

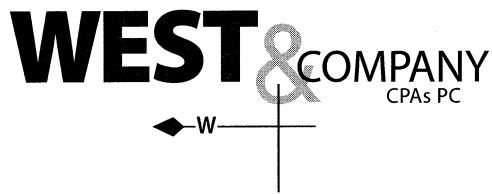
**MONTGOMERY COUNTY  
INDUSTRIAL DEVELOPMENT AGENCY**

**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.

