented or detected by the Franklin County Local Development Corporation's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Franklin County Local Development Corporation'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 Local Development Corporation's financial statements are free of material misstatement, we 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 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 the Franklin County Local Development Corporation, in a separate letter dated March 23, 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 23, 2012

Franklin County Local Development Corporation  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
December 31, 2011

**SUMMARY OF AUDIT RESULTS**

**No Prior Findings and Questioned Costs**

Franklin County Local Development Zone  
SCHEDULE OF ECONOMIC DEVELOPMENT ZONE REVENUES & EXPENDITURES  
December 31, 2011

REVENUES	
New York State	\$
Franklin County	5,899
Miscellaneous	
	<u>5,899</u>
EXPENDITURES	
Depreciation	127
Telephone	465
Professional	1,250
Marketing	35
Miscellaneous	1,809
Consulting	<u>2,340</u>
	<u>6,026</u>
Net Loss	<u>\$ ( 127)</u>



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

479 E. Main Street, Malone, New York 12953  
(518) 483-2531 • (518) 483-2622

---

5 Hodskin Street, Canton, New York 13617  
(315) 379-9131

To the Board of Directors  
Franklin County Local Development Corporation  
Malone, New York 12953

In planning and performing our audit of the financial statements of the Franklin County Local Development Corporation 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 has outstanding loans totaling \$1,435,094 that are seriously in arrears. We recommend that an allowance for doubtful accounts be established for all or part of these receivables.

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

March 23, 2012